

# Wind **POWER**

# WPPI

## Production Incentive

**1000**  
**Megawatts**  
**over 5 years**



**TERMS AND  
CONDITIONS**



Natural Resources  
Canada

Ressources naturelles  
Canada

**Canada**

# Contents

A Message from the Minister .....	3
Introduction .....	5
Purpose of the Wind Power Production Incentive .....	6
Key Principles .....	7
Program Considerations .....	8
Conclusion .....	9
<u>ANNEX A: TERMS AND CONDITIONS</u>	
Basic Eligibility Criteria .....	11
The Approval Process: “First in Construction, First Served” .....	12
Streamlined Approval Process for 2002/2003 .....	15
Terms of the Incentive .....	15
Administrative Requirements .....	18
<u>ANNEX B: INITIAL REGISTRATION OF PROJECTS FORM</u> .....	19
<u>ANNEX C: KEY GOVERNMENT OF CANADA PROGRAMS</u>	
<u>RELATED TO RENEWABLE AND ALTERNATIVE ENERGY</u>	
Renewable Energy Programs .....	21
Other Programs of Interest .....	22
For Further Information .....	23

*Aussi disponible en français sous le titre :*

Encouragement à la production d'énergie éolienne – 1000 mégawatts sur cinq ans

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## A Message from the Minister

**T**he Government of Canada, through Natural Resources Canada, plays a key leadership role in the development of our renewable energy resources. It offers programs such as the Renewable Energy Deployment Initiative, which develops markets for heating and cooling systems that use renewable sources of energy. These programs can help Canada meet its growing energy needs while reducing greenhouse gas emissions that contribute to climate change.

As Minister of Natural Resources Canada, I am proud to support a new program that furthers our commitment to wind power. The Wind Power Production Incentive, with a budget of \$260 million over 15 years, will encourage the development of a wind power industry in Canada.

The Government of Canada relies on partnerships with its stakeholders to support emerging renewable energy sources such as wind. I would like to thank all those who participated in the consultations on the details of this program, particularly the Canadian Wind Energy Association, the Clean Air Renewable Energy Coalition, and the Association québécoise de la production d'énergie renouvelable.

This initiative can only reach its objectives if other levels of governments, electric utilities and consumers are involved in encouraging wind energy. I invite all interested stakeholders to take advantage of the Wind Power Production Incentive, and to work with the Government of Canada to contribute to the quality of life of all Canadians through the sustainable development of our natural resources.



*Herb Dhaliwal*

**Herb Dhaliwal**

*Minister of Natural Resources Canada*



## Introduction

The Government of Canada, under the leadership of Natural Resources Canada, is making a significant commitment toward emerging renewable energy sources. This is motivated by a belief that these new sources of energy play an important role in helping Canada meet its increasing energy requirements while contributing to the goal of reducing greenhouse gas (GHG) emissions that contribute to climate change.

In 1996, Natural Resources Canada released the *Renewable Energy Strategy*, a blueprint for cooperative action with stakeholders to accelerate the development and, in particular, the commercialization of emerging renewable sources. Since then, the Department has spearheaded the implementation of a host of new initiatives, building on the framework established by the Strategy. In 1998, the Renewable Energy Deployment Initiative was set up to encourage the development of markets for cost-effective renewable heating and cooling systems. Two years later, the *Government of Canada Action Plan 2000 on Climate Change* contained several new initiatives that target the development of markets for promising, emerging renewable electricity sources, including the following:

- purchasing 20 percent of the Government of Canada's electricity requirements from emerging low- or non-emitting sources;
- providing a financial incentive to emerging renewable energy distributors to stimulate sales in residential and small-business markets;
- installing emerging non-GHG-emitting technologies at government facilities; and
- working with interested jurisdictions on access to electricity grids for low- and non-emitting generation.

The introduction of the Wind Power Production Incentive complements these initiatives by providing a new incentive to encourage the development of 1000 megawatts of wind energy capacity over five years. Funding for this incentive of \$260 million was announced in the December 2001 federal budget.

The 1996 Strategy identified partnerships with stakeholders as a key element of the Government of Canada's approach to support emerging renewable energy sources. The notion of partnership is embedded in the design of this initiative. It is expected that this financial incentive will spur complementary actions and participation by provincial/territorial governments, retailers and power consumers.

## Purpose of the Wind Power Production Incentive

Canada has installed about 200 megawatts (MW) of wind energy capacity over the past decade. Interest in this emerging and promising source of electricity has grown significantly over the past few years. Costs for wind energy systems have been declining steadily and, given the large, high-quality wind resource in Canada, wind power could play a key role as part of the mix of energy sources used to meet Canadians' increasing electricity requirements. Furthermore, the operation of wind turbines does not produce greenhouse gas (GHG) emissions. The intermittence of wind energy production, long believed to be a substantial impediment to the large-scale deployment of wind energy, can be mitigated through the use of power pools and by making use of the storage capacity of hydro-electric reservoirs.

