Feed In Tariff Regulation
Consultation Paper

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(1) Introduction

This document is intended for the purposes of consultation only. The power to enact a regulation rests entirely with the Lieutenant Governor-in-Council and no assurance is provided in this document with respect to whether a regulation will be made, or as to its content.

The British Columbia Ministry of Energy, Mines and Petroleum Resources ("the Ministry") intends to recommend the introduction of a Feed-In Tariff Regulation ("The Regulation") under Section 16 of the *Clean Energy Act* ("the Act") to support fulfillment of British Columbia's Energy Objectives set out under Section 1 of the Act. The Ministry objective is for the regulation to commence in early 2011.

The Regulation would require the BC Hydro and Power Authority ("BC Hydro" or "the Authority") to establish a feed-in tariff ("FIT") in accordance with the Act. The Regulation would set out eligibility criteria for participation in a FIT along with other key aspects of the program. BC Hydro would then develop the details of a FIT based on the Regulation.

The process for establishing the regulation consists of six stages:
(a) Scoping – reviewing existing FITs in other jurisdictions, with particular focus on their relevance to the British Columbia electricity sector;
(b) Ministry Consultation Paper – This paper outlines the Ministry's intentions for drafting the regulation;
(c) Consultation – hearing from interested stakeholders and the general public, via responses to this Consultation Paper and other means as required;
(d) Drafting – preparing legal language for consideration by the Minister of Energy, Mines and Petroleum Resources ("the Minister") and Lieutenant Governor-in-Council (Cabinet);
(f) Decision by the Lieutenant Governor-in-Council on whether to enact the Regulation; and
(g) Implementation – informing government staff and external stakeholders of the regulatory requirements, and enabling effective implementation should The Regulation be brought into force.

The purpose of this Consultation Paper is to inform stakeholders and the general public of Government's intentions to develop the Regulation, to provide relevant background information and to solicit comments for consideration when drafting the regulation. Differences from existing FITs are presented, and the process by which feedback can be given is detailed. The discussion questions included in the paper are not intended to limit the scope for stakeholder or public input during the consultation process.

(2) Background Information

(2.1) British Columbia Energy Policy

In the fall of 2009 the Province established a Green Energy Advisory Task Force (the Task Force). The Task Force membership consisted of clean energy experts, energy consultants, renowned climate experts, leading academics, First Nations representatives and environmentalists. [1]

The Task Force delivered its findings and recommendations to Government early in 2010. The establishment of a FIT program was one of its key recommendations.[2]

In the February 9, 2010 Speech from the Throne, the Government of British Columbia announced its intention to maximize the province's potential as a clean energy powerhouse. In support of this goal, the *Clean Energy Act* was introduced in April and received royal assent on June 3, 2010.

The Act specifically enables introduction of a FIT. A "feed-in tariff program" may be established under section 16, under which the authority offers to enter into energy supply contracts with persons generating electricity from clean or renewable resources using prescribed technologies in prescribed regions of British Columbia. Under the Act "clean or renewable resource" means biomass, biogas, geothermal heat, hydro, solar, ocean, wind or any other prescribed resource.[3]

The Act set out 16 Energy Objectives. These objectives relate to a broad range of energy issues including achieving electricity self-sufficiency, becoming a net exporter of electricity, improving energy efficiency, reducing greenhouse gas emissions and supporting economic development.

(2.1.1) Objectives of the Regulation

While a FIT would support the achievement of many of British Columbia's energy objectives, the Ministry intends to design the Regulation to address the following six objectives specifically:

- To use and foster the development in British Columbia of innovative technologies that support energy conservation and efficiency and the use of clean or renewable resources;
- To ensure the Authority's rates remain among the most competitive of rates charged by public utilities in North America
- To reduce BC greenhouse gas ("GHG") emissions;
- To encourage economic development and the creation and retention of jobs;
- To foster the development of First Nation and rural communities through the use and development of clean or renewable resources; and
- To reduce waste by encouraging the use of waste heat, biogas and biomass.

(2.1.2) Purpose of a FIT

A FIT is intended to create a market to foster the development of emerging technologies that can supply electricity from British Columbia's renewable resources. It would provide an opportunity for electricity generation projects using emerging technologies to prove their performance while earning revenue from their power production.

