

**Response to the
Ontario Energy Board's Staff Discussion Paper
On Distributed Generation: Rates and Connection**

By the Canadian Solar Industries Association

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Introduction

The solar industry in Ontario is encouraged by the Ontario Energy Board's (OEB) continued commitment to improving the Renewable Energy Standard Offer Program (RESOP) enabling the program to remain competitive with many of the province's international trading partners. The interest in solar energy is clearly growing with the number of solar projects that have been approved within the last year and support for solar energy is also evident with the announcement of the Ontario Government's most recent solar energy initiatives.

Although the Ontario Government has taken the important initial step in creating the RESOP, there still requires continued modification to ensure that the program is robust in meeting the potential that solar energy has to offer to Ontario's energy sector. It is significant that the OEB acknowledges that different technologies require different initiatives to allow their greater deployment. Solar energy can play an important role in meeting Ontario's growing energy demands, particularly peak load demand, while continuing to strengthen Ontario's clean technology economy.

The Canadian Solar Industry Association (CanSIA) would like to thank the Ontario Energy Board for this opportunity to present our submission illustrating the necessary changes we think are required to improve the RESOP. CanSIA makes this submission on behalf of our Ontario members and other national members who are also interested in conducting business in the province of Ontario.

Questions in the Ontario Energy Board Discussion Paper

Recovery of Connection Costs

What alternatives to the status quo should be considered and what is the rationale for each of these options?

The connection costs should not be socialized as, rightly stated by the OEB, this approach may be a disincentive to find more effective and economical ways to connect generators to the grid. Connection costs should still be the responsibility of the generator, however in terms of solar, modified tariff rate mechanisms (which this submission will discuss later) are encouraged to help diminish the cost barriers in relation to connection costs.

Despite the Local Distribution Company's (LDC) claim of insolvency, risk, etc. having electricity distributors finance the costs of connection and recover them through a monthly payment plan agreement with generators appears to be an adequate method. If the LDC's are charging interest for this financing program, the interest gained would balance the subsequent risk.

Solar energy generators are also experiencing issues related to the variability of connection costs within similar regions. These unknown and seemingly unjustified connection costs are a barrier to greater solar energy deployment. There appears to be no mechanism in place to protect small generators from unjustly high connection costs as the LDC's have monopolistic power in their respective jurisdictions. A third party review or appeal board may help to mitigate some of the associated risks to generators.

5.2 If connection costs are socialized, is there a risk of uneconomic DG projects going forward? If so, how can that risk be mitigated or avoided? Would this approach affect the incentive for distributors to design economic connections?

Again, it is CanSIA's view that connection costs should not be socialized as, rightly stated by the OEB, this approach may be a disincentive to find more effective and economical ways to connect generators to the grid.

However if the OEB did choose to socialize the cost of connection, it would be important to establish mechanisms to ensure economic means of performing connections. Some ideas include a third party review board to approve a range of connection cost to a specific LDC or implementing a price structure which requires connection costs to marginally decline on a yearly basis thus encouraging LDCs to find more economical ways of connecting generators.

It is unlikely that uneconomical solar projects would go forward with the socialization of connection costs if the proper checks and balances were in place regulating LDC's to justify their connection costs to the OEB, who will be equipped with the experience and capacity to question the cost assessments.

Another approach which has been suggested by the OEB is to have the SOP rate reflect the average connection cost over the life of the project. This approach should also see the OEB review the connection cost assessments to ensure that LDC's are not just passing the cost along to the generator and ultimately the energy consumer.

Other Aspects

Are there other rate-related issues associated with DG that should be addressed, or that should be addressed more fully?

CanSIA maintains our position that the Solar PV standard rate remain at its current level of \$0.42/kWh. We do, however, suggest that the OEB build on the present solar price level to include accompanying rate mechanisms to encourage the further deployment of solar technology while strengthening the reliability of the Ontario grid system in high demand regions.

CanSIA makes the following recommendations;

Solar Tariff Indexing – The RESOP should allow indexing of the solar tariff at the same rate as the SOP rates for non-PV generation.

Regional Tariff Mechanisms – The inclusion of regional price mechanisms should be applied to standard rates and benefit the OPA by encouraging greater deployment of renewable energy technology in regions which experience higher energy demands such as in large load centers or remote areas serviced by weak distribution infrastructure. CanSIA recommends regional tariff increases for such areas as the Greater Toronto Area and others up to \$0.80/kWh, to be determined by the OPA based on regional and grid system requirements.

Grand Father Clause for Solar – Contracts now being signed at the current rate of \$0.42/kWh should include a grand father clause which would see these generators receive new pricing rates if the OPA and OEB decide to increase the solar SOP rate at some point in the future. By not implementing this pricing mechanism, higher tariffs offered later in the program would actually penalize those who took the risk as “first movers.”

Also CanSIA suggests that a Solar Thermal tariff be added to the RESOP. We recommend a tariff rate for larger Solar Thermal systems (> 20 collectors) to be based on the Chabot Model which would likely see a price range between \$0.10 and \$0.11/kWh.

CanSIA also recognizes the fact that there are other issues such as the addition of *Delivery Charges* and variable connection costs being charged by LDC's. These unexpected and variable charges are an additional barrier to the further deployment of solar technologies. A mechanism is required to provide predictable and reasonable charges for SOP participants.

Standardized connection agreements and interconnection methods are also required to simplify the SOP process with consultation and input from the solar industry.

What are the institutional or regulatory barriers to implementation of DG? How might such barriers best be addressed?

Another barrier that CanSIA member's have experienced is in relation to the increasingly long period of time required for connection impact assessments to be performed by some LDCs. In a business environment delays of up to 6 months and longer presents a large deterrent to many participants. One solution could see the outsourcing of such tasks to Ontario licensed engineering firms who could perform connection assessments based on specific criteria set out by the corresponding LDC.

There also appears to be little incentive for LDC's to be cooperative in this program. The SOP may experience fewer challenges and barriers if LDCs received greater incentives to cooperate with the SOP and small distributed generator participants.

Are there DG-related issues, other than those relating to the rate or connection cost treatment of DG facilities that need to be addressed?

Municipal zoning and property tax increases have also been identified as an issue. Our members and their clients have experienced difficulty gaining permits in some jurisdictions as solar projects are being branded as commercial enterprises by local jurisdictions, thus requiring municipalities to alter the existing zoning classification. In altering the zoning classification from residential to commercial status, participants are seeing their property taxes increase.

Although this is an issue which can not be resolved by the OEB or OPA alone, the Ontario Government can be a positive influence in this matter particularly at the Ontario Municipality Board level. It is CanSIA's view that small solar PV projects (in particular < 10 kW systems) cannot be classified as commercial enterprises when systems are being installed in good faith to displace on site load requirements.