The Government of Canada wants to support efforts by provincial and territorial governments, electric utilities, independent power producers and other stakeholders to gain experience with wind energy as a source of electricity. Through its new Wind Power Production Incentive (WPPI) program, the Government of Canada will provide financial support for the installation of 1000 MW of new wind energy capacity in Canada over the next five years. Resulting capital investments are expected to amount to \$1.5 billion over that period. The electricity generated from this new capacity and the continued momentum in wind energy should reduce expected GHG emissions by 3 million tonnes annually by 2010.

Ultimately, the WPPI will help establish wind energy as a full-fledged competitor in the electricity marketplace by the Kyoto commitment period of 2008–2012. It will allow producers to explore the potential for wind farms in various regions of the country. It will enhance existing experience in micro-siting individual turbines and in constructing and operating large-scale wind farms. Together with possible domestic manufacturing opportunities, this increased knowledge and experience will help reduce the cost of wind energy and make it a more cost-effective option to produce electricity.

### Wind Energy Capacity in Canada

Province/Territory	Installed MW
Prince Edward Island	5
Quebec	102
Ontario	3
Saskatchewan	11
Alberta	92
Yukon	1
<b>Total</b>	<b>214</b>

Note: As of December 31, 2001. Information taken from the Canadian Wind Energy Association's Web site (<http://www.canwea.org>).

Participating wind energy producers will receive a financial incentive of about one cent for every kilowatt-hour produced during the first 10 years of activity of their new wind farms. This amount represents about one half of the current cost premium charged for wind energy in Canada for facilities where conditions provide good feasibility. It is expected that this financial incentive will spur complementary actions and participation by provincial/territorial governments, retailers and power consumers. Natural Resources Canada (NRCan) will manage the WPPI program and will work with relevant authorities to ensure its success.

The WPPI program complements two existing income tax incentives for wind farm investments: the Class 43.1 capital cost allowance and the Canadian Renewable and Conservation Expense (CRCE). This latter category of costs can be passed on to investors using flow-through shares. Details on these incentives are provided in the *Class 43.1 Technical Guide* published by NRCan. Other Government of Canada programs (see Annex C) encourage the development of more efficient, lower-cost wind power technologies and the development of consumer markets.

The WPPI's primary focus is to encourage the production of electricity from large-scale wind turbines for sale in the electricity markets. NRCan is also interested in the market potential for small-scale wind turbines aimed at the own-consumption electricity market. To this end, the Department is undertaking some initiatives under other programs to promote small wind-energy systems. In addition, the Department will expand its activities in this area by assessing the potential market size for small wind-energy systems and developing plans and strategies to address market barriers to penetration.

## Key Principles

The following principles have guided the design and implementation of the WPPI program:

**Environmental benefits:** Wind energy can help reduce emissions of GHGs. This is expected to take place in two ways. First, the 1000 MW of new wind energy capacity will displace the installation of infrastructure for generating electricity from other sources, some of which would have directly produced GHG emissions. Second, the expansion spurred by the WPPI program will lead to concrete technology and productivity gains, which should reduce the cost of wind energy and lead to further market-based expansions beyond the lifetime of this program.

**Economic efficiency:** All regions of the country have a wind resource, although its quantity and quality may vary from location to location. Similarly, supply-and-demand conditions in existing electricity markets also vary. Market forces should encourage the development of the wind energy resource where it makes good economic sense from both business and resource points of view. Market forces should also determine whether individual projects should be undertaken.

**Regional participation:** Interest in wind energy can be found in all regions of the country. These initiatives range from wind resource mapping and evaluation to plans by electric utilities to contract for new supplies. Notwithstanding the first two principles, it is important that all regions of the country have the opportunity to participate in the program and gain experience in wind energy.

**Time interval:** Although installing a wind turbine can be done in a relatively short period of time, the development of a large wind-power project requires in-depth resources assessment studies and careful engineering studies. Providing enough time for the installation and commissioning of 1000 MW of capacity will help ensure that the best projects are constructed while providing opportunities for the Canadian manufacturing sector.

**Program efficiency and transparency:** Minimizing program administration costs will ensure that funding by the Government of Canada translates into maximum opportunities for growth for the wind industry. Transparency in decision making and program implementation will increase the buy-in from industry and other stakeholders.



