FIT and mFIT Discussion Papers: Feedback Form
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Feedback on the FIT and mFIT Discussion Papers must be sent to FIT@powerauthority.on.ca or microFIT@powerauthority.on.ca, respectively, by **January 23, 2015.**Please identify the section number of the Discussion Paper that you are providing feedback on.

Submitter Information

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Section	Feedback
About the FCPC	The Federation of Community Power Co-operatives (FCPC) is a province-wide umbrella organization for community power co-ops in Ontario that are developing grid-tied renewable energy projects. We exist to unite, represent and serve the community power co-op community across the province. The FCPC was created by co-ops for co-ops to enable co-operation and mutual support within the sector and to expand the opportunity of individuals and communities to benefit from Ontario's growing renewable energy sector. It is our goal to increase the number of renewable energy co-ops developed at the highest possible standards by establishing best practices and sharing resources. The FCPC represents more than 20 community power co-operatives and 99% of co-ops building RE projects under the FIT 2 and 3 contract capacity set-aside.
4.1 (FIT) Award price bid-down Priority Points	The FCPC believes the FIT program should not allow for 'Bid-down Priority Points". Such a change would be detrimental to the programs' objectives and has the potential to enable predatory pricing by large international organizations with low cost of capital. The price schedule price should be the only price bidders can expect, this will encourage cooperatives, municipalities, Aboriginal groups and companies to invest in projects that may have a higher cost of implementation but meet other policy objectives of the FIT program (being 'close to load'/urban, rooftop, 'broad set of participants' and community participation). Instituting a pricing 'bid-down' mechanism would effectively pit applicants that choose to address the broader set of program objectives against applicants that have a low cost of capital and only a profit motive. Such a situation will decrease the number of innovative projects and lower the general quality of applicants. Large international integration companies, with a low cost of capital, looking to do large projects would have a distinct advantage. Localized companies and Cooperatives, looking to do mid and small sized projects in the community close to load requirements, would be seriously disadvantaged. If bid-down priority points are maintained as a mechanism to reduce costs, it should **not** apply to community participation projects including cooperatives, however we strongly recommend against bid-down priority points in all cases.
4.2 (FIT) Remove Project Type Priority Points while maintaining Contract Capacity Set	The FCPC supports the IESO position that a guaranteed portion of the renewable procurement target should be set aside for projects with community and aboriginal participation. Therefore we are supportive of the decision to maintain contract capacity set-asides. If these are maintained, the removal of the priority type points is acceptable as long as Public Sector Entity Host points are also removed. Analyzing the FIT 3 and FIT 3 extended contract offers, applying the removal of project-type points retroactively would have had no greater success rate for non-participation applicants in FIT 3 unless the Public Sector Entity Host points were also removed.

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Asides	As far as allocating the set-aside capacity, we believe the 100 MW should be split equally among the three eligible groups: 33 MW for the MUSH sector, 33 MW for co-ops and 33 MW for Aboriginal power. If project priority points are maintained we suggest the following: (i) consider reducing the number of priority points for projects with a municipal or public sector entity host as this tranche tends to be overrepresented; (ii) for community participation projects, award extra priority points to projects with greater than the minimum economic interest. For, example projects with 100% co-op ownership could be awarded an extra point, those with 75% ownership 0.5 points, those with 60% ownership 0.2 points and so on. This would encourage robust coop involvement in projects; (iii) for community participation projects, promote opportunities for collaboration between neighbouring communities. Regarding the **considerations** outlined in the discussion paper (1) FCPC believes that an economic interest level of 50% should be maintained for projects with cooperative involvement in order to qualify for the capacity set-aside (2) as indicated above a mechanism that awards and prioritizes projects with higher levels of co-op ownership would be welcomed, and (3) at least 30% of the 100 MW set-aside for community participation projects be retained for cooperatives Additionally, we suggest that the FIT program have a built in mechanism to increase the amount of contracted capacity set-aside for cooperatives in future procurement rounds if it is oversubscribed. The benefits of cooperative ownership (which engages and provides direct benefit to Ontarians) are such that no cooperatively owned projects able to generate electricity at the price schedule price should be turned away. Finally, we note that if priority points for project types are removed, a subsequent change to the general eligibility requirements applicable to all projects should be considered. Currently there is a requirement that all applications must receive at least one priority point. This needs to be removed or else applications with participation (Economic Interest) from Municipalities and Public Sector Entities, Aboriginal Communities and Co-ops but lacking the priority points from other categories may be inadvertently disallowed.
4.3 (FIT) Remove the System Benefit Priority Point	FCPC supports this change.
4.4 (FIT) Reconsider the eligible fuel types	**FCPC would like to see a wide range of technologies open to the FIT program**. The FIT program offers price stability and predictability. Cooperatives need this as they build their business model and develop community support. Many co-ops have pursued solar because it is an easy to understand technology and it is relatively “scalable” from small to medium size. Being able to invest in a 10 kw technology and learn from that experience before investing in 200 kw technology and higher was important. Many co-ops are seeking to diversify their projects/risk/revenue stream into other technologies as appropriate. A wide range of technology types provides the entire industry with the potential of revenue stability and flexibility. Removing other fuel types from the mix at this point, before the industry / cooperatives have attempted them is premature, and would needlessly limit innovation from the renewable energy cooperative sector.