A FIT is not intended to provide a means by which BC Hydro would procure large volumes of conventional electricity supply, nor is it expected to make a large contribution towards the province's electricity self-sufficiency or power exports. A FIT would focus on small-scale electricity generation rather than large-scale projects.

Under the Act, a FIT could not provide support for the production of clean energy other than electricity (e.g. renewable heat, renewable transportation fuels). These areas are covered by other Provincial initiatives.

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[1] http://www2.news.gov.bc.ca/news_releases_2009-2013/2009EMPR0021-000655.htm

[2] http://www.empr.gov.bc.ca/EAED/Documents/GreenEnergyAdvisoryTaskForce.pdf pages 12, 17, 20

[3] http://www.leg.bc.ca/39th2nd/3rd_read/gov17-3.htm#section1

Under the Act a FIT could target specific technologies or regions of the province and offer different rates to different project types based on a range of considerations.[4] A FIT would target technologies or resources where the province enjoys some competitive or comparative resource, technology or market advantage.

(2.2) BC Hydro Power Acquisitions

BC Hydro currently acquires new electricity supplies through a number of mechanisms including:

- Development of new supply through the improvement of BC Hydro owned facilities under the Resource Smart Program;
- Acquisition of new supply through competitive bids from independently owned generation under Call for Power processes;
- Acquisition of supply from BC Hydro customers (e.g. the Integrated Power Offer for industrial customers);
- Acquisition of new supply from small, clean power projects at standardized pricing, based on recent competitive calls, with simplified contracts under the Standing Offer Program, the Net Metering Program and the Community Based Biomass Program.

These programs primarily target procurement of significant quantities of cost-effective electricity supply from proven technologies using clean or renewable energy sources.

A FIT would differ from BC Hydro's existing power acquisition programs by targeting clean or renewable power generated from emerging technologies and by offering prices designed to provide project proponents with an acceptable rate of return. A FIT may also be designed to support targeted regions for clean power development using emerging or commercial clean energy technologies. (e.g. communities currently reliant on diesel generators). A FIT would complement, not replace BC Hydro's existing power procurement programs.

[4] http://www.leg.bc.ca/39th2nd/3rd_read/gov17-3.htm#section16

(2.3) Differences from Existing FITs

Many jurisdictions have implemented FITs to support increased electricity generation from renewable energy sources. Most jurisdictions have targeted their FITs broadly to support the adoption of a wide range of renewable energy sources.

FIT programs are designed to provide a stable market for long-term sales of renewable energy at a rate of return that makes projects economically feasible. FIT contract terms in other jurisdictions range from 10 to 40 years. Rates paid for power vary by technology and are generally set to provide a rate of return ranging from 5-10 percent. FIT program terms and conditions, along with pricing and technical requirements are published and barriers to program entry are kept to a minimum.

Unlike most jurisdictions which have adopted a FIT, British Columbia is fortunate to generate over 90 percent of its electricity from clean or renewable sources. Where other jurisdictions have designed their FITs to enable the rapid adoption of renewable energy sources to displace coal- or gas-fired electricity generation, British Columbia would seek to focus on a FIT that enables the deployment of emerging technologies which diversify use of the province's abundant clean and renewable energy resources, and pursue new economic opportunity.

A FIT developed for British Columbia would incorporate many of the elements of FITs available elsewhere, such as technology differentiated pricing and simplified contract terms, but would be significantly more focused in its application.

This difference in focus is most apparent in terms of the eligibility of projects for participation under a FIT. Where most jurisdictions offer a FIT to most or all sources of renewable electricity generation, including wind, solar and biomass combustion, BC would target specific technologies and specific regions. This focused approach is intended to maximize the

benefit from the limited investment that the Province would make in its FIT.

Many jurisdictions have included initiatives to streamline the regulatory and permitting processes for clean energy projects as part of the introduction of a FIT. These initiatives have been designed keep FIT rates as low as possible by ensuring that project development and the compliance costs are appropriate to the projects. In British Columbia, the Act does not provide for similar initiatives as part of the Regulation, as FrontcounterBC offers one window access for natural resource permitting (www.frontcounterbc.com), and StraightForwardBC is focused on regulatory streamlining (http://www.tted.gov.bc.ca/sfbc/).