## Program Considerations

The design of the WPPI program was prepared by officials of NRCan and Finance Canada with substantial input from stakeholders. The WPPI program is a discretionary program that will be administered by NRCan. It will be implemented as a contribution-based program as defined under the Treasury Board of Canada's *Policy on Transfer Payments*. Under this type of program, no party is entitled to any payment unless the responsible department (i.e., NRCan) has entered into a contribution agreement with the party.

Detailed terms and conditions are described in the following sections of this document. NRCan reserves the right to amend the terms and conditions of the program. However, NRCan will ensure that stakeholders are consulted and notified in advance before any such changes come into effect in an effort to minimize negative financial implications. Subject to the specific wording of individual agreements, changes to the terms and conditions would not affect contribution agreements that are already signed. Proprietary information on projects provided by prospective proponents will be kept strictly confidential within the limits set out in the *Access to Information Act*.

In accordance with the *Financial Administrative Act* and pursuant to the requirements of the *Public Accounts of Canada*, NRCan will make public the initial level of funding committed under individual contribution agreements and the annual amount paid to individual recipients.

The WPPI is a 15-year, \$260-million program to support the installation of 1000 MW of wind energy capacity during the next five years, with payment of the incentive extending over an additional 10-year period. Administrative costs of the program are expected to reach \$5 million over 15 years and will support the negotiation of agreements, the payment

### Current Financial Profile

Fiscal Year	\$M
2002/2003	1
2003/2004	5
2004/2005	11
2005/2006	17
2006/2007	23
2007/2008	26
2008/2009	26
2009/2010	26
2010/2011	26
2011/2012	26
2012/2013	24
2013/2014	20
2014/2015	15
2015/2016	10
2016/2017	4
<b>Total</b>	<b>260</b>

of incentives to participants and the auditing and evaluation efforts required under Government of Canada administrative policies. The remaining funding – \$255 million – will be made available for the payment of incentives to producers. NRCan will ensure that financial commitments made under signed contribution agreements do not exceed that

amount. Assuming an average incentive payment of one cent per kilowatt-hour over 10 years, the WPPI program would support the production of 2550 gigawatt-hours (or 2.6 million kilowatt-hours) per year in Canada.

The \$260 million in funding will be made available to NRCan according to a pre-established annual profile. The level of funding will progressively increase over the first five years of the program

at a pace that assumes a progressive take-up of the incentive. During the next five years, annual funding will reach \$26 million per year as the incentive will be paid on the basis of a fully operational 1000 MW of new capacity. Annual funding will decrease progressively during the last five years of the program because early participants are no longer entitled to the incentive after 10 years.

## Conclusion

The WPPI program will build on the knowledge already acquired by pioneers of this industry in Canada and on the experience of the first 200 MW of installed capacity. A 1992 NRCan study defined the technical potential of wind power in Canada as 28 000 MW if strict constraints on the ability of the existing grid to absorb wind power are applied. More recently, the Electricity Industry Issues Table of Canada's climate change national consultation process identified wind energy as an important emerging non-GHG-emitting technology.

How far can wind energy go in playing a leadership role in providing electricity to satisfy the increasing needs of Canadians? The WPPI program will help answer this question. One thousand new megawatts of capacity is still small compared with Canada's total existing electricity generation capacity.

However, it may put the country on the way toward realizing the 10 000-MW goal set by the Canadian Wind Energy Association for 2010 and to developing even more capacity in the decades to follow.



## ANNEX A: TERMS AND CONDITIONS

# Basic Eligibility Criteria

The WPPI is a discretionary program. NRCan will make payments of an incentive only to eligible recipients who have signed contribution agreements with NRCan.

NRCan will consider signing contribution agreements with prospective recipients, and for contemplated wind farms, that meet the criteria outlined in the following.

### ELIGIBLE RECIPIENTS

An Eligible Recipient (ER) is a business, institution or organization (i.e., an independent power producer, provincial Crown corporation, electrical utility or energy cooperative) that owns a qualified wind farm (QWF) located in Canada, as defined in the following, to produce electricity for sale in Canada or for use by co-op members.

For the duration of the program, the maximum amount payable to any ER shall be \$64 million. In implementing this requirement, NRCan will include all amounts payable under this program to the ER or to other companies or organizations under common ownership or control of the ER.

#### *Stacking Provision*

If the ER has secured significant financial support for constructing and operating the QWF from other Government of Canada programs, the proposed QWF may be disqualified from receiving the WPPI or may be eligible for a reduced incentive.

### QUALIFIED WIND FARMS

A QWF is a new electricity-generating facility or a clearly delineated expansion of an existing facility located in Canada that meets the following criteria:

**Wind farm:** A QWF is a wind farm that produces electricity through the direct conversion of wind power using wind turbines.