	Reducing the number of eligible fuel types would also reduce the range of flexibility of electricity inputs into the grid. Maintaining the present fuel types, and even expanding the options, (geothermal/co-generation) would enhance the overall resilience of Ontario's electricity system.
4.5 (FIT) Incorporate the Unconstructed Rooftop Solar Pilot into FIT	FCPC supports this change
4.6 (FIT) Provide municipal exemption for residential, commercial and industrial land-use restrictions	FCPC supports this change
4.7 (FIT) harmonize land-use restrictions with the 2014 Provincial Policy Statement	FCPC supports this change
4.8 (FIT) Replace Application time stamp with a random draw	The FCPC strongly opposes this idea. Maintaining a time-stamp on applications rewards groups that are organized and proactive. It affords the applicant some control and predictability of application outcome. A randomness element to the program impacts credibility with clients as there are no assurances, or even a probability, that can be provided, even if everything is done perfectly, that a contract will be received. From a business decision standpoint, this changes the FIT application from being a calculated risk to an incalculable risk. A randomness element also reduces the chance of success in securing a contract for those applicants and applications that are completed diligently and in a timely manner because despite those efforts, it comes down to the luck of the draw. Time-stamps are definitive and indisputable while a random draw creates opportunity to call into question the integrity of the program and the process. Using a random draw also encourages a higher volume / lower quality of applications to increase the odds of success since, by the nature, an applicant needs to assume that some percentage of applications simply will not receive a contract. With the costs involved in submitting all the application documents along with application fees, this amounts to selling very expensive lottery tickets. And more work for IESO reviewers as they weed through a high volume of potentially lower quality applications. The evidence and experience does not support the claim that quality of application increases by removing the time-stamp by avoiding rushed applications. In FIT 2, the majority of applications were submitted toward the end of the application window. OPA has publicly complained about

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	the low quality of applications in FIT 2. In FIT 3, many applications were submitted at the start of the application window. The majority of our applications were submitted at the beginning and we achieved a 100% success rate (i.e. high quality applications). There is no correlation between removing time-stamp and increasing application quality. If you choose not to accept this suggestion then we request that at the very least you allow a priority point for resubmitted applications (i.e. unsuccessful applications form previous FIT rounds).
4.3 (mFIT) 3 Inclusion of In-Series Metering	FCPC supports this change and believes it be introduced for FIT and microFIT systems. The introduction of in-series metering should be made a matter of policy and be allowed by every LDC in the province.

