FOCA’s Final Submission on LDC Cost Recovery for OPA Microfit Generation

Board File EB-2009-0326

Preamble;

From the perspective of a prudent residential consumer considering a solar PV installation there are still great uncertainties and financial risks related to the OPA contract, “Made in Ontario” rules and the absence of any firm guidelines on the quality of power to be delivered to the LDC grid.

The commitment at the 10 kw level is at least $80,000. It is virtually impossible for a homeowner to establish compliance with the OPA Made in Ontario rules, without delving into the details of manufacturing processes of the solar panel and inverter manufacturers, which at this stage are insufficient in number to ensure competitive pricing, reliability, efficiency and compliance with yet-to-be established rules for delivered power quality.

As well, the OPA will not execute a final contract until the installation is compete and in service. In addition, the OPA may audit the installation after it is in service and terminate the contract if found not to be in compliance with Made in Ontario rules. Additionally the contract cannot be assigned without OPA’s consent if the house is sold within the 20 year contract period.

All of the above indicates there will be no great rush on the part of prudent residential and small business consumers to commit up to $80,000 for something that may not be approved by the OPA or the LDC. The risk of financial failure is very high in the early stages of the microFIT program.

Issues;

1. Service Classification

A single service class is appropriate regardless of the related customer load classification since microFIT costs to the LDC for all the residential and GS classes should be similar.

1. Cost Elements To Be Recovered

There are no apparent cost differences among direct connection, indirect connection or ownership of the PV system.

Cost elements to be recovered should align fairly closely with those put forward by Hydro One with the exception that allowance should be made for the capital contribution by the generator for the meter. That is, it is difficult to justify PILs, Debt Return and Equity Return on a meter in which the LDC has no capital.

It is a stretch to include system engineering and operating expenses as advanced by the EDA. There are numerous standby generators connected to the system, many without the benefit of ESA inspection, and these appear not to have impacted LDC operating or engineering costs. As well, inverters are designed to disconnect the PV system in the event of a power outage to prevent overloading the PV system. Also, maximum PV output occurs at the time of the summer peak, which relieves loading and losses on the LDC system. For other times, PV output is minimal or zero.

1. Rate Design

Since all LDCs have different cost characteristics, a uniform province-wide rate appears inappropriate.

1. Rate Design

A fixed monthly charge appears appropriate as LDC cost elements are not volume related.

1. Implementation

Each LDC should develop a rate, based on specified USoA accounts likely to come out of this proceeding. The rate could then be submitted to the OEB for approval, independent of its normal rate filing and be ready for implementation by mid 2010. This would coincide with the start of the construction season and the earliest possible date that a competitive PV and inverter industry could establish itself in Ontario.

John S. McGee, P. Eng.

Consultant to FOCA