**New turbines:** The QWF must be composed of new components, including turbines, towers, generators and blades.

**Qualifying period:** The QWF must be commissioned between April 1, 2002, and March 31, 2007, inclusive. Wind farms that were under construction (i.e., where foundations for the turbines had been poured) at the time of the announcement of this program (December 10, 2001) do not qualify.

**Minimum Qualifying Capacity:** The QWF must have a minimum rated capacity of at least 500 kilowatts (kW). Rated capacity is defined as the sum of the nameplate capacity of the electrical generators installed in the nacelle of each turbine that is part of the QWF.

For QWFs that are located north of 60° latitude and for those that provide electricity in a remote location without reasonable access to the main North American electricity grid, the minimum size criterion is 20 kW.

### TEST WIND TURBINES

The electricity generated from a test wind turbine installed under the Canadian Renewable and Conservation Expense (CRCE) provision of the federal *Income Tax Act* will not be eligible for the incentive. Under the CRCE provision, the cost of acquisition and installation of a test wind turbine is 100 percent deductible and can be financed through flow-through shares.

## The Approval Process: “First in Construction, First Served”

NRCan will enter into a contribution agreement with an ER at the start of the construction of a QWF as described in Steps 2 and 3 in the following. Expenses incurred during the early stages of project development are undertaken at the proponent’s risk and do not constitute any form of entitlement for funding under the WPPI program.

### INITIAL MINIMUMS AND MAXIMUMS BY PROVINCES OR TERRITORIES

To ensure that all regions of the country have an opportunity to participate, a minimum capacity of 10 MW will initially be set aside for each province. In territories, this minimum reserve will be 1 MW. As well, to avoid the possibility that rapid take-up in one or a few provinces will greatly reduce opportunities in other provinces, a maximum of 300 MW in capacity per province will initially be set.

These reserves and caps are set as initial limits and will be reviewed on an ongoing basis after the second year of the program to ensure that NRCan meets its program objectives.

### GENERAL APPROVAL PROCESS

There are four steps required in order to receive incentive payments.

#### ***Step 1: Initial Registration***

Proponents who are interested in participating in the WPPI program are invited to identify themselves by writing a Letter of Interest to NRCan (see Annex B). The Letter of Interest must include the following information:

- a) Identification of the proponent (organization’s name and contact person);
- b) Province/territory of the proposed wind farm;
- c) Estimated rated capacity of the wind farm;
- d) Expected date of commissioning;
- e) Location(s) considered within the province/territory;

- f) Expected average annual production; and
- g) Expected purchaser of the output (e.g., electric utility, power pool).

Upon receiving a Letter of Interest, NRCan will issue a letter acknowledging receipt of the Letter of Interest from the proponent.

NRCan will review Letters of Interest as they are received and will verify that each proponent and proposed wind farm meets the basic eligibility criteria as set out in this document. NRCan will contact the proponent within one month of the date of receipt of the Letter of Interest to confirm the registration status of the project under the WPPI.

NRCan will register all Letters of Interest that meet the basic eligibility criteria regardless of the 1000-MW limit of the WPPI program. Registration of a project does not imply that NRCan will sign a contribution agreement with the proponent.

Upon each project’s registration, NRCan will post on its public Web site the information that each prospective proponent provides for items *a* to *d* above as part of its initial registration. Also posted will be NRCan’s date of registration of each Letter of Interest. The purpose of this posting is to ensure an open and fair process for all prospective proponents who have applied or intend to apply to the program.

A minimum period of four months (starting on the date of registration by NRCan of the Letter of Interest) will be required before the proponent is able to proceed to Step 2 of the approval process.

### **Step 2: Detailed Project Description**

To be considered for the signing of a WPPI contribution agreement, the prospective proponent must submit to NRCan a Detailed Project Description that demonstrates the proponent's commitment to the project and that the project is in a substantially advanced phase. The Detailed Project Description may be submitted at any time after the four-month initial registration period. NRCan will process Detailed Project Descriptions as they are received. The proponent is responsible for ensuring that NRCan has received all appropriate information, including any additional information relevant to NRCan's review.

The Detailed Project Description must include the following information:

- a) Identification of the proponent (organization's name, contact person);
- b) Name of the QWF;
- c) Precise location of the proposed QWF;
- d) Capacity of the proposed QWF;
- e) Expected date of commissioning;
- f) Expected average annual production of the QWF, including technical characteristics of the wind turbines to be used;
- g) A description of the steps followed for the resource assessment and expected annual average wind speed at the site;
- h) A description of proposed construction stages, including the expected starting dates;
- i) Detailed information on the proponent (e.g., legal name, legal status, ownership, jurisdiction of incorporation, type of activity, business registration number);
- j) Expected purchaser of the output (e.g., electric utility, power pool), including expected average annual purchase; and
- k) Other sources of government funding.

