

Q & A on Community Power and Standard Offer Contracts

Defining Community Power

1. Question: What is community power?

Answer: The term “Community Power” for OSEA means sustainable energy projects initiated, implemented and owned by members of a local community. They can involve green power generation, conservation or both. The projects result in social, environmental and economic benefits to the local community in which they take place.

2. Question: Why is community power important?

Answer: Community power means involving people in the energy sector in a significant way: through decision-making, ownership, employment, investment and action. This involvement leads to increased responsibility in terms of energy choices and uses. On the supply side, local ownership of green power generation sources by co-operatives, landowners and community members has driven the rapid growth of renewable energy in Germany and Denmark. In Germany 35% and Denmark 85% of all renewables are owned by local community members. On the demand side, the conservation movement in Ontario has been largely a grassroots movement with over 24 local community organizations delivering over 40,000 energy conservation audits and retrofits to homeowners, businesses and the MUSH sector.

Community power also means distributed generation and/or less generation, making for a stronger electrical grid. Community power projects lead to rural revitalization by keeping energy dollars circulating locally. Community power also leads to the development of a greater local skillbase for high quality jobs in a rapidly growing sustainable energy generation and conservation sector.

3. Question: Who does community power projects?

Answer: Community members, urban and rural citizens, co-ops, landowner associations, farmers, schools and municipalities all participate in community power projects. Community power projects are often co-operatively structured.

4. Question: What do Standard Offer Contracts mean for Community Power?

Answer: Standard Offer Contracts are vital to community power projects’ participation in the electricity sector. They provide a means to communities to sell their electricity to the grid. They enable community-based projects to make long-term planning and financing decisions.

Standard Offer Contracts

Standard Offer Contracts are also known as Advanced Renewable Tariffs.

1. Question: Are Ontario’s Standard Offer Contracts a subsidy?

Answer: No. A subsidy is a payment from the provincial budget. Unlike previous power projects in Ontario, taxpayers do not pay for electricity purchased under the Standard Offer program. Only consumers of electricity pay for the electricity generated by renewable resources in the Standard Offer program. Moreover, most subsidies are in the form of grants or simple payments regardless of whether the technology actually works. All the risk of developing renewable resources in the Standard Offer program is on the shoulders of those who invest in them, whether it is a homeowner installing solar panels, or a farmer installing a commercial wind turbine. They are paid only for the electricity they generate. If the solar panels or the wind turbine do not work, their owners do not get paid.

2. Question: Why are the prices different for different technologies?

Answer: Ontario’s electricity system is comprised of generation from many different sources. The cost of generating electricity from any one power plant is different from another. The cost of electricity from one of the province’s coal plants is different than that from one of its natural gas-fired power plants. Renewable resources are no different. The cost of generating electricity from wind energy is different from that of solar energy. As a result the price or tariff paid for each kilowatt-hour generated is different for each technology.

3. Question: Can anyone get a contract to sell power from a solar panel or a wind turbine?

Answer: Yes, if all the technical requirements are met. Ontario's Standard Offer Contracts are open to everyone. This was not previously possible. In previous programs only large companies could participate.

4. Question: Do Standard Offer Contracts simplify the process for homeowners and farmers who want to install a solar system or wind turbine?

Answer: Yes. There's no simpler system than Renewable Energy Tariffs. For example, a farmer walks into the LDC or Hydro One, says he wants to install up to 10 MW of wind on his land and walks out with a contract, assuming of course there's a three-phase line nearby. It's then the farmer's responsibility to line up financing. It's done frequently in Minnesota and Germany.

5. Question: Have Standard Offer Contracts been used elsewhere?

Answer: Yes. Sixteen European countries use Renewable Energy Tariffs, the European version of Standard Offer Contracts. In fact, an increasing number of jurisdictions are turning to Renewable Energy Tariffs as a means for developing their renewable resources.

6. Question: Why not use bidding or a request for proposals to determine who will be allowed to install renewable resources?

Answer: European economists argue that bidding systems are less competitive than Renewable Tariffs because only a few companies can participate. There needs to be many players for a true market to function and true competition to exist. Competition among manufacturers of solar panels and wind turbines is more intense and technological development more rapid in countries using Renewable Energy Tariffs than in countries that rely on bidding systems.

7. Question: Will Standard Offer Contracts increase manufacturing of renewable technology in Ontario?

Answer: Possibly. Most manufacturing of renewable energy technology occurs in countries where stable domestic markets were created by Renewable Energy Tariffs. No country that has used bidding exclusively has developed a vibrant and sustained manufacturing sector. Major manufacturers are largely based in countries with Renewable Energy Tariffs. The Spanish wind industry rivals that in Germany. Both use Renewable Tariffs.

8. Question: Is it difficult to identify the "right price" for a Standard Offer Contract that encourages development of renewable resources without awarding excessive profits?

Answer: No. It is not difficult to calculate the prices needed to make projects of various sizes with various renewable technologies viable. It's been done before in Germany, France, Spain, Portugal and a number of other countries. Canadians are certainly capable of doing it here. There is an extensive literature on this topic. OSEA has posted a number of articles from noted academics about Renewable Energy Tariffs on our web site at www.ontario-sea.org. In addition there is an extensive collection of articles on electricity feed laws at www.wind-works.org/articles/feed_laws.html.

9. Question: Are Ontario's prices for renewable energy too high?

Answer: No. Ontario's prices under the Standard Offer Program are less than those in Europe. In the case of solar energy, Ontario's price is half that paid in Germany. Because of the German policy to pay these prices to develop its solar resource, Germany is now the world leader of photovoltaic (solar cell) technology. Ontario's tariff for biomass is less than that in Europe, while the tariff for hydro and wind energy is somewhat less than that in Europe.