(3) Ministry Intentions

(3.1) Scope of the Regulation

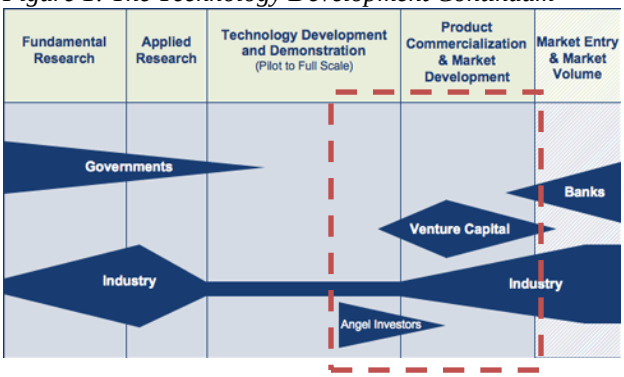
The Regulation would prescribe certain requirements related to program size, terms and project eligibility. In implementing a FIT program, BC Hydro would be obliged to follow these requirements but could specify program requirements not covered in the Regulation (for example, technical requirements for project interconnection).

A British Columbian FIT is not intended to act as a general power procurement tool for BC Hydro.

The Ministry intends for a British Columbia FIT to be a highly targeted program with two distinct focuses. The first focus of a FIT would be to provide a performance-based system to support investment in electricity generation from British Columbia's renewable energy resources using emerging clean energy technologies.

A FIT would be intended to target emerging electricity generation technologies and would be focused on projects employing technologies in the later phases of technology development and demonstration and early in the product commercialization and market development phases as illustrated in *Figure 1*.

Figure 1: The Technology Development Continuum[5]



Technologies at an earlier stage (i.e. at the development and demonstration phase) face different barriers than those at a later stage (i.e. commercialization and market development). A FIT may offer different pricing structures and contract terms to take this into account.

The second focus of a FIT program would target specific regions of the province (e.g. non integrated areas) where proven electricity generation technologies could support local environmental and economic objectives.

A FIT would provide a revenue stream based on actual electricity production, giving projects a means to forecast rates of return and attract financing to cover project construction and operation costs. A FIT would not provide capital support to finance the construction of eligible projects.

For projects deploying technologies that have not developed to a stage where system performance can be predicted and that are thus unable to secure financing based on projected FIT revenues, there are a range of Provincial and Federal Programs, such as the Innovative Clean Energy Fund, the Scientific Research and Experimental Research and Development Tax Credit, and Sustainable Development Technology Canada, designed to encourage investment in near-commercial clean technologies.

[5] http://www.sdtc.ca/en/about/innovation_chain.htm

(3.2) FIT Design Objectives

In developing the Regulation the Ministry is guided by six energy objectives set out under the Act.

Objective: To use and foster the development in British Columbia of innovative technologies that support energy conservation and efficiency and the use of clean or renewable resources

The key focus of this objective as it relates to a FIT is on the development and use of innovative electricity generation technologies using clean or renewable resources. In particular, the Ministry intends for a FIT to target emerging clean energy technologies to support the later stages of their development and commercialization.

British Columbia is home to a number of technology clusters focused on clean energy. There is an opportunity to grow domestic and international markets for these technologies. A FIT would be designed to provide a market-support mechanism to help emerging technologies overcome early technical and economic barriers on their way to market acceptance.

Objective: to ensure the authority's rates remain among the most competitive of rates charged by public utilities in North America

The Province is committed to preserving the advantage provided by competitive electricity rates. In support of this, the Ministry intends for a FIT program introduced in British Columbia to be highly targeted, and limited in size. The constraints placed on projects, contracts and expenditures under a FIT program are designed to support this objective.

Objective: To reduce BC GHG emissions

While electricity generation in British Columbia has very low GHG emissions overall, there are specific opportunities for a FIT to support emission reductions. Certain regions of the province rely on fossil fuel-based electricity generation. A FIT could be offered in these regions to reduce fossil fuel use and related GHG emissions.

Some clean or renewable resources, such as biomass and biogas, can be used directly in place of fossil fuels to achieve GHG emission reductions. A FIT targeting these resources must be carefully designed to ensure that their use directly in place of fossil fuels is not discouraged by the electricity rate structure.

The Ministry intends to take these issues into account in identifying eligible regions and technologies under the Regulation.

Objective: To encourage economic development and the creation and retention of jobs

Clean technologies and renewable energy resources can support economic development and diversification in British Columbia. A FIT could support both the commercialization of new technologies and the use of renewable energy resources across the province.

