

Blakes Bulletin

CleanTech

Ontario Feed-in Tariff Report Released

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On March 22, 2012, the Ontario government announced the much anticipated results of its review of the Feed-in Tariff (FIT) Program. As expected, the resulting Report recommends significantly reducing the FIT prices for solar to reflect the rapidly falling costs of solar panels and provides for greater municipal involvement in the approval process, but strongly affirmed the McGuinty Government's continuing support for the renewable energy industry, the FIT Program and community power in Ontario. The Report recommends a number of other changes, also highlighted below, many of which remain to be detailed in the forthcoming revised FIT Rules and FIT Contracts. The government has accepted all of the recommendations in the Report and has committed to act quickly to implement them. We note that timely implementation is critical in view of the industry uncertainty that resulted from the election last fall, followed shortly thereafter by the announcement of the FIT review. (See: Blakes Bulletin: Green Energy Remains a Priority as Liberals Retain Power in Ontario, October 2011, and Blakes Bulletin: Ontario Power Authority Announces First Review of Feed-In Tariff Program, November 2011.)

REPORT HIGHLIGHTS

1. Lower FIT Rates and Annual Adjustments

As was expected, the Report recommends substantially reducing the FIT prices by more than 20% for solar, on average, and by approximately 15% for wind. (For a list of rates, see the table at the end of the bulletin.)

In order to provide greater price certainty while avoiding significant divergence between costs and FIT prices in the future, the Report recommends that FIT prices be adjusted annually to reflect current costs, with the prices being published each November to take effect on January 1 of the following year. The Report also recommends that the FIT Contract price should be

established at the time that the FIT Contract is offered by the Ontario Power Authority (OPA), rather than at the time of the FIT application.

2. Increased Municipal Involvement in Renewable Energy Projects

In apparent response to concerns raised during the provincial election last year, the Report provides in a number of ways for greater municipal and community involvement in renewable energy projects. While all of the mechanics remain to be detailed in the FIT Rules and/or FIT Contracts, the intent to encourage the development of FIT projects by and together with local municipalities as well as community and aboriginal groups is apparent in a number of parts of the Report. Specific changes that reflect municipal considerations include:

- prioritizing projects with municipal support by awarding points during the application review process;
- support for municipalities to better integrate renewable energy projects in communities;
- requirements for early contract launch meetings with municipalities and other key stakeholders for large FIT projects;
- changes to the Municipal Consultation Form in the Renewable Energy Approval (REA) process to better address municipal concerns;
- strengthening the protection of prime agricultural lands by prohibiting solar ground-mount projects (over 10 kW) on lands that contain class 1, 2 and 3 soils without exception and land with organic and mixed soils;
- prohibiting solar ground-mount projects (of any size) in residential areas and lands bordering residential areas; and
- restricting solar ground-mount projects in commercial or industrial areas to installations where the production of renewable energy is a secondary use.

CONT'D ON PAGE 2

CONT'D FROM PAGE 1

3. Increased Support for Community and Aboriginal Participation

The Report sharpens the focus of the *Green Energy Act, 2009* on the development of FIT projects by and together with community and aboriginal groups by providing additional incentives and support for such initiatives. Specific changes include:

- prioritizing projects through a new system that is designed to award points based on a minimum equity participation of local or aboriginal communities, including public schools, colleges, universities, hospitals and long-term care facilities;
- reserving a minimum of 10% of the remaining FIT Contract capacity for community and aboriginal projects with greater than 50% equity participation;
- maintaining FIT price adders for projects with substantial community or aboriginal participation; and
- reaffirming support for the Community Energy Partnerships Program and the Aboriginal Energy Partnerships Program. (The Community Energy Partnerships Program is discussed in our *Blakes Bulletin: FIT Update – Community Energy Partnerships Program*, May 2010.)

