



## **Frequently asked questions about the new ground-mounted solar price category**

### **1) How did the OPA come up with the proposed 58.8 cents/kWh for ground-mounted solar PV projects?**

FIT rates for all project types are set to provide a reasonable rate of return on equity to the developer of roughly 11 per cent over the 20 years of the FIT contract.

In setting FIT rates, OPA took into account typical project capital costs, operating and maintenance costs, financing costs, and expected electricity production over the life of the project. A 70/30 debt/equity split was assumed and debt borrowing costs were assumed at 7%.

Projects can come in many different configurations. Project costs and capacity factor – that is the amount of energy a project produces – are BOTH key elements in determining a project's rate of return.

Ground-mounted projects with tracking systems (panels that turn to follow the sun) have higher upfront capital costs but produce more energy (higher capacity factor) and therefore generate more revenue. At 58.8 cents/kWh, the higher revenue offsets the higher capital costs and results in a rate of return on equity that is comparable to rooftop solar projects as well as other FIT projects.

Ground-mounted projects without tracking systems have lower capital costs but also generate less energy and therefore less revenue. In this case, the lower upfront cost offsets the lower revenue, still enabling a reasonable rate of return on equity from the same 58.8 cent FIT rate.

The new price category levels the playing field with other FIT and microFIT categories. The OPA is conducting a 30-day consultation period on the new price category and invites proponents to submit feedback.

### **Typical Ground-Mount Project at 58.8 cents/kWh**

|                          | <b>Tracking (10 kW)</b> | <b>Fixed - No Tracking (10 kW)</b> |
|--------------------------|-------------------------|------------------------------------|
| <b>Cost to Install</b>   | \$90,000                | \$60,000                           |
| <b>Capacity Factor</b>   | 19%                     | 13%                                |
| <b>Annual Production</b> | 16,600 kWh              | 11,300 kWh                         |
| <b>Annual Revenue</b>    | \$9,800                 | \$6,700                            |
| <b>Simple Payback</b>    | 9 years                 | 9 years                            |
| <b>Return on Equity*</b> | 11%                     | 11%                                |

**Typical Ground-Mount Project at 80.2 cents/kWh**

|                          | <b>Tracking (10 kW)</b> | <b>Fixed – No Tracking (10 kW)</b> |
|--------------------------|-------------------------|------------------------------------|
| <b>Cost to Install</b>   | \$90,000                | \$60,000                           |
| <b>Capacity Factor</b>   | 19%                     | 13%                                |
| <b>Annual Production</b> | 16,600 kWh              | 11,300 kWh                         |
| <b>Annual Revenue</b>    | \$13,300                | \$9,100                            |
| <b>Simple Payback</b>    | 7 years                 | 7 years                            |
| <b>Return on Equity*</b> | 23%                     | 24%                                |

\*Return on equity = annual revenue – annual debt repayment (70% of project costs) ÷ equity investment (30% of project costs)

Additional information about the price assumptions is available [here](#).

**2) Why can't there be a different rate of return on equity for different solar technologies within the microFIT program?**

The rate of return on equity must be consistent across the entire program to be fair to ratepayers and to developers. At the new proposed price, ground-mounted developers can expect a return on equity of about 11 per cent, which is consistent with what rooftop solar developers and other FIT developers will receive.

**3) Why didn't you lower the tariff for both rooftop and ground-mounted solar PV projects rather than severely reducing one category?**

This is a standard offer program and the return on equity must be consistent across the entire program to be fair to ratepayers and to developers. Multiple differentiators and/or categories based on specific individual circumstances challenge both the concept of a standard offer and the viability of the program to efficiently and effectively procure electricity on behalf of ratepayers at a reasonable price.

