

Ontario's Power Trip: Solar see saw

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By Parker Gallant

In a major energy policy reversal that will cost Ontario electricity consumers as much as a \$1-billion, the province's Energy Minister Brad Duguid last Friday took back a plan to cut solar power subsidies. The subsidies, based on paying 80-cents for a kiloWatt hour of solar power, were to be cut to 58 cents on all projects approved after July 2. But on Friday, under pressure from green energy lobbyists, Mr. Duguid reversed that decision. The new price for solar would be 64 cents—but only on projects submitted after Aug. 13. All proposals that have been submitted before that date—whether approved or not—would receive the 80 cent price.

This is another electricity policy bungle on the part of the Liberals, part of a series that date back more than a year. Here's part of the history.

On September 24, 2009, George Smitherman, then Minister of Energy, issued a directive to Colin Anderson, CEO of the Ontario Power Authority, to develop a feed-in-tariff (FIT) program for green energy, including wind and solar. OPA was to include small solar projects labeled microFIT. The OPA complied with the directive and Oct. 1, 2009, accepted applications. Pricing of solar, ground and roof mounted, was set at .80 cents kWh and .40 cents per kWh respectively. A week later Mr. Smitherman issued another directive that obligated the OPA to ensure anyone contracted under the FIT program be hooked up to the grid.

By December 16th the OPA announced they had received 1,200 applications and Mr. Smitherman had announced he would run for mayor of Toronto. These 1,200 applications for roof and ground mounted solar were estimated to have a capacity to produce 8.6 MWs, or enough to power 1,000 homes.

What has happened since then demonstrates the inability of the OPA to add value to the electricity sector in this Province and the indecisive nature of the governing Liberals. The government's sudden about face on solar policy also demonstrates the ability of outside policy advocates to get their way.

When Mr. Duguid announced the cut in the solar subsidy to 58 cents on July 2, the number of solar microFIT applications had ballooned to 16,000. The government said it would cut the price paid for ground mounted solar from .80 per kWh to .58.8 cents. Mr. Duguid was quoted as saying this would save the ratepayers \$1-billion over the life of the contracts. The money would be saved because the Liberals would only honour contracts that had already been processed (either executed or offered) by the OPA.

The announcement became a two edged sword. Ratepayers thought Premier Dalton McGuinty and Mr. Duguid had finally come to their senses on the solar subsidies, while solar advocates said the Liberals had reneged on promises to pay the 80-cent rate.

But the \$1-billion savings disappeared quickly on August 13th, last Friday, when the OPA issued a press release reversing the plan. In a complete about-face, the OPA said it would honour all contracts that had been submitted at the old 80-cent rates. Magically, at the same time the number of applications had grown to 19,000 or by 3,000 in that six-week period since the first announcement on July 2. Where did 3,000 applications suddenly come from? It looks like another \$2/300-million has been added to the \$1-billion previously saved that will now not be saved.

So, why the about face? One reason is the role of the Ontario Sustainable Energy Association, the self-proclaimed “advocacy” not-for-profit that aims to save us from smog, reduce greenhouse gas emissions, and create sustainable communities. On the OSEA website, dated August 3, 2010, is a letter addressed to Mr. Duguid and copied to Mr. McGuinty and 8 other Liberal ministers. Neither of the opposition parties were copied which I would have thought would have been right and proper for an “advocacy” group. For that reason this letter comes across as a lobbying effort.

The letter berates the OPA and the minister for changing the rules, appeals to the minister to reverse his position, and claims (unsubstantiated) that “half a billion dollars in investment in rural Ontario will be lost if the price is changed so significantly.” The letter forecasts bankruptcy for many. It blames unnamed people “behind closed doors” that include companies “gaming” the program. It goes on to say that this is unfair to people “who have rearranged their financial affairs, cashed in retirement savings and taken out loans based on the higher price.”

OSEA—under the slogan “Power to the People” —urged the government to set up “a Council to review prices for renewable energy, similar to the Egg Marketing Board or the Wheat Board.” It proposed that “OSEA is ideally positioned to serve as a bridge between the commercial and government sectors and would be pleased to assist in drafting the structure of such a review council.” The government appears to have followed the OSEA advice here by setting up a panel on green energy pricing.

The OSEA letter further suggests that the OPA “make public all of the economic models and data used to determine the prices for the FIT programs, etc.” I wonder if OSEA feels the same about releasing OSEA’s financial statements for public scrutiny so that we can determine how much money is flowing to them from the taxpayers of this province.

Parker Gallant is a retired Canadian banker who began looking at his Ontario electricity bill and didn’t like what he was seeing.