

SUBMISSION TO THE MINISTER OF ENERGY AND THE IESO FOR COMMUNITY PARTICIPATION
PROJECTS IN LRP2

SUBMITTED BY: THE ONTARIO SUSTAINABLE ENERGY ASSOCIATION AND THE FEDERATION OF
COMMUNITY POWER CO-OPERATIVES.

JULY 2016

Recommendation

Recommendation to the Minister of Energy - that the Large Renewable Procurement 2 RFP include an opportunity for Ontarians to show their support for sustainable energy through the inclusion, in LRP2, of rated criteria for Community Participation Projects similar to that provided for Aboriginal Participation Projects in LRP 1.

Specifically, Co-operative economic interest of > 10 % be given 20 rated criteria points with higher levels, up to 49%, being given greater rated criteria points.

Rationale

1. Proven support for community owned renewable energy through \$100,000,000 bond and share capital investment (2014).
2. Demonstrated support for Large Renewable Procurement as evidenced in LRP1.
3. Contribution to cost reductions in procurement of renewable energy.
4. Established and experienced community co-operative sector with skills to work with the commercial developers.
5. Ontarians want to support Climate Action directly in their communities.

Ontarians Have Invested in Renewable Energy

A recent study by TREC* shows that community ownership would increase people's support for sustainable energy projects – 53% for wind projects and 66% for solar projects.

Ontarians have shown this support by investing, through bonds and shares, over \$100,000,000 (2014) in co-operatively owned renewable energy projects in their communities. *

Currently (2014) co-operatives have over 7500 members and are paying out over \$10,000,000 annually (2017) in investment returns on share capital and bonds to local investors.

In addition to direct investment return. Community projects have significant local economic impacts. The TREC* study found a 2:1 economic benefit ratio for a typical community solar project. When investment came from local investors and local firms were used to develop the projects, the economic impact on the local economy increased

by 47%. Clearly, there are major economic benefits to be had by encouraging local community ownership of renewable energy projects.

LRP 1 Proposal Summary Demonstrates Support

The IESO recently provided a summary of 78 projects that met the completeness and mandatory requirements under the Large Renewable Procurement 1 process.

- Over 55% of projects were able to obtain a Municipal Support resolution.
- Over 52% of projects concluded a Municipal binding agreement with local communities. These agreements locked in significant economic and social benefits for communities.
- Over 47% of projects were able to secure Abutting Landowners agreement from greater than 75% of abutting landowners.
- These support numbers increase dramatically when the focus is on the 16 projects awarded procurement contracts. In this case, 75 percent of the successful proposals had received support from local municipalities, and more than 60 percent had support from abutting landowners.

These results clearly demonstrate that Ontarians, through their local representatives, support renewable energy in their communities.

The LRP1 process through the community and rated criteria and developer acceptance of participation projects was able to provide the IESO with an overall average weighted procurement price of 8.59 cents/kWh for wind and 15.67 cents/kWh for solar.

As Bruce Campbell, President and CEO, IESO indicated "This LRP process introduced strong competition among developers of large renewable projects, helping to drive down price and secure clean, reliable generation for the province,"

Local participation in the procurement of renewable energy does deliver competitive pricing to Ontarians.

Qualified developers responded to the opportunity presented by the rated criteria by involving Aboriginal Participation in 76% or 59 of the 78 projects.

Consultation and time to work with participation projects clearly was not an impediment to developers. Nor would it be for Community Participation Projects. Community Participation can in fact lower costs.

Community Participation Projects in LRP2

Since Ontario's renewable energy program was launched with the Green Energy and Green Economy Act in 2009 over 83 renewable energy co-operatives have incorporated and Ontarians have (as indicated above) invested over \$ 100,000,000 in individual ownership facilitated through the creation of these co-operatives.

Those renewable energy co-operatives that have attained economy of scale have been successful without adding extraordinary costs to the projects. Co-operatives work under

the Co-operative Corporation Act; the Act demands a high degree of member communication and operational clarity.

The costs associated with these requirements are no different than those required by the Business Corporations Act. In the case of Co-operatives, the difference is simply the requirement for a higher level of public transparency.

In addition, Community participation project involvement, through co-operatives, can contribute to cost reduction.

1) Research has shown the, people support what they help to create. In other words, community participation projects through co-operative involvement create opportunities for residents in local communities to own and therefore understand, through local dialogue and ownership, the value of distributed energy. The reduction of social friction similar to collaboration processes in business organizations may result in an economic return similar of that achieved in the private sector of a 20:1 on ROI**. Projects receive faster support from the local authorities as evidenced in the case of Oxford Community Energy Co-operative.

2) Oxford Community Energy Co-operative. This is an 18 MW wind project that is 49% owned by the co-operative. The Cooperative raised the equity in advance of the project. With the money held in trust, the developer was able to arrange debt financing faster and with few conditions.

Ontarians want to support Climate Action

The Province of Ontario recently announced its Climate Change Action Plan (CCAP). Research in the plan provides definitive information on the support for climate action by Ontario residents and businesses. The CCAP identified 25 specific actions that would directly engage municipalities and local communities in green house gas pollution reduction and climate change adaption/mitigation. Behavioral change initiatives and participation in community energy planning activities were a significant focus of the CAPP.

As noted in the TREC* study, community participation projects have been shown to be a gateway for a wider array of emission reduction actions and an important motivator for increasing uptake of programs such as home retrofits and electric vehicle adoption.

As communities come together, through their involvement in community participation projects under LRP2, they also think more deeply about other ways to address climate impact as per the CAPP initiatives and activities.

Summary

- The support by Ontarians for renewable energy projects increases with direct ownership.
- Ontarians are willing to invest equity resources in community participation projects.

- Community projects have significant economic benefits.
- Developers have the skills and interest to work with participation projects.
- Co-operatives, of scale, have the skills and experience to work with developers while still achieving competitive pricing for renewable energy.
- Community participation projects are a gateway to support Ontario's Climate Action Plan.

Recommendation

That the Large Renewable Procurement 2 RFP include an opportunity for Ontarians to show their support for sustainable energy with the inclusion Community Participation Projects with rated criteria for Community Participation Projects similar to that provided for Aboriginal Participation Projects in LRP 1.

Specifically, Co-operative economic interest of > 10 % be given 20 rated criteria points with higher levels, up to 49%, being given greater rated criteria points.

* *"The Power of Communities – How community-owned renewable energy can help Ontario create a powerful economic advantage"*, TREC: http://www.trec.on.ca/wp-content/uploads/2016/06/TREC_Primer_Jun28_Approved_Final-LR.pdf

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