**4) How does the OPA differentiate between a rooftop and a ground-mounted solar PV project?**

The definition of a rooftop project is included in the [microFIT Program Rules](#), number 53. To ensure that the principles of the program are respected and the rules are clear, the definition has been updated. The rules now make it clear that a structure must not exist primarily for the purpose of supporting a solar PV project. It must be an existing, permanent structure with a primary use that is independent of the microFIT project. Even if a project is ineligible to receive the rooftop price of 80.2 cents/kWh, it will receive the proposed price of 58.8 cents/kWh, provided it meets all applicable microFIT criteria.

**5) Why didn't the OPA set the price for ground-mounted solar PV installations lower than rooftop projects when the microFIT program was launched?**

Based on consultations and stakeholder feedback when designing the FIT program, the OPA proceeded with the expectation that the majority of solar microFIT projects would be rooftop installations and that a very small minority would be ground-mounted. It was assumed that ground-mounted solar PV projects would be chosen by homeowners, institutions and small businesses only when a rooftop was not viable due to structural problems with the roof or the fact that the roof was shaded or not south-facing. This is a new program, a first in North America; as with any new program, sometimes adjustments are needed. As it has turned out, most of the 16,000 microFIT applications that were submitted as of July 2, were for ground-mounted projects. The new price category has been created to ensure that ground-mount developers receive the same reasonable rate of return on equity as other FIT developers.

**6) If I re-submit my ground-mount microFIT application now and the proposed price of 58.8 cents/kWh increases after the 30-day comment period ends, will I be stuck with the 58.8 cents?**

No, the price that you will receive will be the price that is finalized after the 30-day comment period ends. Re-submitting your application now means that your application will be ready to be processed once the 30-day comment period ends August 3, 2010.

**7) Why won't the Ontario Power Authority "grandfather" all existing applications up to the announcement of the new proposed price category at the original price of 80.2¢/kWh?**

We have an obligation to ensure good value for ratepayers and promote the long-term sustainability of the program by paying rates that are fair and reasonable.

The response to the microFIT program far exceeded our expectations and planning. More than 16,000 applications were submitted, with a large majority for ground-mounted solar projects. The original prices were set following extensive consultation with stakeholders about what was needed to motivate development and provide fair compensation for investments in small projects.

Developers determine when they will proceed to make commitments with suppliers and investments in equipment, just as they determine which type of project they will pursue. As is clear from the formal program documents, applicants must receive a conditional offer and subsequently execute a contract before the enrolment process is complete. All microFIT conditional contract offers and signed contracts are being honoured. All microFIT conditional

contract offers and signed contracts at the new proposed price will be honoured after the comment period has ended on August 3, 2010 and a decision is finalized.

**8) Will the tariff for rooftop solar PV microFIT projects remain at 80.2¢/kWh?**

There is no plan at this time to change the price for rooftop solar projects. As set out in the [microFIT Program Rules](#), we anticipate undertaking a two-year review of the program and prices in 2011.

**9) How long will it take to process the ground-mount applications following the 30-day comment period?**

We will process all outstanding applications as soon as possible following the 30-day comment period (ending August 3, 2010). During this consultation process, we will be working with all applicants to confirm their interest in pursuing their projects. At a minimum, we will uphold what has been stated on the microFIT website: If your original application was submitted before March 31, 2010, you can expect to hear back from us by the end of August. If you submitted your original application by May 31, 2010, it will be processed by the end of September.

**10) What is the purpose of the 30-day comment period?**

The 30-day comment period is an opportunity for us to engage in an honest dialogue directly with applicants and interested parties about the new proposed price category. We also know from past stakeholder interaction that we will gain insightful feedback that could be useful to our program management now and in the future. We welcome that input and we plan to learn from it. Applicants to the microFIT program are encouraged to share information during the comment period (ending August 3, 2010) and to advise the OPA of material facts related to the cost of ground-mounted solar PV projects. Details on how to do so are provided in the introduction to this FAQ.

**11) Will you host another webinar after you receive information from developers about ground-mounted solar PV?**

We are receptive to hosting another webinar but have not yet set a date or time to do so. If this occurs, further details will be shared through this website when available.