



VIA ELECTRONIC SUBMISSION

March 1, 2013.

Ontario Energy Board
P.O. Box 2319
2300 Yonge St., 27th Floor
Toronto, ON
M4P 1E4

Attn: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli,

Re: Letter of Comment Re: EB-2013-0029

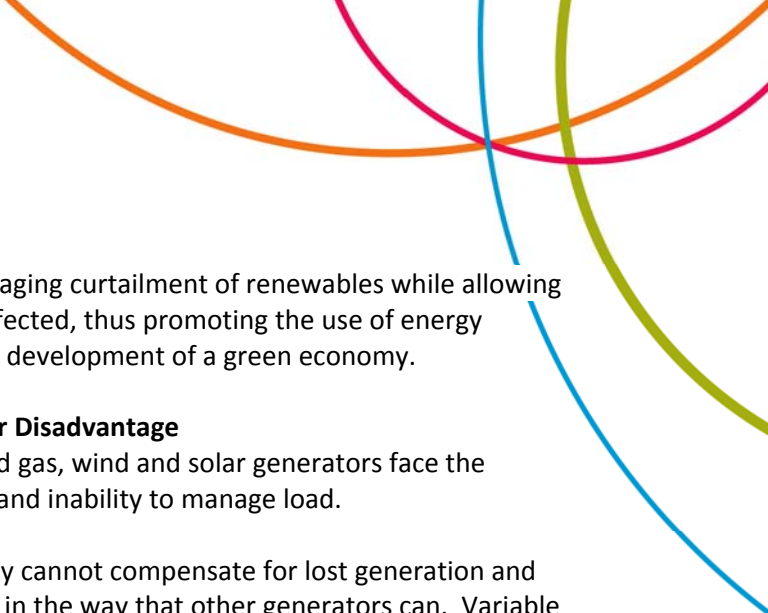
Mainstream Renewable Power respectfully submits this Letter of Comment for consideration by the Board.

As one of the world's leading developers of solar and wind projects, Mainstream recognizes the importance of the current hearing before the Board; the IESO Market Rule Amendments referred to in this hearing (MR-00381-RO2, MR-00381-RO3, MR-00381-RO4, MR-00381-RO5, and MR-00381-RO6) will have far-reaching consequences, not only for the Applicants, but for all companies in the renewable energy sector preparing for FIT applications and awaiting FIT contracts. There are three main aspects of the IESO Market Rule Amendments which Mainstream would like to address: 1. the Market Rules contravene the spirit of the Green Energy and Green Economy Act, 2. curtailment puts intermittent renewable generators at a disadvantage economically and 3. this unforeseen curtailment affects the financial viability of wind and solar projects. Each of these is discussed in detail below.

1. Undermining the Green Energy and Green Economy Act

In the Preamble to the Green Energy and Green Economy Act ("Green Energy Act"), it is stated that "The Government of Ontario is committed to fostering the growth of renewable energy projects, which use cleaner sources of energy, and to removing barriers to and promoting opportunities for renewable energy projects and to promoting a green economy."

The IESO Market Rule Amendments in question in this hearing would result in curtailment of electricity generation from intermittent renewable energy sources. As such, the Market Rule Amendments are creating a barrier to developing renewable energy projects, the exact opposite of the intention of the Green Energy Act.



Further, the Market Rule Amendments are encouraging curtailment of renewables while allowing gas-fired plants and nuclear plants to remain unaffected, thus promoting the use of energy sources which are less clean, and undermining the development of a green economy.

2. Solar and Wind Generators Face an Unfair Disadvantage

Unlike other generators, such as biogas, hydro, and gas, wind and solar generators face the problem of intermittent energy supply and hence an inability to manage load.

When wind and solar generators are curtailed, they cannot compensate for lost generation and revenue by ramping up production at other times, in the way that other generators can. Variable generators have no control over when there will be strong winds or solar resources. Curtailment would therefore offer an unfair disadvantage to solar and wind generators.

3. Endangering the Financial Viability of Wind and Solar Projects

Finally, the IESO Market Rule Amendments present a considerable challenge to the economic viability of wind and solar projects for two reasons.

Firstly, the financial modelling done for projects currently in development was done on the basis of not having any curtailment. Now that curtailment has unexpectedly been introduced, the economic viability of projects is being jeopardized. If, for instance, the financial model for a project was based on a 10% return, the loss of this return due to curtailment would have to be compensated for in some way, such as by increasing the feed-in tariff by 10%, in order to ensure similar returns to investors as what had been projected.

Secondly, the sudden change in policy will have lasting effects throughout the renewable energy industry because it negatively affects investor confidence. The IESO Market Rule Amendments are the latest in a long string of regulatory changes related to the Green Energy Act, including the feed-in tariff rules. Ongoing changes and uncertainty regarding the FIT rules has affected expected returns for renewable energy projects, and investor interest in and confidence in such investments. The IESO is not responsible for the other regulatory changes that have occurred but the cumulative effect of these changes on investor confidence must be considered, in order to have a thorough analysis of the effects of the Market Rule Amendments on Ontario's green economy.

While we realize that the IESO is not directly responsible for the arrangements related to financial compensation of wind and solar generators, and that this would be the responsibility of the OPA, we feel it is important to recognize that the curtailment supported in the IESO Market Rules Amendments would have dire implications for the financial case of wind and solar projects in Ontario.

Mainstream's Position

It is Mainstream's assertion that in light of the above considerations, The IESO Renewable Integration Market Rule Amendments should be revoked and sent back to the IESO for further consideration.

- These Market Rule Amendments undermine the intentions of the Green Energy Act by creating a barrier to renewable energy generation through curtailment;

- discriminate against intermittent generators who cannot ramp up production to compensate for lost generation due to curtailment; and
- reduce the economic viability of solar and wind projects due to decreased returns, more regulatory uncertainty, and subsequent decreased investor confidence.

It is our hope that this Letter of Comment will contribute to a greater appreciation for the implications of the IESO Market Rule Amendments discussed at this hearing.

We thank you for your consideration.

Best Regards,

A handwritten signature in black ink, appearing to read 'John Barros', with a stylized, cursive script.

John Barros
Senior Development Manager

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