The Ministry intends to consider the potential for market growth within and outside of British Columbia when identifying technologies for inclusion under a FIT. Preference would be given to technologies with the potential to provide an overall net economic benefit to the province as a result of inclusion under a FIT.

The potential exists for the creation of regional technology, service or manufacturing clusters as a result of the development of projects under a FIT. The Ministry may consider the existence of such clusters or the potential for their development and the resulting creation of new jobs and regional economic benefits in selecting regions for inclusion under a FIT.

Objective: To foster the development of First Nation and rural communities through the use and development of clean or renewable resources

A FIT has the potential to support the diversification of local economies in First Nation and rural communities. Further benefits may come from the transition from fossil fuel-based electricity generation to renewable energy.

In identifying regions for inclusion in the FIT the Ministry intends to consider the potential for local economic benefits, particularly in rural British Columbia and First Nations communities.

Objective: To reduce waste by encouraging the use of waste heat, biogas and biomass.
The Province is seeking greater utilization of waste heat, biogas and biomass. In selecting emerging technologies for inclusion under a FIT, the Ministry intends to consider the potential to use waste streams to produce energy and to reduce greenhouse gas emissions. The availability of resources from waste streams, such as biogas from agricultural operations, will also be considered in identifying regions for inclusion in a FIT.

(3.3) FIT Program Rules

Under the Act, a FIT means a program "under which the authority offers to enter into energy supply contracts with persons generating electricity from clean or renewable resources using prescribed technologies in prescribed regions of British Columbia"[6].

A prescribed technology is a method of electricity generation identified in the Regulation as being eligible for participation in a FIT. A prescribed region is a defined area of the Province of British Columbia identified in the Regulation where projects using a prescribed technology may be eligible for a FIT.

Prescribed technologies and prescribed regions will be identified in the Regulation and will be chosen to support the FIT design objectives outlined in section 3.2. The Ministry is seeking input through this Consultation Paper on both the technologies and regions that should be prescribed under the Regulation to best support these energy objectives.

Most details of a FIT program would be developed by BC Hydro if the Regulation is implemented; however, the Province intends to set certain requirements related to the size and scope of eligible projects and a FIT in general.

(3.3.1) Project Size

A FIT would be intended to support the development and commercialization of emerging technologies using clean or renewable energy sources. A FIT would not be intended to be a significant source of new conventional electricity supply for BC Hydro. Consequently, the Ministry intends to limit the size of projects eligible to participate in a FIT to a maximum of five megawatts of nameplate capacity. Projects larger than five megawatts would not be eligible to participate in a FIT.

This cap would ensure that, given the overall size of the program, there are opportunities for multiple projects to benefit from a FIT, while providing the opportunity to demonstrate emerging renewable energy technologies at full commercial scale.

Discussion Question: Is the proposed limit of five megawatts of nameplate capacity appropriate given the objectives set out for a FIT? If not, what would be an appropriate size limit for projects under a FIT?

(3.3.2) Project Location

To participate in a FIT established under the Act, a project must be located in British Columbia in an area of the province that receives service from BC Hydro. This may include areas connected to the Provincial electricity grid, and non-integrated areas served by BC Hydro including Fort Nelson.

The Ministry intends for a FIT to be available to emerging clean energy technologies in all areas of the province served by BC Hydro.

Additionally, the Ministry intends for a FIT to be available to selected proven clean energy technologies in prescribed regions (e.g. non-integrated areas).

Under the Act, the Lieutenant Governor in Council may direct BC Hydro to establish a FIT program. The Act does not provide for the

[6] http://www.leg.bc.ca/39th2nd/3rd_read/gov17-3.htm#section1

Lieutenant Governor in Council to provide similar direction to other electric utilities in British Columbia. This means that a FIT program as described in this Consultation Paper and established through a Regulation will only be available through BC Hydro.

Other British Columbian utilities could seek to introduce a FIT, however, such a FIT would not be covered by the Act or the regulation contemplated in this consultation paper. The introduction of a FIT by a utility other than BC Hydro would require an application to the BC Utilities Commission.

Discussion Question: Is the planned availability of a FIT to emerging technologies in all areas of the province served by BC Hydro appropriate given the objectives of the Regulation?

