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SUBJECT: Input to FIT 5.0 Draft Program Rules and Price Review

Thank you for the opportunity to provide input and advice to the IESO's development of the program rules for the next Feed in Tariff (FIT) procurement and the annual review of technology prices. At the outset I believe that, particularly given that there are no further FIT procurements planned at this time, the IESO should deliberately design the program to more directly contribute to the achievement of the government's overarching policy objective of a diversity of renewable energy supply, as articulated by the Long Term Energy Plan. With respect to waterpower specifically, our estimation is that the province is approximately 250 MW from meeting its target of 9,300 MW of installed capacity by 2025. To help achieve this objective, both the FIT and the LRP programs (and additional procurements) must incorporate the unique attributes and regulatory processes to increase the participation of waterpower projects.

## 1. Program Rules

Our key recommendations in this regard relate to the mechanism by which limited connection capacity is assigned. Specifically, the OWA recommends that if there is competition between different renewable generating technologies for the same connection to transmission or distribution circuits, capacity factor should be utilized as a benchmark. This approach also benefits the ratepayer by ensuring that the existing transmission/distribution infrastructure is economically optimized by connecting renewable energy sources which deliver the most energy over time.

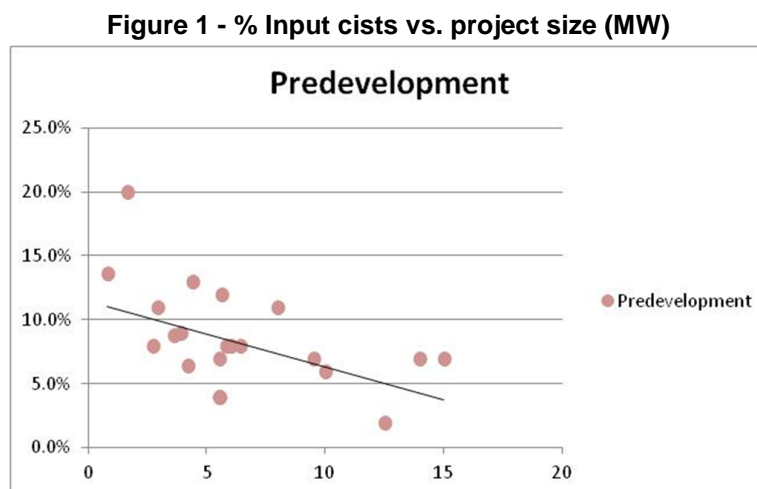
I have attached for your consideration our detailed recommendations with rationale. They are summarized below:

- The definition of "Small FIT Facility" for waterpower should simply be "a facility with a nameplate capacity of 500 kW or less".
- Waterpower facilities should also be permitted to aggregate co-located projects up to 2MW.

- The term "Applicant of Record" should be removed and that the "land ownership" evidence requirements for waterpower should be designed for waterpower.
- The process with respect to the submission of a Crown land Site Report and MNRF confirmation should be improved such that the proponent is informed of MNRF's determination prior to Application submission.
- All eligible projects should be evaluated at the same time based on priority points with respect to connection capacity availability.
- Technology capacity factor should be incorporated into the prioritization methodology
- The TAT/DAT information on available capacity should be accurate and transparent throughout the application process.
- The relative percentage price reduction for priority points should remain the same as in FIT 4.0.
- Conservation Authorities should be included in the definition of Public Sector Entity.

## 2. Price Review

As noted on our previous submission of August, 2015, there have been relatively few waterpower projects procured through the current FIT program and, while I am encouraged with the improvement in this regard through FIT 4.0, much more data is required to support a base price adjustment at this time. Based on some data collected recently on larger projects, I can confirm that input costs in general for waterpower continue to increase and that, as illustrated in the figure below, regulatory approvals for smaller projects represent a disproportionate cost. Given this reality I am also also recommending that, consistent with other technologies in the program, a separate tranche be established for projects of 250kW and below in capacity. The difference for on-farm biogas in this regard is approximately 20%.



The IESO's questionnaire raises the potential linkage between a price adjustment and the results of the use of price reduction as a means of obtaining priority points. In my view, these concepts are entirely unrelated. The base price is established to represent the average input costs including financing to generate a defined rate of return. Conversely, the bid down percentage is a representation of the proponent's willingness to assume risk considerate of

the requirement to have at least one priority point and of the significant competition for limited connection capacity based on points. The IESO should continue to use input cost data to inform base price, as available, separate from the application of a bid down premised on risk tolerance.

Finally, it is important to note that the vast majority of FIT-sized waterpower projects will take place at existing infrastructure, most of which is owned by some level of government (e.g. MNRF, Conservation Authorities, Municipalities). As such, and unique to waterpower, the investment being made in renewable energy will often be accompanied by a reduction in cost to government with respect to long term maintenance and an increase in the quality of the structure with respect to public safety. These ancillary benefits are not factored in to the derivation of FIT pricing but should certainly be recognized as additional value.

In summary, it is recommended that:

- The base price for waterpower under FIT 5.0 remain at 24.6 cents/kWh
- An additional tranche for waterpower 250kW and below be added at a rate of 29.5 cents per kWh (20% differentiation).

Again, thank you for the opportunity to provide input and advice. I would be pleased to discuss these recommendations directly with you at your convenience.

Sincerely;



Paul Norris  
President  
Ontario Waterpower Association

Copy: OWA FIT Task Team  
OWA Board of Directors  
Ministry of Energy  
Canadian Biogas Association