4. Streamlined Processes for Approvals and Connection

The Report recommends a number of process changes, including changes to the REA regulations, to reduce the delays in the review and approval of FIT projects, while maintaining or expanding environmental protection. (MicroFIT solar projects remain exempt from REA regulations, apart from the land use restrictions, noted above.) The process changes are intended to better align the approval requirements with the size and characteristics of a project and to reduce duplication with a view to reducing the timelines for project approval by up to 25%. Changes are also being made to the process for securing the connection of projects to the transmission grid or local distribution system. Specific changes include:

- expanded use of the Ministry of the Environment (MOE) self-screening registry system for small (up to 500 kW) solar projects and bioenergy projects;
- streamlining and reducing the timeframes for the different elements of the REA process;
- streamlining the assessment and review of proposed use of Crown land for renewable energy projects;

- the creation of a new, cross-ministry Renewable Energy Committee;
- regularly updating and publishing FIT transmission availability tables;
- the removal of the Economic Connection Test (ECT), based on planned transmission projects and other recommended changes to the FIT Program;
- improving the Connection Impact Assessment (CIA) process by establishing best practices for local distribution companies and transmitters (to improve communication, transparency and co-ordination among all of the stakeholders); and
- reducing commercial operation milestones for rooftop solar PV from three years to 18 months to encourage timely project completion.

OTHER INITIATIVES AND IMPLEMENTATION OF THE REPORT

1. Reviewing Renewable Energy Capacity Targets

The Report reflects Ontario's continuing commitment to renewable energy and the development of clean energy and related technologies as a pillar of industrial development in the province. In response to calls from those in the industry (especially solar and wind) to expand the capacity targets for renewables, the Report recommends reviewing Ontario's electricity supply and demand forecast in 2013 to explore whether a higher renewables capacity target is warranted (beyond the 10,700 MW of non-hydro renewable energy generation that is expected to be procured by 2015).

2. Expanding Ontario's Clean Energy Industry

In order to effectively address opportunities to develop and/or provide products and services such as renewable energy generation components and services, smart grid technologies (e.g., grid automation, data management, smart meters), energy storage technologies, electric vehicle integration with the energy grid and other emerging technologies, the Report recommends developing a Clean Energy Economic Development Strategy, which is to (a) provide targeted financial support through the Smart Grid Fund to Ontario-based demonstration and capacity-building projects that test, develop and bring to market the next generation of technology solutions; (b) work with key stakeholders to

CONT'D ON PAGE 3

CONT'D FROM PAGE 2

consider the potential for a clean energy institute to spur domestic innovation and achieve greater global market presence for Ontario-based companies; (c) support domestic manufacturers by showcasing Ontario's smart energy solutions through a strategic export strategy; and (d) create a Clean Energy Task Force to advise the Ministers of Energy and Economic Development and Innovation on potential strategies for Ontario's clean energy sector.

3. Transition and Implementation

The Report contemplates the development of a transition process for: (a) all pre-existing FIT applications; and (b) microFIT applications submitted on and after September 1, 2011, to bring these applications into the framework of the new FIT and microFIT rules. The revised applications should retain their original timestamp, and the OPA should return the application and security fee, as appropriate, to any pre-existing applications. The "Technical Recommendations" section of the Report and Appendices sets out other detailed provisions relating to: (i) the proposed points system (the Report recommends, for example, awarding points for project readiness to wind, solar ground-mount and bioenergy projects on an Aboriginal Reserve or private land where applicants have sufficient space for the project and a firm lease, firm option to lease/purchase, or ownership of the land, and that in order to obtain a FIT Contract, applicants have at least one point); (ii) the implementation of the Minister's directive on constrained microFIT projects; (iii) not launching the proposed Commercial FIT (CFIT) Program for commercial development of microFIT projects (for more information on the proposed CFIT Program, see our [Blakes Bulletin: Update on Ontario's Renewable Electricity Sector](#), March 2011); (iv) inflation adjustments; as well as other matters.

The OPA is currently developing draft FIT Program Rules and draft FIT Contracts to implement the Report's recommendations. These materials will be posted shortly on the microFIT and FIT websites for review and comment.