Other ideas/recommendations to **<u>increase program efficiencies</u>** and **<u>save costs:</u>**

Eliminate the 120% cap on DC oversizing in Solar PV	Eliminate the 120% cap on DC oversizing in Solar PV if a bid-down pricing mechanism is invoked. If a bid-down pricing is not invoked a slightly lower FIT rate would likely be acceptable if the cap is removed. This will allow the designer to optimize the system thereby making it more **<u>cost effective</u>**, particularly as the cost of PV panels continues to decline.
Renewable energy loan guarantees	Create a renewable energy loan guarantee program so that mainstream financial institutions will participate in lending to FIT projects. This will drastically **<u>reduce financing costs</u>** and uncertainty and increase project success rates. Once FI's get exposure to the industry and experience with project risks, the need for loan guarantees will disappear.
Create municipal registry for support of renewable energy	If a municipality issues blanket support for renewable energy projects, this should be registered within the application system so that they appear in a drop-down list to be selected. No copy of the support resolution should be required to be supplied with the application.
Speed up application/approval timelines	Reduce the amount of paperwork and evidence required in the application process. It reduces the amount of documents needing to be submitted by applicants, increases accuracy and quality of applications and reduces the burden on the OPA/IESO for reviewing and approving applications.

Addressing a contractual barrier to co-op success (Clause 17.3b in the FIT 2 and FIT 3 contracts).

It is not clear what the FIT 4 contract will say, but it is important to communicate at this time (as we have over the last 12 months) that a particular clause (17.3b) in FIT 2 and 3 contracts is discriminatory to co-ops and undermines their chance of project success. Clause 17.3b reads:

> *<u>Where, in the case of a Contract Capacity Set-Aside Project, at any time during the Term the Participation Level is equal to or below 50%, then, such failure to maintain a Participation Level of greater than 50% shall constitute a Supplier Event of Default if such failure is not remedied within six months after written notice of such failure from the OPA</u>, provided that where the Contract Capacity Set-Aside Project is a Community Participation Project and such failure is due to the Community Investment Member ceasing to qualify as such due to an insufficient number of Co-op Members that are Property Owners, such cure period shall be available only where such failure commenced less than 12 months prior to the date on which the OPA received the corresponding*

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Facts of the matter:

1. The only viable debt financing for solar PV projects is of the non-recourse financing, secured principally by a valid FIT contract.
2. According to the FIT contract clause 17.3(b), in the case of a community set aside project, the co-op ownership percentage (greater than 50%) must be maintained for the first 5 years of the contract. If it ever is determined by the OPA that the co-op has failed to maintain this ownership percentage, the co-op is given six months to rectify the situation failing which, the OPA may terminate the FIT contract.

Issue:
If, for instance, in a worst case scenario, one of the larger renewable energy co-ops were to become insolvent/bankrupt and default on its loans thereby causing the lender to be in a position under the loan agreement to seize its projects, the only way a lender can prevent a Supplier Event of Default, is within six-months, to find another co-operative with sufficient equity capital to either to assist the defaulting co-op through an equity injection or buy out its projects completely. One of the larger co-op's portfolio is, however, likely too large for any other co-operative to afford, which leaves the Lender with no ability to sell the projects as ongoing entities with FIT contracts.

The result is that since co-ops don't possess any other substantial security to pledge, lenders are presently not willing to provide non-recourse financing at competitive dates to Community Set Aside Projects.

The commercial sector does not face this challenge and we need to level the playing field to allow co-ops the same terms by which to access debt. We propose one of two solutions. Remove the clause entirely from the FIT 4 contract or include the following caveat to the Clause:

"This provision shall not apply to situations where a Community Investment Member has defaulted on a long term loan, where:

1. *the lender is an arm's length* organization which, as a primary business, lends to enterprises and,
2. *the lender has exercised its right to realize on the security of the FIT contract."*

The community sector of course recognizes that the clause was intended to prevent gaming, but now we see that it inadvertently discriminates against co-ops and aboriginal proponents. It introduces a barrier the commercial sector is not subject to and prevents these groups from accessing debt, which is of course a critical component in infrastructure projects of the scale being developed by co-ops.

Amending or removing the clause is a fair response for co-ops, commercial partners who are building the projects, the citizens of Ontario investing in and benefiting from co-ops projects and the government. The optics of removing majority ownership from co-ops who have won the right to develop projects reflects very poorly on the government's commitment to community power and citizen benefit. At this time, when the support of citizens for the Green Energy Act is critically important.

The FCPC has communicated this challenge to the Ministry of Energy repeatedly over the last year and it was to be addressed in FIT 4.