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FIT Update – Community Energy Partnerships Program

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Ontario's Minister of Energy and Infrastructure, Brad Duguid, announced on May 10, 2010 the launch of the Community Energy Partnerships Program (CEPP). The CEPP will generally cover up to 90% of eligible development costs to a maximum of C$200,000 for community-owned renewable energy projects between 10 kilowatts and 10 megawatts. Charities, not-for-profits and co-ops will be eligible for the fund, as well as projects developed by individual Ontario residents.

The CEPP will likely increase the number of community-owned renewable energy project proponents applying to Ontario's Feed-in Tariff (FIT) Program. The FIT Program is North America's first comprehensive guaranteed pricing structure for renewable electricity production and is a centrepiece of Ontario's bid for an international leadership position in clean energy. It offers stable prices under long-term contracts for energy generated in Ontario from renewable sources, such as bioenergy (biomass, biogas, and landfill gas), onshore and offshore wind, solar photovoltaic (PV) (ground-mounted or rooftop), and waterpower (naturally flowing water).

On April 8, 2010, the Minister announced that FIT contracts had been offered for 184 large-scale projects representing 2,421 megawatts of renewable energy generation throughout Ontario. (See our April 2010 Blakes Bulletin on CleanTech/Energy: *Ontario Announces 184 Feed-in Tariff Contracts for 2,421 MW of Renewable Energy* for more information about these large-scale projects). Included in these FIT contracts were 20 for large-scale community-owned renewable energy projects located in several communities throughout Ontario, including Elmira, Clarington, Singhampton, Wainfleet, and Webbwood. These community projects represent a combined generating capacity of over 264 megawatts, which is enough electricity to power more than 70,000 homes.

The Minister announced the launch of the CEPP at the Community Power Finance Forum held at the MaRS Centre in Toronto, at which Blakes was one of the lead sponsors. The Forum presented community power project developers, funders, and policy makers with finance, funding and project management information relevant to community-owned renewable power projects under the FIT Program.

FEED-IN TARIFF PROGRAM

The FIT Program was launched by the Ontario government in September 2009 under the *Green Energy and Green Economy Act, 2009*, which was passed into law on May 14, 2009. The Ontario Power Authority (OPA) is responsible for implementing the FIT Program. More information on programs under the Green Energy Act can be found in our September 2009 Blakes Bulletin on Energy/CleanTech: *Ontario Launches Programs to Implement its Green Energy Act*.

In addition to the 184 large-scale projects announced on April 8, 2010, Capacity Allocation Exempt FIT contracts were announced by the OPA on March 10, 2010 for 510 mid-sized projects representing 112.2 megawatts of renewable energy generation. Capacity Allocation Exempt projects are defined as: (1) projects with no more than 250 kilowatts of rated generating capacity where the facility is connected to a less than 15 kV line; and (2) projects of 500 kilowatts or less of rated generating capacity where the facility is connected to a 15 kV or greater line. Capacity Allocation Exempt projects can be developed without significant impact on the transmission or distribution systems, through a streamlined and expedited connection process.

The FIT Program also has a separate stream called "microFIT" for renewable energy generation projects of 10 kilowatts or less. This subset of the FIT Program is designed for homeowners and small businesses interested in generating and selling power typically from existing premises. The first 700 microFIT conditional offers were issued on December 16, 2009. As of March 8, 2010, more than 180 microFIT projects were connected to the grid and will be receiving payments for the electricity that they generate. As of April 6, 2010, the OPA had sent approximately 3,000 conditional

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microFIT offers, after receiving approximately 8,500 microFIT applications representing 76.5 megawatts of capacity, including 8,424 applications for solar photovoltaic projects representing 76.0 megawatts of capacity. The OPA is accepting microFIT applications on an ongoing basis and eventually anticipates a 30-day turnaround for conditional offers.

By encouraging the development of renewable energy in Ontario, the FIT Program will help Ontario honour its commitment to phase out coal-fired electricity generation by 2014, boost economic activity and the development of renewable energy technologies, and create new green industries and jobs. The FIT Program is expected to create 20,000 jobs and attract approximately C$9-billion in private sector investment. The OPA continues to accept and process FIT applications. Applicants to the FIT Program must register online and submit a FIT application to the OPA.

COMMUNITY PRICE ADDER

The "Community Price Adder" is an incremental amount that forms part of the FIT contract price payable by the OPA to the owners of Community Participation Projects. The Community Price Adder is the Maximum Community Price Adder multiplied by the Community Participation Level multiplied by two, up to the Maximum Community Price Adder. Therefore, Projects that have a Community Participation Level of at least 50% are eligible for the Maximum Community Price Adder. Similarly, a Project with a 10% Community Participation Level is only eligible for 20% of the Maximum Community Price Adder. The Maximum Community Price Adder is 1¢/kWh for wind and ground-mounted solar PV, 0.6¢/kWh for water, and 0.4¢/kWh for biogas, biomass, and landfill gas.