If you would like to obtain further information regarding the FIT review or the Report, would like our assistance in reviewing or providing comments on the draft FIT

Program Rules or draft FIT Contracts, or are considering investing in or developing renewable energy projects, please contact:

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BACKGROUND

The Report was prepared as a result of the first comprehensive review of the FIT Program since its launch by the Ontario government in September 2009 under the *Green Energy Act*. The OPA is responsible for implementing the FIT Program. More information on programs under the *Green Energy Act* can be found in our [Blakes Bulletin: Ontario Launches Programs to Implement its Green Energy Act](#), September 2009, and other [bulletins](#) on our website.

ABOUT THE FEED-IN TARIFF PROGRAM

The FIT Program is North America's first comprehensive feed-in tariff pricing model for renewable electricity production and is a centrepiece of Ontario's bid for an international leadership position in clean energy. The FIT Program was intended to offer stable prices under long-term contracts for energy generated in Ontario from renewable sources, such as bioenergy (biomass, biogas and landfill gas), wind, solar photovoltaic (PV) (ground-mounted or rooftop) and waterpower (naturally flowing water). The goals of the FIT Program are to create new clean energy industries and jobs, boost economic activity and the development of renewable energy technology, and improve air quality by phasing out coal-fired generation by 2014.

The initial rapid development of renewable energy projects under the FIT Program was discussed in our [Blakes Bulletin: Ontario Announces 184 Feed-in Tariff Contracts for 2,421 MW of Renewable Energy](#), April

CONT'D ON PAGE 4

CONT'D FROM PAGE 3

2010. As of March 19, 2012, the OPA has received 10,295 applications to the FIT Program for projects that would generate a cumulative total of 21.3 GW of power. The OPA has offered 2,442 FIT Contracts for a cumulative total of 4.8 GW, which is enough electricity to power approximately 1.2 million homes. To date, the FIT Program is estimated to have created more than 20,000 new jobs, attracted more than 30 clean energy companies to Ontario and generated more than C\$27-billion in private-sector investment

Section 10.1(a) of the FIT Rules provides that the OPA may conduct regular biennial reviews of the FIT Program and that the FIT Program, the FIT Rules, the form of FIT Contract and the FIT Price Schedule are subject to amendment.

CONT'D ON PAGE 5

CONT'D FROM PAGE 4

FIT RATES

Fuel	Project Size Tranche	Original FIT Price (c/kwh)	New FIT Price (c/kwh)	% Change from Original FIT Price
Solar Rooftop	≤ 10 kW	80.2	54.9	-31.5%
	> 10 kW ≤ 100 kW*	71.3	54.8	-23.1%
		< 250 kW		
	> 100 kW ≤ 500 kW*	63.5	53.9	-15.1%
> 250 ≤ 500 kW				
> 500 kW	53.9	48.7	-9.6%	
Solar Groundmount	≤ 10 kW	64.2	44.5	-30.7%
	> 10 kW ≤ 500 kW*	44.3	38.8	-12.4%
	> 500 kW ≤ 5 MW*	44.3	35.0	-21.0%
> 5 MW	34.7		-21.7%	
Wind	All sizes	13.5	11.5	-14.8%
Water	≤ 10 MW	13.1	13.1	0.0%
	> 10 MW ≤ 50 MW*	12.2	12.2	0.0%
Biomass	≤ 10 MW	13.8	13.8	0.0%
	> 10 MW	13	13	0.0%
Biogas on Farm	≤ 100 kW	19.5	19.5	0.0%
	100 kW ≤ 250 kW*	18.5	18.5	0.0%
Biogas	≤ 500 kW	16	16	0.0%
	> 500 kW ≤ 10 MW	14.7	14.7	0.0%
	> 10 MW	10.4	10.4	0.0%
Landfill Gas	≤ 10 MW	11.1	11.1	0.0%
	> 10 MW	10.3	10.3	0.0%

*Indicates a new project size

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