To demonstrate its commitment to the project and that the project is in a substantially advanced phase, the proponent must also provide the following information:

- l) Evidence that the proponent has access rights to the required land (e.g., licence agreement, lease, easement agreement, etc.);
- m) A letter of approval of the project by municipal or regional development authorities;
- n) Proof that the project has received the required provincial/territorial environmental authorization and other relevant permits;
- o) A letter of approval of interconnection and transmission design by the transmission company or electrical utility and a description of plans for third-party metering (see "Administrative Requirements");
- p) A letter of approval from Transport Canada (i.e., tower regulations);
- q) A letter of intent from financial partners or an indication of financial capacity to carry on the project; and
- r) Submission of an environmental assessment that fulfils NRCan's requirement under the *Canadian Environmental Assessment Act* (CEAA).

Upon receipt of the Detailed Project Description, NRCan will verify that all the required information has been submitted. It will then issue a letter acknowledging receipt of the Detailed Project Description.

NRCan will have 30 business days to review the documentation and to assess whether the proponent is demonstrating its commitment to the project and that the project is in a substantially advanced phase. Failure to provide all the required information could delay the review process.

Upon positive review of the Detailed Project Description and subject to all other program terms and conditions, including availability of funds, NRCan will proceed to sign a Contribution Agreement with the prospective proponent

indicating that the proponent is an Eligible Recipient under the WPPI program. The contribution agreement is conditional on NRCan's determination that the environmental assessment fulfils its requirement under the CEAA and that a notice confirming construction start is issued when the conditions described in Step 3 (below) are achieved.

A prospective proponent will officially become an ER once it has signed a contribution agreement with NRCan. The signing of such an agreement signifies that the ER is entitled to a pre-determined portion of the \$255-million contribution funding under this program.

NRCan will update information on its public Web site to state that the proponent has been reserved an allocation of funds on a conditional basis.

### ***Step 3: Start of Construction***

After signing a contribution agreement for the project, the ER will have three months to show that the QWF is under construction by providing the following information:

- a) Letter of approval from a financing authority to finance the project;
- b) Letter from a turbine manufacturer confirming the purchase order of the turbines, total nameplate capacity ordered and expected date of delivery;
- c) Where applicable, a letter from an electrical utility or other purchaser confirming that the power purchase agreement (PPA) has been signed and stating the expected average annual production to be sold; and
- d) Report showing the start-up of site preparation (e.g., detailed site and project engineering) and confirmation of the commissioning date.

Upon receiving the above information, NRCan will verify the accuracy of the information submitted and will issue a notice confirming construction start. Note that the environmental assessment must be

approved before construction starts in order to ensure compliance with the contribution agreement under Step 2 (above). However, failure to provide the above information during the allotted time will result in the termination of the contribution agreement for the project and the project's removal from the WPPI program approval process. The proponent can re-apply but will have to start at the initial registration (Step 1).

After sending the ER the notice confirming construction start, NRCan will post on its public Web site the information that the proponent provided for items *a* to *e* in the Detailed Project Description under Step 2 (above). The intent of this posting is to provide other prospective proponents with information on remaining opportunities for take-up under the WPPI program.

### ***Step 4: Commissioning of Project***

The ER must send to NRCan a commissioning report signed by a professional engineer registered in Canada that states the date of commissioning of the wind farm, its rated capacity and its expected annual production based on long-term wind resource assessment.

If the ER cannot commission the last wind turbine of the wind farm within one year after NRCan has issued the notice confirming construction start, the proponent will have to demonstrate to NRCan its ability to complete the proposed wind farm in a time period acceptable to NRCan. Unless the ER can provide satisfactory assurances of its ability to complete the project within the period acceptable to NRCan, NRCan will issue a notice terminating the agreement. A change in the fiscal year of the commissioning date will automatically change the level of the incentive accordingly.



Once NRCan has received a commissioning report and is satisfied with its content, it will update its public Web site to indicate that the project is operating. The ER can claim the incentive on the terms

set out in the contribution agreement. Those terms are set out in this document under “Terms of the Incentive.”

## Streamlined Approval Process for 2002/2003

**I**nterest has been expressed for projects to be constructed and commissioned between April 1, 2002, and March 31, 2003. In order to facilitate these projects, a streamlined process has been developed. Any contribution agreement signed under this process will terminate if the QWF is not commissioned on or before March 31, 2003.

