



Independent Electricity System Operator
120 Adelaide Street West
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Toronto, Ontario M5H 1T1

July 28, 2016

Re: IESO 2017 FIT Price Review & Draft FIT5 Program

The Canadian Biogas Association (CBA) appreciates the opportunity to provide input to the IESO on biogas pricing as part of the Feed-in Tariff (FIT) annual price review, as well as feedback on Draft FIT5 materials. The CBA strongly encourages the Ministry of Energy and IESO to embrace biogas at a time when provincial policy related to energy, waste management and climate change are top priorities. Biogas is uniquely positioned to support the government in all of these areas subject to procurement programs and pricing that enable its development.

Since inception of the FIT Program, biogas development has been largely underrepresented as illustrated by only 2% of all contracts offered to and 1% of all MW contracted for biogas projects. However, as evidenced by the strong participation in all procurement windows, the biogas industry has and remains interested in the opportunity to generate flexible, reliable renewable electricity to Ontarians.

The following input is provided on behalf of our members, in particular biogas generators successfully engaged with the IESO under the FIT Program, biogas developers interested in participating in the FIT Program, and technology suppliers and consultants providing biogas expertise to support further biogas development. This submission will firstly address price review, followed by recommended changes to the draft FIT5 materials.

2017 FIT Price Review

As part of our response to the 2017 Price Review Questionnaire, the CBA strongly requests that the IESO share openly and transparently their price models in the same manner that the biogas industry has come forward with detailed pricing information. This step is critically important to ensure a common understanding of our technology and to validate the technical and financial assumptions under which the government and its agencies are setting revised biogas prices for a fair and reasonable return on investment.

Given the limited growth that the biogas sector has experienced and the lack of biogas construction over the past year, CBA's detailed price data from 2016 remains reflective of the industry's rising capital, operating and maintenance costs. On the basis of this detailed analysis, **CBA underscores its recommendation for a modest 10% increase in current pricing for all biogas project sizes.**

The CBA dismisses immediately any correlation in the FIT4 price reduction priority points and project viability for biogas projects. Biogas applicants who opted for a bid-down in price did so to remain competitive in the procurement process. The biogas sector has realized price increases not declines like those experienced by other technologies and therefore not in a position to bid-down aggressively. This puts biogas applicants at a significant

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disadvantage imposing greater financial constraints under which to develop biogas projects. To alleviate the pricing disparity for biogas and uphold the merit of “standard offer” under which the FIT Program was developed for all eligible technologies, the **CBA recommends IESO introduce a different price reduction percentage for biogas as follows:**

FIT5 PRICE REDUCTION PRIORITY POINTS FOR BIOGAS

	Priority Points	Price Reduction
Tier One	1	2%
Tier Two	2	4%
Tier Three	3	6%

Draft FIT5 Materials

Under the 2013 Long-Term Energy Plan, the Minister of Energy set a laudable goal to diversify the electricity supply-mix and include a number of renewable energy fuel types. The FIT Program has been largely oversubscribed, and heavily dominated by one technology. In anticipation of a review of the FIT Program and in an effort to include greater technological diversification to achieve a balanced outcome for all renewable fuel types, the CBA recommends the following action and changes to the draft FIT5 materials:

1. **IESO conduct a debriefing session on FIT4 with the CBA in early August.** The purpose of the meeting is two-fold: i) review the factors contributing to and/or rationale behind the rejection of 37 biogas applications, and ii) identify measures that can be taken for biogas applicants in FIT5 to remove these barriers.
2. **IESO evaluate all eligible projects in FIT5 at the same time based on points with respect to connection capacity availability.** Under FIT4, CCSA applications were assessed under the TAT/DAT before non-CCSA projects. This approach allowed for preferential connection to the grid by CCSA projects and created further restrictions on an already constrained electrical grid for non-CCSA projects. The concept of CCSA is to provide for "Contract Capacity" set asides, not "Connection Capacity" set asides and should be changed.
3. **IESO remove the timestamp requirement for all undersubscribed technologies in the ranking of FIT5 applications.** The prioritization and ranking of FIT applicants has evolved, in part, to manage the significant volume of applications received. Notwithstanding the disruption related to timestamp in FIT4, the sum total of all biogas, biomass, landfill gas, waterpower, and wind applications to FIT4 represented only 7%. In an effort to leverage technology diversification and given the relatively smaller volume of applications to manage, undersubscribed technologies should rank higher in the FIT5 process after prioritization.

