



APPRO

ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

APPRO Perspectives on Standard Offer Contract

Presentation to the OPA Stakeholder
Plenary Session
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Why a Standard Offer?

- Ontario's major electricity challenge is a shortfall in the supply of new, clean and affordable generation
- The primary purpose of a standard offer contract process must be to incent supply solutions that might otherwise not come forward to help fill this gap
- These projects can provide valuable system-wide benefits, e.g.
 - Adds to Ontario's electricity supply in a shorter time
 - Delays or avoids transmission upgrades
 - Reduces line losses and transmission charges, and enhances system reliability
 - Provide direct project benefits to municipalities / rate payers

Why a Standard Offer?

- Additionally, RFP processes aren't well suited to all resources and situations
 - The costs and difficulty of participating may be too onerous for small, quality, viable projects which might otherwise not come forward
 - Financial security requirements,
 - Complexity of the contracting process,
 - High cost of proposal development relative to project size and
 - Overall administrative burden for RFP process
- APPrO has discussed the issue of Standard Offers with the DG Task Force, CDEA, OWA and CanWEA
 - we believe there is a great deal of symmetry among our organizations on the fundamentals

Fundamental Considerations

- Pricing
- Ownership of Projects
- Project Size Limits
- Eligible Technologies
- Location
- Interconnection
- Terms and Conditions

Pricing

- To bring appropriate projects forward, prices under an SOC need to be sufficiently high to reflect value of benefits
- APPrO supports the need for a separate standard offer price, assessment process, and terms and conditions for clean power and for renewables.
 - Formulas should account for changes in interest rates and commodity prices over the time of this Initial Phase
- A \$/MWh pricing structure may be appropriate for participating projects
- On natural-gas fired projects the buyer should take the fuel price risk

Ownership should be unrestricted

- There should be no restrictions on ownership of projects which are eligible to participate apart from OPG (or insofar as its mandate permits)
- There should be no limit on the size or number of projects that can be owned or controlled by a single entity
- There should be no requirement for ownership or other participation by entities within the community where the project is to be located as this may create gaming where developers attempt to secure addresses in an area
- Furthermore, regional economic development is outside the mandate of the OPA.

Project Size Limits

- There should not be any limit set on individual project size limits -- LDC connection capabilities will drive the size of the project
 - However, if the OPA wants to limit the size of each project to reduce their financial exposure, the limit chosen will be arbitrary
 - In this case, then logically it should be set on an energy basis (GWhr/year)
- The maximum size of project should not depend on the technology proposed

Eligible Technologies

- The same technologies eligible for participation in previous RFP processes including District Energy and Cogeneration projects should be eligible for a Standard Offer
- No additional environmental performance standards, beyond those in relevant existing legislation and regulations need to be applied to projects as a condition of eligibility for the standard offer program - current programs already provide sufficient protection and more than enough red tape

Location

- There should be no limit on the total projects which a single LDC can be required to integrate apart from system capabilities
- Neither should there be local limits on the total of generation to be integrated from standard offer suppliers, again apart from system capabilities

Interconnection

- There should be no maximum voltage for interconnection of standard offer projects to the distribution system – the SO should simply require connection to local distribution systems at 50 KV or less

Terms and Conditions

- Different timelines exist for different technologies (e.g., wind vs. water vs. district energy)
 - Project completion/in-service deadlines must be sufficiently flexible to accommodate not only a generator's permitting requirements but also a host's permitting and other requirements – approval processes and timing will differ for different projects – one of the difficulties in participating in the RFP process was tight timelines
- In keeping with the concept of simplicity, once proponents meet SOC eligibility requirements (e.g., a simple checklist including connection agreements and resource control), they should be eligible for payment upon commissioning

APPRO is a non-profit organization representing more than 100 companies involved in the generation of electricity in Ontario, including generators and suppliers of services, equipment and consulting services. APPRO members produce power from co-generation, hydro-electric, gas, coal, nuclear, wind energy, waste wood and other sources. APPRO's members currently produce over 95% of the electricity made in Ontario.

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