

21 December 2007

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board

by E-mail

Dear Ms Walli:

**Re: EB-2007-0791- OPA request for written hearing**

We are in receipt of Mr. Cass' letter of December 21 responding to our earlier communication on this topic.

Mr. Cass suggests that the example we have provided, OPA's proposed pilot on Environmental Attribute Trading, is not a significant issue deserving of oral hearing. Let me offer some perspective.

From publicly disclosed information we understand that OPA holds more than 1.2 million REC's where one REC is representative of the environmental attributes from one MWhr of cleaner generation.

In contrast, the web site of the largest entity currently marketing green power attributes in Ontario, Bullfrog Power, shows that its largest customer, Walmart, currently buys 20,000 RECs per year and its next five largest customers combined add up to a similar amount.

Thus if OPA offers just 1% of its holdings to 'test the market' in its "spectrum of pilots" and its "plans to expand these initiatives throughout 2008" (Ex.B, Tab 4, page 5 at lines 8-14) it will be operating at the same order of magnitude.

Of course, even the possibility that OPA will do so may chill the market for such attributes, potentially jeopardizing the very survival of organizations such as Bullfrog.

I attach a copy of Bullfrog's submission with respect to the IPSP issues which explains the issue more fully.

Sincerely,



David Poch

Cc: F. Cass, Pollution Probe



**EB-2007-0707**

## **Bullfrog Power Submission on OPA's Draft Issues List**

Bullfrog Power Inc. (Bullfrog Power) is a retailer, wholesaler and investor in renewable generation in Ontario. Bullfrog Power enters into power purchase agreements with generators, and occasionally invests equity in those generators, which allows new renewable generation to be built in the province. Bullfrog Power retails that electricity and the associated environmental attributes to residential consumers and businesses in Ontario. These customers pay a premium to purchase renewable electricity and environmental attributes, and this premium allows Bullfrog Power to pay to generators the premium necessary to justify the new build of renewable generation. Approximately 5,000 residential consumers and more than 400 businesses have switched to Bullfrog Power.

Bullfrog Power is unique in that it is one of the only entities in the Province, if not the only entity, other than the OPA entering into power purchase agreements that cause new generation to be built. In 2006 and 2007, three small wind projects have been built in Ontario as a result of Bullfrog Power's power purchase agreements and equity investments, and more projects are planned for 2008 and 2009. None of these projects relied upon a RES or RESOP contract with the OPA in order to be built. As such, Bullfrog Power stands as a rare example of the market-based future the OPA is trying to create. The OPA should take steps to cultivate, and not destroy, this emerging voluntary market.

Bullfrog Power's customers are prepared to pay a premium to support renewable electricity because they understand that by doing so they are causing new renewable generation to be built that is incremental to the renewable generation that must be procured in order to satisfy the Directive. If the OPA was entitled to count the power procured by Bullfrog Power towards meeting the Directive's targets, Bullfrog Power customers would no longer have a reason to pay a premium, because their support would no longer have the effect of increasing the amount of renewable power in the Province beyond the levels mandated by the Directive. In such a case, Bullfrog Power's value proposition to consumers would disappear, Ontario consumers would lose a unique choice in the market, and the nascent voluntary market in Ontario would be destroyed. This result would be contrary to the Directive and Regulation 424/04.

Similarly, if the OPA does not purchase and retire the environmental attributes associated with the renewable capacity it is required to procure, that would also be contrary to the Directive and Regulation 424/04. The premium that Bullfrog Power's customers pay for their renewable energy represents the incremental value of renewable power as the result of the fact that it is emission free. These environmental benefits (e.g. absence of nitrogen oxides, sulphur oxides, carbon dioxide, etc.) are known as environmental attributes and can be purchased, sold or retired. Bullfrog Power retires these attributes on behalf of its customers so that its customers can claim that their use of electricity was not associated with any emissions, and so that the attributes cannot be resold. If the OPA was to sell to the market the environmental attributes associated with the renewable electricity it procures, or was to leave the environmental attributes in the hands of generators for them to sell to the market, rather than retire them on behalf of Ontarians as is the intent of the Directive, that would be a waste of ratepayer funds, and it would have a devastating impact on Bullfrog Power's business and fatally damage the emerging voluntary market that is causing new generation to be built in the Province.

Accordingly, Bullfrog Power submits that the following questions should be added to the issues raised by the OPA. The questions are divided in order to fit within the organizational structure of the OPA's issues.

## **Part I**

### **Issue 1: Compliance with the Directive issued by the Minister of Energy**

Bullfrog Power submits that question 2 should have two subsidiary questions:

2a) In compliance with the Directive, should the OEB direct that the OPA exclude renewable generation procured by the voluntary market from the renewable targets in the IPSP?

2b) In compliance with the Directive, should the OEB direct the OPA to procure and retire on behalf of Ontario ratepayers the environmental attributes associated with the new renewable electricity in the IPSP?

## **Issue 2: Compliance with legislation and regulations**

Bullfrog Power submits that two additional questions should be answered:

1. In order to ensure that the IPSP is environmentally sustainable, cost effective and economically prudent should the OEB direct the OPA to:
  - a) acquire and retire on behalf of Ontario ratepayers all environmental attributes associated with new renewable electricity contemplated in the IPSP, and
  - b) exclude power procured by the voluntary market from its plan for achieving the renewable energy targets set out in the Directive?
2. Should the OEB direct the OPA to exclude the electricity procured by the voluntary market from the renewable targets of the IPSP as it is an innovative strategy to facilitate competitive market based response and to accelerate the implementation of conservation, energy efficiency and demand management measures?

## **Part II**

Bullfrog Power submits that an additional question should be included:

1. Should the OPA's proposed procurement processes limit adverse impacts on investments occurring independently of the OPA procurement by:
  - a. Not counting electricity procured by the voluntary market in its plan to achieve the Directive's renewable energy goals?
  - b. Requiring the OPA to purchase and retire all environmental attributes associated with renewable power procured?