The streamlined process is identical to the general process outlined above with the following exceptions:

- the Initial Registration step (Step 1) is not required;
- the Detailed Project Description required under Step 2 can be submitted any time before September 30, 2002;
- Detailed Project Descriptions received before April 30, 2002, will be deemed to have been received on that date; and
- the QWF must be commissioned on or before March 31, 2003.

## Terms of the Incentive

### PAYMENT

#### *Period of Payment*

The incentive can be claimed for the total eligible production of a QWF starting on the day after the day of the commissioning of the last turbine of a QWF and up to and including the day of the 10th anniversary of the commissioning.

#### *Phased-In Construction*

NRCan will accept the commissioning of QWFs in phases if the QWF faces technical difficulties during construction, or for QWFs that were planned to be constructed in phases. NRCan will accept a maximum of two separate phases for QWFs. Separate commissioning reports must be presented to

NRCan. The second phase must be commissioned within six months of the commissioning of the first phase, and its production will receive the level of the incentive based on the date of its commissioning.

#### *Eligible Production*

The production eligible for the incentive is the net production measured at the point of first transfer of ownership. “Net production” is defined as gross energy produced from the QWF less the energy used for the operation of the QWF and less the line losses to the point of transfer of ownership.

The ER must maintain separate accounting records for the net production from the QWF,



including bills of sales to the first purchaser(s) of the electricity. Subsequent sales of the energy by the purchaser(s) do not qualify for the incentive.

### ***Maximum Annual Eligible Production***

The contribution agreement will specify the maximum production eligible for the incentive in any given year, which will be the expected annual production of the QWF as documented in the Detailed Project Description and accepted by NRCan.

In any given year, if the eligible production is higher than the average annual eligible production, the ER may claim the excess production as a credit in a future year if the eligible production for that future year is less than the average annual eligible production. Likewise, if the eligible production for a given year is less than the average annual eligible production, the ER can use this difference as a credit for the years of overproduction. The latter is subject to the availability of funds from NRCan.

Proponents must note that the total production that can be claimed from all ERs under this program cannot exceed 25 500 gigawatt-hours and that NRCan will make every effort to ensure that this target is met.

### ***Level of the Incentive***

The incentive for every kilowatt-hour of eligible production is as follows:

- for a QWF commissioned after March 31, 2002, and on or before March 31, 2003: \$0.012 per kilowatt-hour;
- for a QWF commissioned after March 31, 2003, and on or before March 31, 2006: \$0.010 per kilowatt-hour; and
- for a QWF commissioned after March 31, 2006, and on or before March 31, 2007: \$0.008 per kilowatt-hour.

### ***Maximum Amount Payable to Any Recipient***

The contribution agreement will specify the

maximum amount that can be paid to the recipient over the 10-year period of payment. This maximum will amount to Maximum Annual Eligible Production, multiplied by the Level of the Incentive, multiplied by 10 years.

### ***Partnerships and Joint Ventures***

The general partner or operator of a joint venture or other such partnership should apply for the WPPI on behalf of all the owners, with appropriate disclosure of the owners and proportionate ownership of the wind farm. The partner or operator will be responsible for all of the record keeping and audit requirements on behalf of the joint venture and will be considered to be the ER on behalf of the joint venture.

NRCan will ensure that the maximum amount payable to the ER for the duration of the program does not exceed the set maximum amount payable to any recipient. In addition, NRCan will ensure that the maximum amount payable to each individual owner for the duration of the program, as determined by the owner's proportionate share of this QWF and any other amount payable through other QWFs, does not exceed the set maximum amount payable to any recipient.

### ***Repayable Contribution Clause***

Every contribution agreement will include a repayable contribution clause that will apply if the ER receives, at some point within the 10-year payment period, substantial revenues related to the sale of the output of the QWF in excess of a standardized market value. For the purpose of this clause, "revenues" are defined as including the sales of the electricity itself and the environmental attributes of the electricity, excluding the WPPI.

The ER must calculate an Excess Value Received (EVR). The EVR is calculated as any revenue received from the sale of the output of the QWF on a cumulative basis since the commissioning of the

QWF, in excess of a standardized market value for this output. The ER must report its EVR amount to NRCan annually, starting at the end of the third year. This standardized market value is the financial value obtained from multiplying the amount of kilowatt-hours produced since the commissioning of the QWF by the standard market price defined as follows:

- for QWFs with a capacity for up to 5 MW: \$0.14 per kilowatt-hour;
- for QWFs with a capacity for more than 5 MW and less than 10 MW: \$0.12 per kilowatt-hour; and
- for QWFs with a capacity for 10 MW or more: \$0.10 per kilowatt-hour.

