

Ministry of Energy

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MC-2013-1950

AUG 16 2013

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

RE: Administrative Matters Related To Renewable Energy and Conservation Programs

The Ontario government is committed to ensuring that a clean, reliable and sustainable supply of electricity is developed through processes that encourage local participation and respect communities. Ontario also recognizes the key role that energy conservation plays in our electricity system.

Direction

Pursuant to the authority I have, as Minister of Energy, under sections 25.32 and 25.35 of the *Electricity Act*, 1998, I hereby direct the Ontario Power Authority (OPA) to continue the Feed-in Tariff (FIT) Program developed pursuant to the direction issued September 24, 2009, and amended by subsequent directions, subject to such further amendments as may be required in order to implement the policies set out below.

Renewable Energy Support Programs

In keeping with the government's renewed commitment to renewable energy, the OPA shall continue to deliver the support programs established as part of the FIT Program, including transitioning to the direct administration and management of all of the support programs. In addition, the OPA, in consultation with the Ministry of Energy, shall undertake an evaluation process to identify opportunities to improve, streamline and better align the support programs. The evaluation process will help to ensure that these programs continue to help meet the needs of Aboriginal communities and co-operatives as they develop renewable energy projects in the context of the June 12, 2013 Direction and that the programs offer similar types of support for municipalities and public sector entities involved in the development of projects.

The OPA shall report back to the Ministry with recommendations by January 31, 2014.

To ensure consistency between the support programs for Aboriginal communities, co-operatives, municipalities, and public sector entities, interim pre-FIT funding shall be made available to municipalities and public sector entities through two new applicant funding streams. The interim funding amount available to each applicant funding stream will be limited to \$500,000 per year. With respect to municipalities, priority may be given to those that are small and medium-sized.

For Small FIT contract holders, development and approvals funding shall remain on a per project basis. Funding available for Small FIT projects shall be reduced to reflect the fact that these projects have lower development costs than large renewable energy projects. Economies of scale should also be recognized in funding applicants with multiple FIT contracts by limiting their access to funding under the program.

The OPA shall also make the remaining education and capacity building funding, as referenced in the July 11, 2012 direction, available to Aboriginal communities and organizations, co-operatives, municipalities, and public sector entities. In addition, this funding may be made available to not for profits and charities to provide education and capacity building to the groups indicated above. Given that municipalities can now access funding for education and capacity building, the \$100,000 in annual funds allocated to AMO for education funding and capacity building in the July 11, 2012 Direction shall be reallocated to the education and capacity building program.

Contract Capacity Set-Asides (CCSA)

For projects with a FIT contract that receive priority as part of a CCSA under the FIT Rules, a drop in equity participation to 50 per cent or less, or for the purposes of a Community CCSA Project, a drop of local property owner membership below fifty members, shall only be grounds for termination of the contract if it occurs before the fifth anniversary of achieving Commercial Operation. A minimum participation level of 25 per cent must be maintained for the full term of the contract.

In addition, prior to the fifth anniversary of achieving Commercial Operation of a Community CCSA Project, a drop of local property owner membership below fifty members, and of equity participation to 50 per cent or less, shall not be treated as an event of default if the drop is attributable to the death or the departure from the community of one or more local property owner members. These changes shall apply to contracts resulting from future procurements as well as the current Small FIT procurement cycle.

Domestic Content

On May 24, 2013, the World Trade Organization (WTO) members adopted rulings from two WTO disputes involving the FIT program. The Ministry intends to bring the FIT program into compliance with these rulings.

As an interim step towards compliance, the OPA shall reduce domestic content requirements for new FIT procurements undertaken during the implementation period. New FIT contracts will require that facilities achieve the following minimum domestic content levels:

- For on-shore wind facilities, the minimum required domestic content level shall be 20 per cent.
- For solar photovoltaic (PV) facilities utilizing crystalline silicon PV technology, the minimum required domestic content level shall be 22 per cent.
- For solar photovoltaic (PV) facilities utilizing thin-film PV technology, the minimum required domestic content level shall be 28 per cent.
- For solar photovoltaic (PV) facilities utilizing concentrated PV technology, the minimum required domestic content level shall be 19 per cent.

These new domestic content levels shall apply to the Fall 2013 procurement window for Small FIT, microFIT, and pilot solar projects on unconstructed buildings. For clarity, they shall also apply to the unused capacity carried over from the Small FIT window that closed on January 18, 2013.

The new domestic content levels shall remain in effect until further direction to the OPA is issued with respect to domestic content requirements under the FIT program.

Annual Small FIT Procurement Schedules

Commencing in 2014, the OPA shall prepare annual schedules of planned Small FIT application windows. These schedules shall be published in January of each year.

Changes to the Industrial Transmission Connected Electricity Efficiency Program

The Industrial Transmission Connected Electricity Efficiency Program, commonly referred to as the Industrial Accelerator Program (IAP), was established by a ministerial direction to the OPA issued on March 4, 2010. Recognizing the importance of access to programs delivering conservation and local distributed generation, I hereby direct the OPA to amend the IAP as follows:

i. Inclusion of non-industrial transmission connected consumers

Commercial and institutional consumers shall be eligible to participate in the IAP. The OPA shall expand the current IAP eligibility criteria to include industrial, commercial and institutional consumers who have projects, buildings or facilities that are directly or indirectly connected to the IESO-controlled grid, and who are not otherwise eligible for conservation incentives from any local distribution company.

ii. Inclusion of conservation measures addressing equipment replacement and retrofits and new construction

The OPA shall design and deliver new initiatives that would offer incentives for eligible equipment replacement, retrofit and efficient new construction measures, and which will be added to the existing IAP eligible measures. Eligible consumers may apply for new initiatives and existing measures. Projects receiving incentives under the new initiatives must be complete before June 1, 2017 in order to be eligible to receive funding.

iii. Eligibility for other electricity incentive programs

Participants in the Industrial Electricity Incentive Program (IEI) will not be permitted to apply for the new IAP measures authorized by this direction in respect to their IEI eligible load.

When including new measures and consumers, the OPA shall continue to use all appropriate cost benefit tests.

General

This direction supplements or amends previous directions only to the extent that a particular provision of this direction is inconsistent with a provision of the original direction. All other terms included in the original direction remain in place.

This direction takes effect on the date issued.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Bob Chiarelli', with a long horizontal flourish extending to the left.

Bob Chiarelli
Minister