

# A New Day for Energy Investment & Infrastructure in Ontario: the Proposed Green Energy Act – Bill 150

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## **Taming the multi-headed beast: how the GEA reforms existing investment & infrastructure constraints**

- Overview
- Reform One: Feed-In Tariffs
- Reform Two: New Types of Generators: Utilities, Energy Co-ops, Municipalities
- Reform Three: Enabling the Smart Grid
- Reform Four: Energy Plans and Energy Efficiency Certificates
- Reform Five: Simplifying & Expediting Project Planning and Approvals
- Expedited timetable to pass and implement the GEA

# Overview

- **GEA is the 3<sup>rd</sup> wave of major electricity sector reform**
  - 1<sup>st</sup> wave: 1998 electricity sector deregulation
    - breakup of Ontario Hydro into separate generation and transmission companies
  - 2<sup>nd</sup> wave: 2004 electricity sector central planning revisited(OPA, IPSP)
  - 3<sup>rd</sup> wave: new Ministry, new Minister, new priority

# Reform One: Feed-In Tariffs for Electricity

- Present approach
  - *Above 10 mW: Competitive Procurement by the OPA. Generators must respond to RFP*
  - *Below 10 mW: Renewable Energy Standard Offer Program of OPA. All generators received 11¢/kwh (fixed portion 8.8 ¢/kwh; indexed portion (to CPI annually) 2.2¢ /kwh. Extra 3.52¢/kwh for guaranteed peak hour delivery*
  - *Large parts of province declared ineligible because of lack of transmission capacity*
  - *Program suspended in early 2008 in many parts of province*

- Proposed GEA reform:

- OPA has set fixed rates as directed by government. Proposed rates

Technology	Proposed size tranches	Proposed $\phi$ kWh
Biomass*	Any size	12.2
Biogas*	$\leq 5$ MW	14.7
	$> 5$ MW	10.4
Waterpower*	$\leq 50$ MW	12.9
	$\leq 2$ MW	13.4
Community Based Landfill gas*	$\leq 5$ MW	11.1
	$> 5$ MW	10.3
Solar PV Rooftop	$\leq 10$ kW	80.2
	10 – 100 kW	71.3
	100 – 500 kW	63.5
	$> 500$ kW	53.9
Ground Mounted Wind	$\leq 10$ MW	44.3
Onshore	Any size	13.5
Offshore	Any size	19.0
Community Based	$\leq 10$ MW	14.4

- May introduce additional rules, eg, for geothermal
- Proposed ground mounted solar rate likely to change
- Special program for small (<10 kw) installation
- Caps on size of solar and water projects
- No limits on wind and biomass projects, except community-based
- Renewable energy projects get right to connect and preferred right of connection to transmission and distribution grids, subject to technical and economic criteria in regulations
- “Buy-Ontario” Provisions; implemented at procurement contract time; details forthcoming in regulations

# Reform Two: Opening Up Who Can Generate Electricity

- Present restrictions
  - *distributors cannot own generation (similar split to Hydro One and OPG)*
  - *affiliates of distributors can (and do) own generation*
  - *Municipalities cannot own generators directly, only through a corporation incorporated under the Business Corporations Act*

- Proposed reform:

- Distribution companies can own generation - whether part of regulated utility or in separate division or both not clear
- New energy co-ops authorized under co-op legislation
- First Nations encouraged to participate in project (see 295 million dollar loan guarantee in Ontario budget)
- Municipalities or municipal service boards or city boards and municipal service corporation, allowed to be generators. 10 MW limit on renewables projects, subject to higher by regulation; no limit on size of municipal cogen projects or storage projects that meets criteria prescribed by regulation

# Reform Three: Developing the Smart Grid and Expanding it

- Existing situation
  - *Some utilities have experimented with time of use rates*
  - *Smart meters deployment about 50% complete across the province*
  - *Time of Use Rates not yet in place but should be available this summer*
  - *Expansion of renewables projects stymied by inadequate transmission and distribution infrastructure*

- Proposed reforms

- Act says Ontario government will legislate roles and responsibilities for developing the smart grid
- Smart grid defined for first time in Ontario legislation (Quote)
- Legislation requires OEB to enable necessary expansion of transmission and distribution networks in timely fashion
- Budget allocates \$50 million to develop smart grid and \$390 million part of which is to assist with transmission and distribution expansion

# Reform Four: Energy Plans and Certificates

- All municipalities and other public agencies and perhaps some private consumers must have energy plans and targets
- Government can designate energy conservation goods, services and technologies, which can be deployed despite codes and by-laws
- OEB is directed to require LDC's and other licencees to set energy efficiency targets, implementation plans, and report progress meeting targets
- The bill will reinforce the role of energy conservation in the Ontario Building Code
- Public agencies including provincial government facilities will consider energy efficiency and renewables in the procurement and capital expenditure decisions for provincial government facilities. Energy Efficiency Standards for new government buildings (which means government owned or occupied buildings)
- Energy efficiency standards for appliances and products

## Reform Five: Simplifying & Expediting Generation Facility Approvals

- Existing situation:
  - *Multiple approvals and approval bodies*
    - *Energy: OPA, Hydro One, LDCs*
    - *Land Use: municipalities, NEC, MNR, OMB, ERT*
    - *Environment: MOE, ERT*
    - *Resources: MNR*
  
- Proposed reforms:
  - “Guaranteed” access to the grid, eventually
  - Land Use – no municipal role; limited NEC/MNR role
  - Environment: single renewable energy approval
  - Resources: limited grounds for permit refusal

# The Recent Ontario budget Proposes Supplementary Resources

- \$250 million over five years in an Emerging Technologies Fund for Investment in, inter alia, green technology companies
- \$390 million to assist in implementation of the GEA by expediting green energy growth, transmission and distribution
- \$50 million over five years for research, capital and demonstration projects for development of a smart electricity grid
- \$30 million annually to purchase emerging Ontario green technology products, and showcase these products to domestic and international markets
- \$5 million over two years for a green skills and labour strategy and
- \$5 million for environmental policy development

- Retrofit program for government, agency, school and commercial buildings
- Assessment of Act amendments to ensure property assessment not affected by energy efficiency enhancements
- Studies to investigate ways to speed up introduction of electric vehicles
- \$250 million loan guarantee program to support Aboriginal participation in energy projects

## Timetable for Reform

- *Legislation*
  - Bill 150: 1<sup>st</sup> and 2<sup>nd</sup> Readings done
  - Off to legislative committee: in the next two weeks
  - Passage by May/June 2009
- *Regulations*
  - Tariffs for energy technologies and locations
  - New approvals regime (information requirements, approvals process, inter-ministry coordination)
  - Program launch in June, 2009
- *Transition*
  - Special rules to encourage use of GEA approval

# Investment Opportunities

- Feed-In Tariffs mean rate & timeframe guarantees, and thus reliable rate of return forecasts
- Many new players in the wind, solar, biomass, landfill gas, water space
- End of restrictions re distributors, municipalities, co-ops entering generation mean partnership opportunities
- Promotion of Aboriginal partnerships mean additional opportunities
- Rapid increase in CDM activity with higher demand for energy efficiency enhancing products and services, energy service companies
- Creation of smart grid will provide opportunities for home energy management companies, software providers, demand response companies

# Energy & Environmental Law Expertise



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