Higher values may be used in markets that have unique conditions, such as those in remote locations.

If the value of the EVR is higher than the total amount of incentive payment provided by NRCan to the ER for the production of the QWF since its commissioning under the WPPI, NRCan will suspend payment of the incentive.

If the value of the EVR is greater than twice the total amount of incentive provided by NRCan, the ER will repay to NRCan any amount in excess of this comparison, up to the total amount of incentive. When calculating the EVR in the following year(s), the ER must net out any repayment to NRCan from its revenues and from the amount of the incentive received from NRCan.

Payment of the incentive can restart at any time if these conditions no longer apply.

## GOVERNMENT PURCHASING INCENTIVE

When a QWF provides power for which a cost premium is paid by the Government of Canada under its 20-percent purchase commitment for federal facilities (announced in the *Government of Canada Action Plan 2000 on Climate Change*), the electricity produced for this purpose will be excluded from the calculation of the eligible production.

## TRANSFERABILITY

In advance of a proposed transfer of ownership of all or part of a QWF, the ER may seek a determination from NRCan on whether the proposed purchaser is eligible to receive the WPPI. The ER must provide written notice of any transfer of ownership of all or part of a QWF and the name and address of the transferee to NRCan within 30 days of the transfer. NRCan will then determine if the new owner is eligible to receive the WPPI. The eligibility will be based on the set maximum amount payable to any recipient and on other terms and conditions of the WPPI program. Where the new owner is ineligible, NRCan will not consent to the assignment of the contribution agreement to the new owner. Where the new owner is eligible, NRCan will consent to the assignment of the contribution agreement to the new owner.

If ownership of part of the QWF is transferred, NRCan will require the new owner to obtain separate metering as described in these terms and conditions.

# Administrative Requirements

## AUDIT RIGHTS

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The recipient must

- keep proper accounts and records of the net production by the QWF, including bills of sale to the first purchaser(s) of the electricity produced, for three years from the date of termination of the incentive payments;
- keep proper accounts and records of the net production by the QWF, where the recipient's eligible generation is for its own consumption or where the recipient is an integrated electrical utility, including certified net production audit reports for a period of three years from the date of termination of the incentive payments;
- permit the Minister's representatives to audit, inspect and make copies of those accounts and records at all reasonable times up to three years from the date of termination of the incentive payments;
- grant NRCan's authorized representatives access to audit and inspect the QWF and related facilities;
- furnish NRCan's authorized representatives with such information as they may from time to time reasonably require with reference to the documents referred to herein; and
- promptly refund to NRCan any overpayments of the contribution disclosed by an audit.

## INTERCONNECTION AND SEPARATE METERING

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The QWF must have and maintain a connection to either a distribution or a transmission line in accordance with the code of the province or territory in which it is located.

There must be a meter that will measure the production of the QWF at the point of interconnection. The meter should be controlled by a third party (e.g., an electrical utility, transmission company or an electricity exchange pool) that operates at arm's length from the ER. This meter must be available for auditing by NRCan.

In certain situations, the QWF may not be able to meet this criterion without substantial financial costs. For instance, electricity from other sources may also be transmitted through the interconnection used by the QWF, and a single meter installed at the sub-station would not identify the QWF's production solely. In such situations, the ER must submit an interconnection and metering proposal to which NRCan, upon review, may consent if it is satisfied that the output of the QWF can be measured and audited in a satisfactory manner.

## APPLICATION FOR INCENTIVE PAYMENT

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The ER must submit its claim for payments to NRCan on a quarterly basis for the three-month period prior to the following dates: March 31, June 30, September 30 and December 31. All claims pertaining to the given fiscal year must be received on or before April 15 of the following fiscal year. The Government of Canada's fiscal year is April 1 to March 31.

Upon receipt of the claim, including the bill of sales and other required documentation, NRCan will take steps to pay the claim within a maximum period of 30 days from receipt of the claim.

**ANNEX B: INITIAL REGISTRATION OF PROJECTS FORM**



# Wind Power Production Incentive (WPPI)

## Letter of Interest (LOI) Initial Registration of Projects\*

Date of Submission:  /  /   
Y M D

a. Name of Organization, Business or Institution:		Contact Person:
<input type="text"/>		<input type="text"/>
b. Province or Territory of Proposed Wind Farm:	c. Estimated Capacity of Wind Farm (MW):	
<input type="text"/>	<input type="text"/>	
d. Expected Date of Commissioning:	e. Location Considered Within Province/Territory:	
<input type="text"/> Month / Year	<input type="text"/>	
f. Expected Average Annual Production (GWh):		
<input type="text"/>		
g. Expected Purchaser of the Output (e.g. utility, power pool):		
<input type="text"/>		

N.B.: The information from a-d above will be made public on NRCan's Web site (<http://www.canren.gc.ca/wppi>).

