Stakeholder Consultation:
Potential Environmental Attribute Sale
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
• **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
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