(3.3.3) Eligible Generation Technologies

Under the Act, a FIT may be open to electricity generation using clean or renewable resources, currently defined as biomass, biogas, geothermal heat, hydro, solar, ocean, wind or any other resource prescribed by regulation.[7] As a FIT provides payment for the generation of electricity, it would not directly support renewable heat production, transportation fuel production, or energy storage.

(3.3.3.1) Emerging Technologies

Outside of selected regions (discussed in section 3.3.3.2), the Ministry intends to limit a FIT program to emerging technologies which make use of clean or renewable energy resources. The Act does not define "emerging technologies".

The Ministry intends to identify emerging technologies for inclusion in a FIT based on a combination of factors including: current stage of technological development, energy resource availability; market growth potential; potential environmental benefits; and particular advantages to British Columbia.

[7] http://www.leg.bc.ca/39th2nd/3rd_read/gov17-3.htm#section1

The Ministry has examined electricity generation technologies which use clean or renewable resources, and identified those which it considers to be emerging technologies that would best support the achievement of the design objectives of a FIT as set out in section 3.2. The results of this examination are set out below.

(i) Biomass

Conventional biomass-based combustion to produce heat and electricity is mature technology that is well established in British Columbia. Other technologies, such as biomass gasification, are at later stages of development but are not yet fully commercialized.

British Columbia has significant biomass resources. The development of these resources to support energy production has been a Provincial focus for several years and a significant opportunity for growth in the sector remains – particularly in rural areas of the province. Emerging biomass-based clean energy technologies developed in British Columbia have the potential to be competitive in international markets.

The Ministry intends to include electricity generation using gasified biomass as an eligible emerging technology under a FIT.

(ii) Biogas

The generation of electricity using biogas is a well-established commercial technology – similar to small-scale electricity generation using natural gas. The collection or production of biogas is well established in some sectors in British Columbia, such as at landfills or sewage treatment plants, but not others. In particular, the use of anaerobic digesters in agricultural operations is not common in the province.

While the province-wide potential for electricity generation from biogas is smaller than that for other clean or renewable energy resources, there is good biogas resource potential near load centres. This means that biogas-based electricity generation may offer benefits in terms of reduced transmission losses and improved grid

stability. The use of anaerobic digesters for manure management offers improved local air and water quality as well as reduced GHG emissions.

The Ministry intends to include biogas-based electricity generation using anaerobic digestions as an eligible emerging technology under a FIT.

(iii) Geothermal Heat

Electricity is generated using high-temperature geothermal resources in many parts of the world using mature technologies such as steam and binary cycle turbines. Techniques for generating electricity using low temperature geothermal resources are currently in use at a limited number of locations.

British Columbia has significant geothermal energy potential, concentrated in geologically active areas (e.g. volcanic belts, sedimentary basins). There is currently no geothermal electricity generation in British Columbia. Access to geothermal resources in British Columbia is managed by the Ministry under the *Geothermal Resources Act*.

Opportunities to deploy geothermal energy technologies which make use of lower temperature resources in some non-integrated regions of the province offer the potential for GHG emissions reductions.

The Ministry intends to include geothermal electricity generation as an eligible emerging technology under a FIT.

(iv) Hydro

British Columbia has extensive hydroelectric resources. The generation of hydroelectricity using a storage dam or run-of-river penstock is fully mature technology widely used in British Columbia and around the world.

The use of hydrokinetic turbines within free-flowing streams is at an earlier stage of technological development. There are good opportunities to expand the use of such technologies within British Columbia and in international markets. In-stream hydrokinetic turbines offer the potential for energy development within with a minimum of environmental disruption.

The Ministry intends to include hydroelectric generation using in-stream hydrokinetic turbines as an eligible emerging technology under a FIT.

(v) Solar

The generation of electricity using solar photovoltaic cells is mature technology and is commonplace in many areas of the world. Technological developments related to photovoltaics focus on incremental improvements to increase efficiency and lower cost. The use of concentrated solar thermal energy to produce steam and generate electricity is at an earlier stage of its development and not yet fully commercialized.

The solar energy resource in British Columbia can support photovoltaic electricity generation but is likely insufficient to support the use of concentrating solar thermal powered generation.

The primary barrier to widespread adoption of photovoltaic technology in British Columbia has been cost rather than technical issues. While a FIT could address this, market growth would likely be primarily based on price support and might not be sustainable over the medium term.

