

Program doesn't FIT Ontario's economy, ex-Power boss says

BY DON BUTLER, THE OTTAWA CITIZEN SEPTEMBER 20, 2011



Premier Dalton McGuinty, with Liberal candidates Ken Schmidt and Teresa Piruzza, hold a press conference at the CS Wind manufacturing plant in East Windsor. Former Ontario Power Authority CEO Jan Carr says the Feed-in Tariff program has 'a lot of merit' as a concept but is being 'implemented incorrectly and we need to get back to basics.'

Photograph by: Nick Brancaccio, The Windsor Star

OTTAWA — The centrepiece of the Ontario government's green energy policy, the Feed-In Tariff (FIT) program, is "economically unsustainable," says a former CEO of the Ontario Power Authority.

Jan Carr, who was head of the OPA from 2005 to 2008, made the blunt assessment in a commentary released Tuesday by the Council for Clean & Reliable Energy, a self-described forum for "reasoned analysis" on subjects related to electricity policy.

In his commentary, Carr said the FIT program is "most certainly building higher costs into tomorrow's electricity bills — probably more than \$310 per year or a 22- per-cent increase for an average residential customer."

FIT and its companion program, microFIT, offer developers of wind and solar energy projects payments as high as 80 cents a kilowatt hour in 20-year contracts. The generous subsidies are designed to transform Ontario into a green energy superpower, but the provincial Progressive Conservatives have pledged to cancel the program if elected on Oct. 6.

Carr, who also served as vice-chair of the Ontario Energy Board in 2004, writes that the FIT program is economically unsustainable "largely due to its excessive subsidies and lack of incentives for electricity generators to be innovative or improve cost-effectiveness."

As well, he says FIT's "cumbersome structure" requires detailed management, meaning the OPA, which administers the program, is seen as a roadblock.

Moreover, the FIT program is designed only for selected types of generation, notably wind and solar, "even though their intermittent nature means they cannot alone meet customers' electricity needs," Carr writes.

In an interview, Carr said FIT has "a lot of merit" as a concept. But "it's being implemented incorrectly and we need to get back to basics."

He said the FIT program is an industrial strategy, not an energy policy. "What we're doing is essentially driving up the cost of energy for the purpose of creating jobs."

But the strategy is self-defeating, he said, because higher energy costs will destroy jobs. "I'm really arguing for untangling energy policy from all these other things, which is making a mess of our energy strategy."

Homeowners are already complaining about the cost of electricity, Carr noted, and the high fees paid under the FIT program "haven't even hit customers' bills yet. The worst is yet to come."

That means politicians are unlikely to continue to support the FIT in future, he said. "Any kind of subsidy program is a political decision. They're only there as long as the politicians can support them, and they can support them only as long as the public will put up with them."

In his commentary, Carr argues that the FIT program should be transformed into a Distributed Generation Tariff (DGT), which would offer small-scale generation projects guaranteed contracts, but at a rate far lower than FIT pays.

The rate would be set by the Ontario Energy Board in a "clear and transparent fashion," Carr told The Citizen. "It would not come out of the minister's mind one afternoon. It would actually have some logic to it."

The DGT model would also keep pace with innovation while replacing complex central administration with simplified local management, he argues.

DGT projects wouldn't make a huge contribution to the province's electricity needs, Carr admits. "But it will all help. And it won't kill us economically."

And unlike the FIT, a distributed generation tariff would be available to any type of small generation project, including heating cogeneration plants, landfill gas projects, and small-scale hydroelectric developments.

"It is these DGT benefits that save the baby of small-generation projects while throwing out FIT's bathwater of subsidies," Carr writes.

To attract investment in larger-scale generation projects, Carr said Ontario should return to conventional competitive procurement. Alberta has an open and competitive market for electricity, he noted. "They have, on a proportional basis, three times as much wind as Ontario and there are no subsidies."

dbutler@ottawacitizen.com

© Copyright (c) The Ottawa Citizen