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Industry outlook bright despite lower solar power prices

Cuts to a financially lucrative government renewable energy program could force some inefficient installation companies out of the industry while still leaving sufficient margins for more established companies in the province, say some observers.

The feed-in tariff program launched by the Ontario Liberals in 2009 has funnelled millions of dollars into burgeoning clean energy businesses, attracting many inexperienced installers to the sector and into direct competition with industry veterans.

Under Ontario's Green Energy Act, generators are guaranteed generous premiums on power produced from renewable sources. The program recently underwent a two-year review with Energy Minister Chris Bentley announcing changes to the program that included lower payments.

Ottawa Solar Power owner Mike Mcgahern said he believes experienced firms such as his will actually benefit from the cut in rates.

Previously, "the rates were so good that the homeowner didn't look twice at the price," he said. "You could have inefficiencies but you were making good money so you didn't notice."

Homeowners nowadays will be more likely to seek out professional services to ensure their system is properly installed and that it's generating the maximum amount of revenue, he said.

Mr. Mcgahern said the decrease in payments won't deter many homeowners, as component prices continue to drop and enable more people to afford alternative energy systems.

The long-expected reduction in rates reflects the falling costs of materials and is intended to ensure the program remains financially sustainable for the cash-strapped provincial government, the report stated.

"Everyone was expecting that," said Mike Perrault, CEO of local solar installer Solpowered Energy Corp. "They're just aligning the prices with the cost. It's fair."

However, he acknowledged that many businesses serving the residential sector with smaller rooftop or ground-mounted projects will be hit hard because of the changing prices.

Small rooftop solar installations producing less than 10 kilowatts of energy will see rates decrease by nearly a third, going from 80.2 cents per kilowatt hour to 54.9 cents. Ground-mounted solar systems of the same size will decrease by a similar magnitude, from 64.2 cents per kilowatt hour down to 44.5 cents.

Larger rooftop solar systems – generating more than 500 kilowatts of energy – will see a smaller decrease, from 53.9 cents per kilowatt hour to 48.7 cents.

All sizes of wind turbines will see prices reduced from 13.5 cents per kilowatt hour to 11.5 cents.

As a developer focusing on larger solar projects, Mr. Perrault said he is pleased with the update.

"There's clearly a continued commitment from the ministry to develop clean energy in Ontario and remain leaders in North America," he said.

Ontario hosts the 10 largest solar farms in the country and is the leading solar energy producer in Canada, according to the review report.

Since the launch of the FIT program in 2009, the Ontario Power Authority has signed roughly 2,000 contracts, producing approximately 4,600 megawatts of energy – enough electricity each year to power 1.2 million homes, the report stated.

The government's goal is to accumulate 10,700 megawatts of energy under the FIT program by 2018.

"We're going to reach that goal by 2015," said Energy Ministry spokesperson Daniel Cayley in an e-mail to OBJ.

OPA will determine whether or not to raise that target at the end of 2013, he said.

Prices for hydro, biogas, biomass and landfill gas – all included under the FIT program – will remain the same, as will existing contracts made under the previous pricing.

The program review of the FIT program was always slated to take place two years after its inception, and will continue to be reviewed every two years. Pricing evaluations will take place every year to ensure sustainability of the project, the report stated.

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