The Ministry does not intent to include solar electricity generation as an eligible emerging technology under a FIT.

(vi) Ocean

Ocean renewable energy technologies are at an early stage of development with few commercial-scale projects currently operating worldwide. British Columbia is home to a cluster of companies developing technologies and projects to generate electricity from the ocean. The province has significant wave energy and tidal energy resources.

Interest in ocean energy is growing around the world and it is anticipated that successful technologies will find a range of market opportunities in the coming years.

As ocean energy technologies are at an early stage of development, their interaction with the environment is still being examined. Initial work in other jurisdictions indicates that ocean energy projects may be environmentally benign or even bring benefits.

The Ministry intends to include ocean energy electricity generation using wave energy and in-stream tidal energy as an eligible emerging technologies under a FIT.

(vii) Wind

Wind powered electricity generation is a mature technology. British Columbia has significant wind energy resources. The province currently has one operating wind power project with several others in various stages of development.

There is strong potential for the continued expansion of wind electricity generation through existing BC Hydro power acquisition processes. The Ministry does not intent to include wind electricity generation as an eligible emerging technology under a FIT.

(viii) Other Resources

Other resources may be designated as clean or renewable resources under the Act through a regulation. Consideration of these resources for inclusion under a FIT would take place if and when they are identified.

Discussion Question: Are the criteria used for identifying emerging technologies appropriate? What changes to them are necessary?

Discussion Question: What emerging electricity generation technologies that should be eligible to participate under a FIT have not been identified?

(3.3.3.2) Proven Technologies

Commercially proven clean or renewable energy technologies may be eligible for a FIT within specific regions of the province. The Ministry intends to identify these regions based on a combination of criteria including: the need for reliable electricity generation, energy resource availability, potential environmental benefits, and regional economic benefits.

It is expected that these regions will fall primarily in non-integrated areas served by BC Hydro. In particular there may be opportunities for electricity generation using biomass, hydroelectric, solar or wind power to displace diesel in communities where there is a need for robust and reliable equipment.

Discussion Question: In what regions of the province should proven technologies be considered for inclusion in a FIT? Why?

(3.3.4) Price/ Rate of Return

A FIT offers different prices to different generation technologies. The price offered to a particular type of technology is designed to provide a rate of return sufficient to cover capital, permitting, and operating expenses based on estimates of the average cost for that type of project.

Prices offered under a FIT would be designed to provide participating projects with a return of between five percent and ten percent depending on the technology and region.

A number of approaches have been used to set power prices under a FIT. For its FIT, the Province of Ontario developed a set of assumptions related to cost and performance characteristics of a typical system using each eligible technology. These were used to set prices which were the subject of consultation with stakeholders and industry.

Nova Scotia is currently in the process of developing a FIT. It proposes that rates offered under a FIT would be set by the Nova Scotia Utilities and Review Board (which plays a similar role to the BC Utilities Commission). Under the model proposed in Nova Scotia, FIT rates would be set by the Utilities and Review Board based on evidentiary submissions by stakeholders and experts.

Each of these approaches offers benefits and drawbacks. While the approach taken in Ontario allows FIT rates to be set relatively quickly, the approach taken in Nova Scotia offers rigorous independent oversight.

The Regulation will provide BC Hydro with the authority to set rates for a FIT. The Ministry anticipates that BC Hydro would develop a rate schedule under a FIT in consultation with industry stakeholders, experts, and other jurisdictions implementing a FIT.
Under the Act, a FIT is exempt from oversight by the BC Utilities Commission.

It is anticipated that full disclosure of project costs to BC Hydro would be a requirement of participation in a FIT. This cost information could be used to adjust prices offered to similar projects to ensure that the target rate of return is being achieved. Cost information disclosed to BC Hydro would be treated confidentially.

The treatment of environmental attributes produced by a project receiving a contract under a FIT would be consistent with other BC Hydro power procurement programs.

Discussion Question: Is the target range for project rate of return appropriate? If not, what rate should be available?

Discussion Question: Is it preferable for a FIT to offer a higher rate of return available to fewer projects or a lower rate of return available to more projects?

(3.3.5) Contract Term

British Columbia's FIT would be designed to target emerging renewable energy technologies and to provide a mechanism to move these technologies toward mainstream adoption. The BC FIT would be limited in its total budget, meaning that at some point existing projects would have to exit the program before new projects could participate.

