

# Community Power White Paper

## *Recommendations to Increase Community Benefit and Participation in Renewable Energy in Ontario*

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Submitted by Federation of Community Power Co-operatives

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### **The Value of Community Power**

Community power has huge potential for meeting multiple policy objectives in Ontario, as it already has in many jurisdictions. Community power is a form of social enterprise that engages the individual around important energy decisions in their community and enables their participation as ambassadors, investors and decision-makers in renewable energy generation projects. The community-based nature of the projects, the social finance framework by which they are developed and the fact that they are renewable energy, distributed generators, address a number of key issues important to this province, as follows:

1. Contributing to the development of vibrant, self-sufficient communities;
2. Generating employment and community wealth, by keeping profits local;
3. Reducing the environmental impacts of energy use and our demand for fossil fuels;
4. Creating local support for project development by engaging individuals and communities;
5. Reinforcing the importance of energy conservation at the individual and community level;
6. Providing electricity systems benefits by generating close to loads.

Renewable, community-owned energy generation is on the rise around the world. Already well established in many European countries and in the United States, the community power sector in Ontario has been gaining momentum since 2002, when the first and only community wind co-op project was completed. Community power can take many forms but has been restricted to aboriginal- and co-op-participation in renewable energy projects in Ontario since 2012.

### **Accomplishments in the Sector**

Recognizing the overwhelming interest in and support for the first community power co-op, many other groups have formed to develop community-owned projects. Yet, despite several policy iterations to support community power since 2005, only a handful have been able to bring projects to fruition. Fortunately, the trend is starting to change with the latest FIT contract offers released on July 4<sup>th</sup>. If all projects are executed the province will move from under 3 MW of co-op owned projects to about 17 MW, with a further 12 MW having some form of co-op participation.

These are important beginnings but do not quell the demand for community projects. The FIT contract numbers highlight this issue:

- Under FIT 1.0 at least 15 co-op applications were submitted but only 2 co-ops awarded contracts;
- Under FIT 2.0 – which provided new incentives for co-op applicants – 326 co-op applications were submitted for more than 70 MW of projects. In each category, a set-aside of 25 MW was established.

- The results of the FIT 2.0 contract offers speak to the pent up demand for community power projects as contract offers made in all categories fell short of the demand and, in the case of the set-aside, fell short of available supply too:
  - o 59 contracts, equaling 15 MW for majority-owned (set-aside) co-op projects;
  - o 71 contracts projects, equaling 12 MW for co-op participation (15-50% ownership) applications.

It is notable that the results are to 99% for solar projects. For wind, biomass and hydro, the community participation is next to 0.

### **On-going challenges**

While government policy and programs in Ontario, including the Renewable Energy Standard Offer Program (RESOP) and the feed-in-tariffs of the *Green Energy and Green Economy Act* (GEA) have resulted in the significant growth of community and co-operative groups, competition for FIT contracts and grid connection issues have severely limited project success, thus preventing the full community benefits from being achieved.

Reflecting on the latest results of the FIT and on related programs intended to support community power (specifically, the Community Energy Partnership Program - CEPP), a common issue can be identified to explain the lack of community power success. **The FIT program rules as well as the CEPP rules and timelines are based on the development pattern of commercial participants and does not respect the development pattern of community power groups.** Given the comprehensive community engagement process that is integral to the process of developing community projects, community power proponents are subject to timelines and needs different from those of the commercial sector. As a result, these two groups should not compete on the same basis for renewable energy procurements, and this needs to be reflected in design of the FIT Program.

### **Recommendations for a Thriving CP Sector**

To address the mis-alignment between program design and its community power audience and to build a vibrant community power sector that meets its full potential, we submit these key recommendations:

1. **Establish a dedicated community power procurement target of 1000 MW** installed by 2018 for community projects (i.e. majority (>50%) owned by co-ops, Aboriginal communities, and municipalities) to be met by all 4 renewable energy technologies – solar, wind, hydro and bioenergy. The target should be split accordingly:
  - a. 500 MW community power target under SmallFIT (10-500 kW)
  - b. 500 MW community power target under MidFIT (500 kW – 10 MW)

**Note:** 500 MW of the 900 MW SmallFIT Program targets by 2018 is currently set-aside for community projects (>50% ownership) under SmallFIT, as follows:

- a. 136 MW for co-ops
- b. 136 MW for Aboriginal groups
- c. 224 MW for municipalities

**Ensure the 1000 MW target represents the MW owned by the community project proponents, not the MW capacity of the projects.** Under the first smallFIT window Dec 2012/Jan 2013, there was a 25 MW

CCSA (Community Capacity Set Aside). 15 MW was awarded to CCSA projects, however, these projects are not all 100% community owned. The 15 MW represents the capacity of the projects, not the community ownership capacity. About 10 MW represents the community ownership capacity. Therefore, the next smallFIT window should allocate an additional 25 MW of CCSA to the 12 MW currently scheduled.

2. **Establish a Medium FIT Program (MidFIT) for community power projects 500 kW – 10 MW**, connecting directly to the distribution system inclusive of all 4 renewable energy technologies – solar, wind, hydro and bioenergy. Set a 500 MW target for MidFIT to be installed by 2018 where eligibility is restricted to community proponents, as follows:
  - a. 125 MW for co-ops (>50% ownership)
  - b. 125 MW for co-ops (>35% ownership)
  - c. 125 MW for Aboriginal groups (>50% ownership)
  - d. 125 MW for municipalities (>50% ownership)
  
3. **Introduce a community benefits points scheme for the new competitive procurement process (RFP) for large renewable energy projects.** Provided the community power sector can access a MidFIT program, it is not necessary to include a community capacity set-aside in the RFP process, however we recommend that large RE procurement contracts should be awarded on the basis of a point system. Points for community benefit could be awarded for the following conditions being met:
  - a. Some community ownership or direct participation (min. 15%)
  - b. Establishment of a community benefit fund to be governed locally
  - c. Communal land lease agreement with adjacent landowners
  
4. **Establish an Ontario Community Energy Foundation to provide funding and financing tools that are informed by and reflect the needs of the sector.** The Foundation would support applications for early-stage funding, capacity building, and support for bridge funding through the construction period.
  
5. **Extend the mandate of the Infrastructure Ontario Loan Program to include community power co-operatives.** Access and affordability of long term debt for community power project proponents with single projects or relatively small portfolios in comparison to the private sector continues to challenge the community power sector and could limit the rate at which groups are able to participate in projects. With the just announced FIT rate reductions, the need for affordable long-term debt will be even more critical than ever.

### **About the Federation of Community Power Co-operatives**

*The Federation of Community Power Co-operatives (FCPC) is a province-wide umbrella organization for community power co-ops in Ontario. We exist to unite, represent and serve the community power (CP) co-op community across the province. The FCPC is working towards an increasingly greater number of RE co-ops developed at the highest possible standards by establishing best practices through sharing our collective experiences, expertise, knowledge and tested development tools and resources. The depth of experience among the Federation is significant and we want to leverage that expertise to build a thriving community power sector in Ontario, one in which every Ontarian has the opportunity to generate and own their local power supply.*

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