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Anaerobic Digestion in Ontario: Techs and Specs Workshop

Standard Offer Program for Small Generators Connected to a Distribution System

The Task

- Minister asked the OEB and the OPA to work together to make recommendations on a Standard Offer Program by year end 2005
- The OEB to deal with interconnection issues and code requirements
- The OPA to deal with eligibility requirements, pricing methodology and contract terms and conditions

OPA Discussion Paper

- Released for review on November 2^{nd}, 2005
- Comprehensive document outlining the task and reviewing experience in other jurisdictions
- Key decision elements in each of three areas:
  - Eligibility criteria
  - Pricing methodology
  - Terms and conditions

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Three Days of Consultation

- November 16th Plenary Session
  - 26 presentations
  - 150 attendees
- November 17th/18th "In Camera" Sessions
  - 34 presentations
- 84 written submissions
- Stakeholders included Ontario Sustainable Energy Association, Ontario Waterpower Association, Consumers Council of Canada, Ministry of Agriculture and Food, Hydro One, IESO and Ministry of Natural Resources

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Guiding Principles

- Keep it simple
- Focus on removing barriers to smaller clean or renewable developers
- Balance between government's renewable generation targets and ratepayer value
- Consider efforts of the Ontario Sustainable Energy Association – *Powering Ontario Communities: Proposed Policy for Projects up to 10 MW*

Preserve Ability to Review on a Regular Basis

- Finding the correct balance amongst price, overall program capacity, project size, contract term and coverage of escalation may take some trial and error
  - Make a long term commitment to standard offer but reserve ability to adjust price and terms for new projects in response to changing market conditions
  - Propose a review no sooner than two years from program initiation but reserve the right for earlier reviews if circumstances indicate need to do so

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Stakeholder Feedback

- Received a range of views on the OPA’s three key areas of responsibility:
  - Eligibility Criteria
  - Pricing Methodology
  - Contract Terms and Conditions

- These views are summarized in the following slides

Eligibility Criteria

- Ownership
  - No restrictions
  - No restriction, except OPG
  - Some expressed concern about local distribution companies and municipalities

- Size
  - Project Size Maximum
    - from 10 MW to 20 MW
    - 25 MW if high voltage connected
    - limit on energy instead of capacity

Eligibility Criteria (continued)

- Size (continued)
  - Project Size Minimum
    - No minimum
    - 500 kW minimum to coincide with Net Metering
  - Program Size Maximum
    - None
    - 500 MW
    - if program capped, there should be a restriction on the number of projects per developer

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Eligibility Criteria (continued)

- Fuel Sources
  - Adopt definition of RES and CES RFP definitions. RES definitions would include energy from manure, energy crops, off-farm waste, organic agriculture wastes and community greenbox waste, as well as incremental water upgrades
  - Restrict standard offer program to renewables only
  - Include both renewable and clean projects

Eligibility Criteria (continued)

- Location
  - No geographic restrictions except those imposed by local distribution system limitations

- Interconnection (OEB)
  - Connection at 50 kV or less
  - Connection requirements should be simple, clear and concise

Pricing Methodology

- Most said it must be transparent
- Most preferred cost based to value based
- Price components:
  - $/kWh pricing appropriate
  - Don't base price on results of competitive process (RES RFPs)
  - Don't include adders to subsidize research and development of new technologies

Pricing Methodology (continued)

- Price components (continued):
  - Do include adders to make sure the Government's renewable targets of 10% by 2010 can be met
  - Do consider lost economies of scale factor
  - Don't pay more than the cost of imports
  - Include a variable adder for storage capability and ability to shape output
  - OSEA recommended pricing too high
  - OSEA recommended pricing appropriate
  - Allow tiered pricing for different wind regimes

Pricing Methodology (continued)

- Price components (continued):
  - Don't allow tiered pricing for different wind regimes as it pays a premium for less economic generation
  - Federal support mechanisms like WPPI and RPPI should not be considered to be available to small projects when setting the price
  - Price should recognize the value of distributed generation in reducing transmission and transformation losses, network upgrades and enhanced system reliability

Pricing Methodology (continued)

- Views on the appropriate price components (continued):
  - Escalation
    - Portion of price that is subject to escalation included 15% (as in renewable RFP), 20%, 25%, 50%, 60% and 80%
    - Apply only to portion of price that covers O&M costs
    - Most recommended escalation at the Ontario Consumer Price Index

Terms and Conditions

- Contract
  - written contract executed by both parties, was necessary
- Contract Term
  - 20 years +/- based on the technical life of the assets
- Security
  - $0 to $10/kW
- Contract Counterparty
  - The OPA or guaranteed by the OPA

Terms and Conditions (continued)

- Project Schedule
  - Time between contract sign date and commercial in-service from 1 to 5 years
- Default Provisions
  - None
  - Should be the same as those in the RES contracts
- Force Majeure
  - Necessary to protect developers from uncontrollable risks, including regulatory risks

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Terms and Conditions (continued)

- Take or Pay Provisions
  - OPA should bear risk of project being constrained off by the distributor

- Emission Credits
  - Generator should keep the rights
  - The OPA should keep the rights because developer unlikely to use them

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Thank you

Questions?

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