The Ministry intends to limit the term of energy supply contracts offered under a FIT program to five years for most projects. The Ministry anticipates that BC Hydro would include a mechanism under a FIT program to allow projects that have operated successfully for a five year period to secure an Electricity Purchase Agreement at the rates prevailing at that time through the Standing Offer Program.

Particular technologies or regions may require longer contract terms under a FIT to make projects viable. In these circumstances, contracts could be offered for a term in excess of five years provided they did not consume a large proportion of the total contracted capacity allowed under the Regulation.

Discussion Question: Is a five year term contract term under a FIT sufficient to attract investment in projects using emerging renewable energy technologies? If not, what term should be available?

(3.3.6) Maximum FIT Budget

The Act allows for the cost of a FIT established under section 16 to be borne either by the taxpayer or the ratepayer or to be shared between them. The Ministry proposes to limit annual spending on all power acquired under a FIT to $25 million above the cost of acquiring that volume of electricity through the Standing Offer Program, or the avoided cost of diesel-fired electricity generation, as applicable.

Budgets and funding models for a FIT program that may include taxpayer or ratepayer support would be subject to review by Treasury Board and approval by Cabinet.

As proposed, the Regulation would have a less than one percent impact on Provincial electricity rates. Depending on the uptake of a FIT, the Ministry may revise the maximum FIT budget and may revise the allocation of cost between the taxpayer and the ratepayer.

Discussion Question: Is a maximum budget of $25 million of annual incremental costs above prevailing energy prices sufficient for a FIT to achieve the objectives set by the Ministry?

(3.3.7) FIT Project Intake Process

A FIT would operate on a similar basis to BC Hydro's Standing Offer Program. Program rules would be published and projects could apply for contracts. Electricity purchase agreements would be awarded to eligible projects on a first come, first served basis. Once the maximum budget of a FIT is reached, BC Hydro may choose to maintain a waitlist of eligible projects.

Projects which receive a contract under a FIT but do not meet specified timelines will be removed from the program to make way for other eligible participants.

Discussion Question: Is the award of electricity purchase agreements under a FIT on a first come, first served basis the most effective method given the size and objectives of a FIT in British Columbia?

Discussion Question: Would a system by which particular technologies or sectors were allocated a portion of the FIT be more effective in achieving the Province's objectives? How should such an allocation be determined?

(3.3.8) Multiple FIT Programs

More than one FIT program may be established under the Regulation as the needs of some regions, technologies or project types may be inconsistent or incompatible with each other (e.g. projects located in remote communities served by diesel generators compared to projects connected to the Provincial grid).

If multiple FIT programs were offered, some of the program rules may differ from those outlined in this Consultation Paper, however, they would be required to support the program objectives, and would be covered by overall program criteria such as the maximum budget.

Discussion Question: What factors should be taken into account in considering the creation of additional FIT Programs?

(4) Anticipated Timelines

The period for public input on this intention paper will be open until September 30, 2010. Following the close of consultations, the Ministry will consider the input received and intends to complete regulatory drafting by the late fall for presentation to the Lieutenant Governor-in-Council.

It is anticipated that BC Hydro would begin detailed program development concurrent with regulatory drafting and that a FIT program would be implemented in early 2011.

(5) Providing Comments

Responses to this Consultation Paper are being solicited until September 30, 2010.

The discussion questions included in this Consultation Paper are designed to gather input on key points which will guide the Ministry's drafting of the Regulation. The discussion questions are not intended to limit the scope of public consultation and comments on all aspects of the development of the Regulation are welcome.

Following review of comments and submissions, the Ministry would complete legal drafting of the Regulation for legislative review and implementation.

Comments received will be treated confidentially by Ministry staff. However, please note that comments you provide and information that identifies you as the source of those comments may be publicly available if a Freedom of Information (FOI) request is made under the *Freedom of Information and Protection of Privacy Act*. Each FOI request will be evaluated and consultations with the providers of comments would occur before any information is released.

This Consultation Paper can be accessed at: http://empr.gov.bc.ca/RET/RenewableEnergyTechnologies/Pages/FITIntentionsPaper.aspx

Interested parties are invited to submit comments in writing to:

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Thank you for your time and consideration.