

Ontario's Renewable Energy Standard Offer Program is Now Available

This program took a roller coaster ride through development but, at the end of the ride, there is good news for both solar electricity pioneers and the solar industry in Ontario.

What is a Standard Offer Program (SOP)?

Standard Offer Programs incent the deployment of leading edge energy technologies. In the case of renewable energy, the benefits of deployment include cleaner air, reduced climate change, and reduced consumption of our fixed, non-renewable fossil fuel resources. SOPs turned Germany and Japan into world leaders in solar technologies and many other countries around the world are adopting SOPs in response. Ontario was the first jurisdiction within North America to adopt a SOP.

How does Ontario's SOP work for solar electric generators?

The Ontario Power Authority (via your local electric distribution company (LDC)) will pay a fixed premium rate for every kilowatt-hour generated using renewable energy. **The rate for solar generated electricity is \$0.42/kWh and the contract term is 20 years.** All your green electricity will be exported to the utility, and your consumption will be billed at the regular retail rate of electricity.

How will the SOP affect my hydro bill?

Whether you take part in this program or not, you may see some changes:

- A. If you enlist in the SOP and install a solar electric system, a second meter will be installed to record your solar electric production. Your existing meter will still record all of your consumption. Both meters will be read at the same time by your utility. Your consumption will be billed as usual and your production will accumulate a credit in a second account with the utility company. If your credit account is greater than your consumption account a cheque will be issued. The second account may be charged a monthly service fee, similar to that for your consumption account. In Peterborough, the residential account fee is about \$13/month.
- B. All Ontarians will experience a very small increase in their utility bill to pay for this program. Heavy users will pay more; small users will pay less. The average Ontarian will pay an extra \$1.50/year to support the SOP for solar electricity.

What additional costs are there for participating in the SOP?

In addition to the components and installation costs for a solar electric system, you will also be responsible for:

- **Additional Permit Costs** – one time fees - expect ~\$150
- **Generators license** – Does not apply
- **New meter** to record production – one time fee – expect \$600 - \$1500 . Depends on the utility; some are not charging at all.
- **Service fee** for having a second electric utility account – monthly fee – expect \$10 - \$50/month depending on LDC and service size.

What is the financial case for solar electricity in Ontario now?

An investment in a residential solar electric system under the SOP will do a bit better than money left in the bank, at current interest rates. No one is going to get rich on this program, but that's OK. The program is intended to help those 'solar pioneers' who want to become green power producers for reasons beyond pure economics. SOP returns will repay the initial system investment in 16 to 23 years.

Keep in mind that the money you're paying in utility bills right now has no investment value at all – it's just a cost. Investments in solar (or other renewable energy sources) are the *ONLY energy generation investment* available to the home or business owner.

Businesses paying tax on profit can take advantage of a federal tax incentive through Capital Class 43.2, which allows accelerated depreciation of capital investments in solar electricity. The accelerated depreciation rate of 50%/year (on a declining basis) permits front loading of the capital expense, thus reducing your tax exposure in the short term. Talk to your accountant to find out what particular benefit this can offer you.

Lease companies are popping up to offset the high initial capital outlay for a solar electric system. Let us know if you are interested and we can link you with them.

What do we think about Ontario's SOP?

The SOP is almost everything we could have hoped for. It's enough of an incentive to convince "solar pioneers" to finally install systems of their own. These are folks who've been longing for a solar electric system but just needed an added push.

It's also small enough to permit the solar industry in Ontario to grow and mature safely. This is a good thing because it creates less likelihood of fly-by-night companies and shoddy work.

The program is flexible enough to adapt to changing market conditions, such as rising costs of traditional energy and reduced costs of solar electricity. The rate can be increased, but not decreased.

The ongoing costs are noticeable. A portion of your solar electric system will be working just to overcome your utility's monthly service fee. In fact, you will need to generate 1kWh per day just to pay the additional monthly service fee. This is the expected daily energy output from 300 Watts of solar panels. It would be nice to hold onto this revenue.

If you are an owner of an existing "net-metered" solar electric system you may consider switching to the SOP. If your system is large enough, it may even be to your advantage. Keep in mind the additional fees will apply and if your external disconnect switch is not located beside your meter there may be additional complications. Call or email to find out more.

Where do I sign up?

Applications are available from the OPA's website: www.powerauthority.on.ca/sop/

Contact us ([info@generationsolar](mailto:info@generationsolar.com) or 1-877-747-6527) and we will guide you through it.