Project Proponent's Signature and Title

Date of Registration of LOI (To be completed by NRCan)

Registration Number (Please quote this number on all future correspondence)

**Mail or Fax LOI to:**

Wind Power Production Incentive Program  
 Office of Energy Efficiency  
 Natural Resources Canada  
 580 Booth Street, 20th Floor  
 Ottawa ON K1A 0E4  
 Fax: (613) 947-0373

*\* Failure to provide all of the above information will result in non-acceptance of the LOI.*



Natural Resources  
Canada

Ressources naturelles  
Canada





## ANNEX C: KEY GOVERNMENT OF CANADA PROGRAMS RELATED TO RENEWABLE AND ALTERNATIVE ENERGY

# Renewable Energy Programs

### RENEWABLE ENERGY TECHNOLOGY PROGRAM

This program co-shares the cost of private-sector research and development activities aimed at reducing the cost and improving the reliability of Canadian emerging renewable energy technologies such as wind, solar, biomass and innovative small hydro technologies.

### RENEWABLE ENERGY CAPACITY BUILDING PROGRAM

Under this program, easy-to-use renewable energy project analysis software – RETScreen® International – was developed to help planners and decision-makers consider renewable energy projects at the critical early planning stages by providing technical information and related services.

### RENEWABLE ENERGY DEPLOYMENT INITIATIVE

The Renewable Energy Deployment Initiative is designed to stimulate market demand for commercially reliable, cost-effective renewable energy systems for heating and cooling by providing an incentive to businesses and institutions if they install qualifying renewable energy systems.

### WIND POWER PRODUCTION INCENTIVE

This 15-year, \$260-million production incentive will support the construction of 1000 MW of wind energy capacity during the next five years. The incentive will be available for the first 10 years of production and will help to provide a long-term stable revenue source.

### GOVERNMENT OF CANADA PURCHASES OF ELECTRICITY FROM EMERGING RENEWABLE SOURCES

The Government of Canada has committed to purchase 20 percent of federal electricity requirements from emerging low- or non-emitting renewable energy sources. Purchases have already been arranged in Alberta, Prince Edward Island and Saskatchewan. This initiative is implemented by a partnership of Public Works and Government Services Canada, Natural Resources Canada and Environment Canada.

### MARKET INCENTIVE PROGRAM

The Government of Canada will provide a limited financial incentive to electricity retailers to stimulate sales of electricity from emerging renewable energy sources (i.e., “green” power).

### TRANSPORTATION ENERGY TECHNOLOGIES PROGRAM

This program works in partnership with industry to develop and deploy leading-edge transportation technologies that minimize environmental impacts, increase the potential for job and wealth creation and extend the life span of Canada’s energy resource base.

## Other Programs of Interest

### **TECHNOLOGY EARLY ACTION MEASURES (TEAM)**

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This program provides supplemental funding for early-action technology deployment and demonstration to reduce greenhouse gas (GHG) emissions, domestically and internationally, while sustaining economic and social development.

### **SUSTAINABLE DEVELOPMENT TECHNOLOGY CANADA (SDTC)**

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SDTC manages a \$100-million fund to stimulate the development and demonstration of new environmental technologies, particularly those aimed at reducing GHG emissions. SDTC operates at arm's length from the Government of Canada.

### **TECHNOLOGY PARTNERSHIPS CANADA (TPC)**

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Under TPC, Industry Canada provides repayable contributions for demonstration and pilot projects aimed at helping the deployment, on a commercial basis, of new Canadian technologies, including alternative energy technologies.

### **INDUSTRIAL RESEARCH ASSISTANCE PROGRAM**

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In coordination with TPC, the National Research Council of Canada offers financial contributions to help the deployment of Canadian energy technologies, focusing on small projects on a fast-track basis.

## For Further Information

**For further information on the Wind Power Production Incentive  
or to obtain additional copies of this publication, please contact**

Wind Power Production Incentive Program  
Office of Energy Efficiency  
Natural Resources Canada  
580 Booth Street, 20th Floor  
Ottawa ON K1A 0E4  
Tel.: 1 877 722-6600 (toll-free)  
Fax: (613) 947-0373  
E-mail: [wppi@nrcan.gc.ca](mailto:wppi@nrcan.gc.ca)  
Web site: <http://www.canren.gc.ca/wppi>

For additional information on wind energy or other renewable energies,  
please visit the Canadian Renewable Energy Network's Web site  
at <http://www.canren.gc.ca>.