A Project is a "Community Participation Project" if the Applicant or Supplier is a Community Investment Member, or if the Project has at least a 10% Community Participation Level. A Community Investment Member can be: (i) one or more individuals Resident in Ontario; (ii) a Registered Charity with its head office in Ontario; (iii) a Not-For-Profit Organization with its head office in Ontario; or (iv) a "co-operative corporation", as defined in the Ontario *Co-operative Corporations Act*, all of whose members are Resident in Ontario. The Community Participation Level refers to the percentage of the Economic Interest of the Applicant or the Supplier that is held by Community Investment Members. (All initially capitalized terms not otherwise defined in this bulletin have the meanings set forth in the FIT Standard Definitions.)

ABORIGINAL PRICE ADDER

Similar to the Community Price Adder for Community Participation Projects, the FIT Program includes an Aboriginal Price Adder for Aboriginal Participation Projects. The Aboriginal Price Adder is the Maximum Aboriginal Price Adder multiplied by the Aboriginal Participation Level multiplied by two, up to the Maximum Aboriginal Price Adder. The Maximum Aboriginal Price Adder is 1.5¢/kWh for wind and ground-mounted solar PV, 0.9¢/kWh for water, and 0.6¢/kWh for biogas, biomass, and landfill gas.

A Project is an "Aboriginal Participation Project" if an Aboriginal Community holds at least a 10% Economic Interest in the Applicant or Supplier. "Aboriginal Community" means, for the purposes of the FIT Program: (i) a First Nation that is a "Band" as defined in the Canadian *Indian Act*; (ii) the Métis Nation of Ontario or any of its active Chartered Community Councils; (iii) an organization that represents the collective interests of a community that is composed of Métis or other aboriginal individuals; or (iv) a corporation that is wholly owned by one or more Aboriginal Communities as described in (i), (ii) or (iii).

COMMUNITY ENERGY PARTNERSHIPS PROGRAM

The CEPP offers grants to certain community-owned renewable energy projects. The maximum grant is: C$10,000 for solar and wind projects between 10 and 50kW; C$75,000 for solar and wind projects between 50 and 1000kW and biogas, biomass, and landfill gas projects between 10 and 500kW; and C$200,000 for solar and wind projects between 1 and 10MW, biogas, biomass, and landfill gas projects between 500kW and 10MW, and waterpower projects between 10kW and 10MW.

According to the announcement, the CEPP is to cover up to 90% of the actual costs of each eligible activity (as set out on the CEPP website), up to the maximum amount set out above. Applicants will be required to contribute a minimum of 10% of all costs of project

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activities funded by the CEPP. Renewable energy projects may be eligible for CEPP funding if they are between 10kW and 10MG, are located in Ontario, are economically viable and the subject of a future FIT contract, are not funded by any other OPA funded program, and are developed by a "Community". A "Community" within the CEPP Rules is essentially the same as a Community Investment Member who has a 100% Community Participation Level within the FIT Rules.

The CEPP Fund will be co-managed by the Community Power Fund and Deloitte. The mission of the Community Power Fund is to provide financial resources to help support renewable energy projects owned, developed and governed by Ontario communities. The Community Power Fund has successfully managed and operated a multimillion dollar community power grant program since 2007. As a result of this work, the Community Power Fund had gained a better understanding of the financing needs of community power projects and the experience required to co-manage the CEPP Fund.

FUTURE ROUNDS OF FIT CONTRACTS

Applicants to the FIT Program for non-Capacity Allocation Exempt projects who were not offered a FIT contract but who are otherwise eligible to receive such an offer must now wait for future decisions of the OPA to award FIT contracts. The OPA uses an Economic Connection Test (ECT) to identify transmission or distribution system expansion projects that will support renewable generation and meet economic requirements. The OPA is conducting regular presentations to provide updates on the ECT and to further elaborate on the ECT process. The most recent ECT presentation was conducted by the OPA on May 19, 2010. The OPA will conduct ECTs every six months, with the first ECT beginning in early August 2010. The upcoming ECT will take into account all eligible FIT applications that have been received by June 4, 2010. Additional FIT contracts will be offered to eligible applicants based on the results of the ECTs, once work begins on the associated expansion projects.

The ECT does not apply to the mid-sized Capacity Allocation Exempt projects. Under the FIT Program, Capacity Allocation Exempt projects proceed directly to a FIT contract after the application is complete and checked. Furthermore, Capacity Allocation Exempt Projects are not required to submit application security, nor are they subject to the transmission and distribution availability tests, the FIT production line, or the FIT reserve.

If you are considering investing in or developing renewable energy projects, or if you would like us to submit an anonymous inquiry to the OPA regarding the Economic Connection Test, the Community or Aboriginal Price Adders, the CEPP, or any other aspect of the FIT Program or microFIT Program, please contact Richard Corley by email at richard.corley@blakes.com or by telephone at 416-863-2183 or David Feldman by email at david.feldman@blakes.com or by telephone at 416-863-4021 or any member of the Blakes CleanTech Group.

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