4. **IESO modify the price reduction percentage by technology.** As noted in the comments above related to price review, biogas applicants responded to the bid down approach in FIT4 assuming a financial risk to their proposed project. While we support the need for balanced cost to the ratepayer, it should not be at the detriment of an already cost-effective renewable energy option. It is therefore recommended that IESO approach the bid-down specific by technology per the recommended tiering for biogas as proposed by the CBA above.
5. **IESO incorporate technology capacity factor into the prioritization methodology.** In the absence of a system benefit point, which recognized the unique characteristics brought forth by individual technologies, the IESO should introduce a capacity factor criterion. The capacity factor criterion would assess renewable energy projects to prioritize the relative efficiency of the use of the distribution/transmission by each project. Biogas systems have demonstrated positive technical and operational performance with the transmission/distribution systems and enhanced existing infrastructure in local communities.
6. **IESO provide assurance that no application by an undersubscribed technology will be rejected for errors or omissions which are not material to the process without first giving the applicant a reasonable opportunity to clarify the error or omission.** Biogas applicants that apply for individual and unique projects do not have the same experience as other applicants that use the same instruments to apply for multiple projects. The Draft FIT5 Rules already state that in the Evaluation Process Stage 2, IESO may request additional information from Applicants to confirm compliance with the FIT Rules. For the limited number of applications by undersubscribed technologies, this confirmation step between IESO and the applicant should be a requirement of the FIT5 process.

The Canadian Biogas Association encourages the IESO to adjust biogas pricing as noted here and make necessary changes to the FIT5 Program to enable further biogas development in Ontario. We look forward to meeting with you to review our submission.

Sincerely,



Jennifer Green

Executive Director, Canadian Biogas Association

c.c. Shawn Cronkwright, IESO
Adam Butterfield, IESO
Ministry of Energy

Feedback Form: Draft FIT 5 Rules, Contract, Standard Definitions and Prescribed Forms

Feedback on the draft documents must be sent to FIT@ieso.ca by **July 28, 2016**. In accordance with IESO's engagement principles, all responses will be made available on the IESO's website.

Please identify the section number, definition or appendix of the draft document that you are providing feedback on.

Submitter Information

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Section

Feedback

SECTION 4 – EVALUATION PROCESS, Section 5	It is recommended that IESO evaluate all eligible projects in FIT5 at the same time based on points with respect to connection capacity availability. Under FIT4, CCSA applications were assessed under the TAT/DAT before non-CCSA projects. This approach allowed for preferential connection to the grid by CCSA projects and created further restrictions on an already constrained electrical grid for non-CCSA projects. The concept of CCSA is to provide for "Contract Capacity" set asides, not "Connection Capacity" set asides and should be changed.
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SECTION 4 – EVALUATION PROCESS, Section 5	It is recommended that IESO remove the timestamp requirement for all undersubscribed technologies in the ranking of FIT5 applications. The prioritization and ranking of FIT applicants has evolved, in part, to manage the significant volume of applications received. Notwithstanding the disruption related to timestamp in FIT4, the sum total of all biogas, biomass, landfill gas, waterpower, and wind applications to FIT4 represented only 7%. In an effort to leverage technology diversification and given the relatively smaller volume of applications to manage, undersubscribed technologies should rank higher in the FIT5 process after prioritization.

SECTION 5 – PRICE REDUCTION PRIORITY POINTS & SECTION 8 DETERMINA TION OF PRICING	It is recommended that IESO modify the price reduction percentage by technology. As noted in CBA's comments related to price review, biogas applicants responded to the bid down approach in FIT4 assuming a financial risk to their proposed project. While we support the need for balanced cost to the ratepayer, it should not be at the detriment of an already cost-effective renewable energy option. It is therefore recommended that IESO approach the bid-down specific by technology per the recommended tiering for biogas as proposed by the CBA.
6.2/6.3 TAT/DAT	It is recommended that IESO incorporate technology capacity factor into the prioritization methodology. In the absence of a system benefit point, which recognized the unique characteristics brought forth by individual technologies, the IESO should introduce a capacity factor criterion. The capacity factor criterion would assess renewable energy projects to prioritize the relative efficiency of the use of the distribution/transmission by each project. Biogas systems have demonstrated positive technical and operational performance with the transmission/distribution systems and enhanced existing infrastructure in local communities.

