

## DEVELOPERS SHARE THEIR OUTLOOK FOR ONTARIO IN 2014/2015

*By Elizabeth Judd, Canadian Clean Energy Conferences*

For wind and solar developers in Ontario, 2014 is beginning on a positive note, welcome news after many long months of uncertainty. Developers and co-ops alike are relieved that Ontario's Ministry of Energy finally released its Long-Term Energy Plan, or LTEP, and are eagerly awaiting details of Large Renewable Procurement, slated to be released in March, 2014.

For many, including Brent Hall, Manager of Business Development at large-scale wind developer wpd Canada, the announcement of the LTEP means that a "wait-and-see kind of year" took a sudden upturn. Hall describes himself as "guardedly optimistic" about the future of wind in Ontario given the call for 300 megawatts of wind generation in 2014 and another 300 megawatts in 2015. Still, he notes, "the devil is always in the details, and we have to see exactly how the RFP is framed."

Ryan Brown, Director of Development for Canada at EDP Renewables, another large-scale wind developer, agrees. While he, too, is eagerly awaiting more information, he's convinced that after a few years of mixed signals from government, "this is a good way to end the year."

### A CLOSER LOOK AT THE LTEP

Most Canadian renewable energy experts say that the LTEP contained few surprises. Kent Brown, President and CEO of BluEarth Renewables, praises the LTEP as "a consistent call for power," and believes that "now people can plan accordingly."



**KENT BROWN - PRESIDENT AND CEO, BLUEARTH RENEWABLES**

Although Brown doesn't describe the LTEP as perfect, he sees some real strengths: "We think it's a realistic plan and something that's a good balance between what we, developers, would like; the realities of the electricity market in Ontario; and the desires of consumers."

Azeem Qureshi, CEO of Grasshopper Energy, a company specializing in rooftop solar, also views the LTEP as a step in the right direction. Like BluEarth's Brown, he is pleased that the plan ushers in some much-needed stability. "There's been a lot of yo-yo-ing," he says. "It's tough to operate businesses when you don't have consistent policies or a long-term vision that political leaders are able to stick with."

That said, others are concerned about the large question marks left unanswered. Mike Garland, CEO at Pattern Energy, points out that a provincial election in 2014 could spur big changes.

"There remain numerous uncertainties in respect to procurement that need to be resolved," according to Garland. Among these uncertainties are "the role of municipalities, domestic content incentives and other design parameters that we would like to see resolved prior to making significant investments for future project development."



**MIKE GARLAND - CEO, PATTERN ENERGY**

Others found glimmers of hope in signals sent by Ontario's Minister of Energy, Bob Chiarelli, following the announcement of the LTEP. Mike Brigham, president of not-for-profit SolarShare Co-Operative, was encouraged by televised remarks by the Minister indicating that if

the first nuclear refurbishments are not on budget and on time, he would place the entire process under review.

"If he sticks to that, I view that as giving the nuclear energy industry the rope to hang themselves," says Brigham. "If you know about our nuclear history, there's never been a project brought in on time or on budget." He continues: "I think it will be a big winner for renewable energy if we finally get some honesty and transparency in the nuclear cost numbers."

### COMMUNITY PARTNERSHIPS

Going forward, both wind and solar companies expect to engage in more community-partnered projects. BluEarth's Brown points out that his company was already focusing on partnering with First Nations on renewable energy projects in Ontario. To date, BluEarth has partnered with the Batchewana First Nation to build the Bow Lake Wind Project and is working on finalizing another First Nation partnership, as well.

Over time, Brown points out that the model of community participation has evolved so that First Nations and other partners have greater equity ownership in the projects undertaken. Although this model has its challenges, he believes it makes sense because "it aligns the interests of the partners."

For wpd's Hall, community partnerships are again an extension of how the developer has operated for quite some time now. "At wpd, we need to make sure the community feels like they are a partner in the project-- whether the government says we have to or not," he says. "We know we have to do that, and so we're trying to figure out what model works best for bringing the community on board."

Hall points out that some large questions still remain. He, for instance, notes that it's yet to be resolved whether community means everybody within the view-shed or the municipality as a whole.

