

FRENCH RIVER DELTA ASSOCIATION
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December 13, 2011

Ministry of Energy
Attention: Fareed Armin, Ontario Deputy Minister
e-mail: 2yearFITreview@ontario.ca

Dear Mr. Armin:

Re: Review of Feed-in Tariff (FIT) Program

About us

The French River Delta Association consists of the cottagers and local business owners who depend on the French River ecosystem. We are committed to ensuring that this ecosystem is sustained for future generations. For many years, we have had a cordial work relationship with the local Ministry of Natural Resources (MNR) and Ministry of the Environment (MOE) staff, and have worked together on fishery improvement and water quality issues. We are very concerned about a FIT contract awarded to develop an hydro electric project on Wanapitei River.

During the past eighteen months, and after a great deal of research, our concerns about the FIT Program have grown from environmental concerns to encompass the long term financial viability of the program and the Ontario consumers' ability to absorb the costs.

We would like to offer our opinion regarding the FIT Program.

1. Is new generation required?

The Ontario Power Authority (OPA) estimates that Ontario's total system capacity in 2011 is 34,982 MW ¹ (excluding coal).

The OPA has also estimated that the required Ontario demand reserve will be 28,491 MW ².

Recommendations

1) That OPA initiate a review of the IPSP Planning and Consultation Overview to address what is actually required.

¹ IPSP Planning and Consultation Overview, Figure 7, page 3-17

² IPSP Planning and Consultation Overview, Figure 10, page 3-19

- 2) No new FIT contracts be tendered until forecasts are more accurate.
- 3) A moratorium be placed on FIT contracts tendered unless the project is shovel ready and has all regulatory approvals in place as of December 14, 2011.

2. FIT Pricing

The FIT program has been designed to enable private investment by artificially raising prices paid for electricity. These artificial prices are then passed to the consumer who has no option or recourse but to pay or lose service.

In the meantime, average wholesale prices for electricity have steadily declined. The IESO reports that monthly average prices have declined since 2008 from \$0.0517 per kwh to \$0.0294 per kwh ³.

The demand decrease, coupled with the price decreases, causes our exported electricity to be sold at a loss. Again, the consumer pays. This burden will only increase as we add artificially high “green energy” projects to the system.

Recommendations

- 1) Peaking Bonus on hydro electric projects be removed. Hydro facilities are operated remotely and electronically. No additional costs are incurred to supply peak power.
- 2) FIT pricing structure be reviewed to protect consumers from over-inflated electricity rates.
- 3) Inflation price increase clause should be no more than 50% of Consumer Price Index, allowing consumers to maintain a standard of living currently enjoyed in Ontario.
- 4) FIT contracts should not include Price Adder clauses. Any additional costs associated with a project should be considered a cost to the proponent and be included in their business plan, and not be a cost to consumers.
- 5) Standby charges should be reduced to reflect actual cost; e.g. overhead, labour at standby facility, etc.

³ IESO report on Monthly Average Prices

3. Municipal Input

The Green Energy Act and FIT Program have purposely excluded any local Municipal input. The Program has also been designed so that the Municipality and local stakeholders pay the environmental cost but reap no financial gain. This, we feel, is unfair and does not fit with our democratic ideals.

Recommendations

- 1) Prior to a FIT contract being awarded, Municipalities must have input and the authority to say NO or YES to a project.
- 2) All projects under a FIT contract should pay appropriate Municipal tax based on the Municipality's tax rates for other industrial companies.

4. Green Energy Definition

There is no clear definition of what is considered "green energy".

It is our understanding that OPA and the government feel that anything that does not emit Carbon Dioxide is green.

Biofuel and gas electricity generation stations emit approximately 50% of the carbon dioxide levels of coal generation, yet are considered to be "green energy".

Water power emits very little carbon dioxide for production of electricity. BUT the construction of small "modified run-of-the river" hydro electric projects on many small rivers in Northern Ontario causes much more ecological damage than carbon dioxide! By proponents holding water back in ponds for up to 48 hours until the peaking price time, many trees, which clean carbon dioxide from the atmosphere, will be destroyed, habitat for endangered species will be destroyed, and dangerous conditions will be created for resident terrestrial species. When the water is released to produce electricity, dangerous conditions will be created downstream, not only by fast moving water, but by the toxic minerals already in the sediment in the river being released into the water causing very unsafe water quality.

Water power is covered by the Green Energy Act, but is excluded from any prohibitions contained in the Act at this time. Scientific research shows that water power has numerous negative impacts on the environment and riverine ecosystems, that it should not be considered Green Energy at all.

Recommendation

A definition of Green Energy be developed that is consistent with reducing carbon dioxide emission **and** maintaining Ontario's water quality and biodiversity.

5. Peak Demand Coverage

Upon analysis, it appears that total generation is not a problem for Ontario. Rather the issue is response to peak demand.

The FIT solution to peak demand is to build excess generation and pay inflated prices for this excess generation capability and then to sell this excess at a loss. Again, this cost is born by the consumer.

Recommendations

- 1) Ontario uses its existing import transmission infrastructure (4,000 MW) to import power from Manitoba and Quebec on a long term contract at a price of \$0.06 per kwh. This is a much more economical and environmentally friendly solution.
- 2) Ontario maintains and improves its cost demand management plan to improve infrastructure that saves electrical demand during peak hours.
- 3) The OPA should launch initiatives through Ontario universities to develop large scale energy storage units for excess power. The energy stored could then be used at peak demand periods. This new technology would make Ontario a leader in the energy field.

6. Guaranteed Access to the Grid

The FIT Program guarantees access to the grid to proponents and that from the connection point, the consumer will pay for upgrades.

At the same time, OPA and the government are committed to shutting down Ontario Power Generation (OPG) thermal coal units. These units have employees, locations close to electricity demand, infrastructure, and transmission systems on site.

Recommendation

OPG coal fired facilities be converted to biofuel or gas generation to protect jobs and reduce infrastructure and transmission line capital costs to the consumer.

7. FIT Contract and Rules

During the Public Information meeting with the proponent for the Wanapitei River site, the proponent was asked if these projects could be stopped. We have been led to believe that once a FIT contract has been awarded, the project cannot be stopped. Does a FIT Contract and the Green Energy Act override all legislation that protects the environment, endangered species, biodiversity and the rights of First Nations and local Municipalities and stakeholders?

Recommendation

The FIT contract clearly state the project can be cancelled if regulatory agencies decide the project does not meet Ontario's long term environmental, economic and social plan.

We believe that modernizing Ontario's electricity system and a move to greener energy is important.

We do not believe that the Green Energy Act and FIT Program, as structured today, will accomplish this goal. We need to ensure that our environment and economy will last for many future generations to maintain our social responsibilities.

We thank you for the opportunity to submit our comments for the review of the FIT Program.

Sincerely yours

Jim Rook

French River Delta Association