



Stakeholder Consultation: Potential Environmental Attribute Sale

January 28, 2011

Agenda

- Background
- Objectives:
 1. Understanding value and conditions of OPA EAs
 - Product definition:
 - Vintages, certification, types of generation technologies
 - Product limitations
 - Retirement in Ontario
 2. Understanding the market
 - Market demand
 - Consumer types
 - Price expectations/estimates
 - Best practices
 3. Feedback on potential sale mechanism
 - Program Manager approach and potential interested parties
 - Revenue sharing, administrative costs
 - Procurement and contracting mechanism
- Questions, Feedback and Next Steps

Background

- OPA holds the majority of Environmental Attributes (EAs) from renewable generators in Ontario
- The Ministry and the OPA have been working together to examine options of how to capture the potential economic value associated with these EAs for the benefit of Ontario ratepayers
- OPA to engage stakeholders to commence a dialogue on this issue, focusing on two key aspects:
 1. Need to understand market dynamics affecting the definition and value of EAs
 2. Gather feedback on concept and procurement of Program Manager

Understanding Value and Conditions of OPA EAs

- **Product Definition**
 - Formalize actual product for transaction
 - Vintages
 - Type of generation and location
 - Specify attributes included in product
 - Volume to be released
- **Certification**
 - Need for facilities and/or products to be certified (e.g. EcoLogo)
 - Costs and timing for certification
- **Tracking**
 - Product needs to be registered, tracked, and audited
 - Cost and timing for tracking/auditing mechanisms

Understanding Value and Conditions of OPA EAs

- **Limitations on usage**
 - Government has target for renewable energy and goal to reduce carbon emissions (i.e. coal phase-out)
 - Hence, EAs must be retired within province within given period of time
 - EAs shall not be traded into other markets and/or to offset emissions
 - How is demand affected by this condition?
- **What other factors drive EA value?**

Understanding the Market

- What is the current extent of Ontario's voluntary market?
- What is the current volume in the market?
- Who is buying/selling voluntary products?
- How would the existing market be affected by OPA's pilot program?

Feedback on procurement and contracting approach

- The lead option is for the OPA to competitively procure a Program Manager to sell EAs on OPA's behalf into the voluntary market
 - Time-limited pilot program to release a portion of the EAs
 - 18 months with launch targeted for Q1-2011
 - Single entity to purchase certain volume of EAs from OPA
 - Evaluation will assess total economic value – price per EA based on set volume
 - Revenue Sharing arrangement for any EAs sold above the original bid/purchase price
 - EAs to be distributed on a fair and equitable basis to consumers
 - Type of consumers and end-users
 - Marketing and sales approaches to maximize revenues for ratepayers
- OPA wants to ensure a fair, open, transparent and competitive process
 - Types of interested parties to act as Program Manager
 - Relevant experience
 - Existing consumers and access to new types of consumers

Feedback on procurement and contracting approach

- **Key Elements of Procurement Process**
 - **Potential Criteria**
 - Experience
 - Business Model and Practices
 - Financial Strength
 - Marketing and Consumer Acquisition
 - Fair and equitable access
 - **Evaluation**
 - Highest bid per EA based on pre-established volume of EAs
 - Appropriate minimum volume of EAs made available
 - **Timing**
 - RFP (and Contract) posted in February/March
 - Proposals due within 3 weeks of posting
- **Key Elements of Contract**
 - **Revenue sharing arrangement**
 - For example, 70 (OPA) – 30 (PM)
 - **Administration costs borne by Program Manager**
 - **Contract length**
 - 18 month pilot program

Feedback and Next Steps

- OPA wants to keep the dialogue open with stakeholders
 - The OPA is very interested to hear back from stakeholders on some or all aspects of the proposed pilot program
 - Please ask any questions and provide input at session
 - Feedback can also be provided to the OPA following the session
 - After the session please send inquiries/feedback by **February 7th** to “**submissions@powerauthority.on.ca” with “**Sale of Environmental Attributes**” in the subject line**
- Depending on feedback received, the OPA may decide to follow-up with certain stakeholders on an individual basis