"There's a large anti-wind sentiment in Ontario, and community-based



BRENT HALL - MANAGER OF BUSINESS DEVELOPMENT, WPD CANADA



KEN ROUNDS - DIRECTOR, SIMCOE COUNTY COMMUNITY ENERGY COOP

anti-wind groups and certain municipalities have said, "We don't want you here," says Hall. "We're curious whether it's going to be the developers who come up with a new paradigm or whether the government will set some different guidelines that bring municipalities back into the fold."

Ken Rounds, Chairman of Ethos Solar, a company that builds residential solar projects, and Director for Simcoe County Community Energy Cooperative, believes the heightened interest in partnerships comes from a desire for government to keep the money it has invested in renewables "within the local communities."

Brigham also praises the government's decision to give priority to community, aboriginal, and now municipal projects. He points out that this decision helps level the playing field given that co-ops face a handful of regulatory roadblocks that corporations don't.

When it comes to costs, for-profit companies also enjoy some distinct advantages.

Because SolarShare has more than 600 members, it costs the co-op an estimated \$25 per year to manage each individual membership -- even after valiant efforts at streamlining and automation. Brigham points out that the new emphasis on community partnerships helps co-ops and other non-profits compete in spite of the fact that they incur membership and other costs.

### WHAT LIES AHEAD IN 2014 AND 2015

Many large developers in Ontario are eagerly awaiting details of the Large Renewable Procurement. Grasshopper Energy's Qureshi is hoping that the process will be equitable for participants of all sizes: "Developers get a little frustrated if the process is too onerous and leaves only the very large companies with very deep pockets to compete." He continues: "We need strong developers to play, but we should allow a wider range of developers to participate in a fair and open manner."



**"Ultimately, the government will have to decide which bids are competitive and real, and which are too good to be true."**

– David Oxtoby, CEO of CarbonFree Technology



On the other hand, Hall cautions that when the barriers to entry are too low, as they've sometimes been with the Feed-in Tariff Program (FIT), a completely different set of problems may arise. "I think of all the FIT contracts that are never going to get built," says Hall. "That creates the anti-wind sentiment and concerns that people have on whether renewable energy is raising the cost of power."

David Oxtoby, CEO of CarbonFree Technology, agrees that how the Large Renewable Procurement is structured will be key to its success: "Ultimately, the government will have to decide which bids are competitive and real, and which are too good to be true." He continues: "It would not be the first time in Ontario or elsewhere that people's desire to win the competition resulted in unrealistically low bids."

Beyond the LTEP and the Large Renewable Procurement, developers are perpetually wrestling with issues of controlling costs. Oxtoby was part of the team that successfully financed Grand Renewable Solar LP, the largest solar project in Canada with 100 megawatts AC nameplate capacity. He points out that reducing installation costs remains a pressing concern. Given that small FIT rates have been reduced from previous levels, it's not always easy to make the economics of projects work.

And yet Oxtoby is convinced that solar can compete on a price-per-kilowatt-hour basis with other forms of electricity. "We're optimistic that through innovation and economies of scale, the industry can continue on the path of cost reduction," he says.

Another significant issue, according to SolarShare's Brigham, is financing renewable projects. In 2013, SolarShare had 23 projects in generation worth \$10 million with plans to add projects worth \$21-\$25 million in 2014. Going forward, financing remains problematic. Brigham has a lender committed to working with

SolarShare at satisfactory financing terms, but he notes that other companies are too small to borrow the amounts necessary to secure certain deals.

Finally, the political landscape gives some developers pause. BluEarth's Brown points out that the renewables market faces the prospect of elections in Ontario -- a particularly angst-inducing scenario for renewable energy companies at this juncture. Brown characterizes the opposition and third parties as "extraordinarily unclear" as to what their intentions are for renewable energy. Because of this uncertainty, BluEarth is focusing on opportunities throughout Canada rather than relying solely on the Ontario market.

Although almost everyone laments a lack of clarity in the Ontario government's policies towards renewable energy, most agree that recent developments encourage hope. "We end the year in a much better place than we started the year," concludes EDP's Ryan Brown. "We're looking forward to significant opportunities for the sector and industry in the two-to-three years to come."

**Editor's Note:** All of these developers will be speaking at the upcoming 5th Ontario FIT and Renewable Energy Forum on March 17-19 in Toronto. The Forum will offer the industry the first opportunity for updates on the Large Renewable Procurement as well as FIT contracts, applications, approvals and finance. Visit [www.ofit2014.com](http://www.ofit2014.com) for more information.



  
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