

# REP Round 2

Information Session  
April 17, 2018

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- P1 Consulting Inc.
  - Louise Panneton, Fairness Advisor

# Renewable Electricity Program Background

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2030 30% target

**NOVEMBER**

Climate Leadership Plan announced

**2015**

**2016**

**2017**

**MAY**

AESO provided recommendations to GoA

**MARCH**

AESO opened Round 1 with REOI

**SEPTEMBER**

Round 1 RFP

**JANUARY**

GoA directed AESO to develop REP

**NOVEMBER**

GoA approved REP

**APRIL**

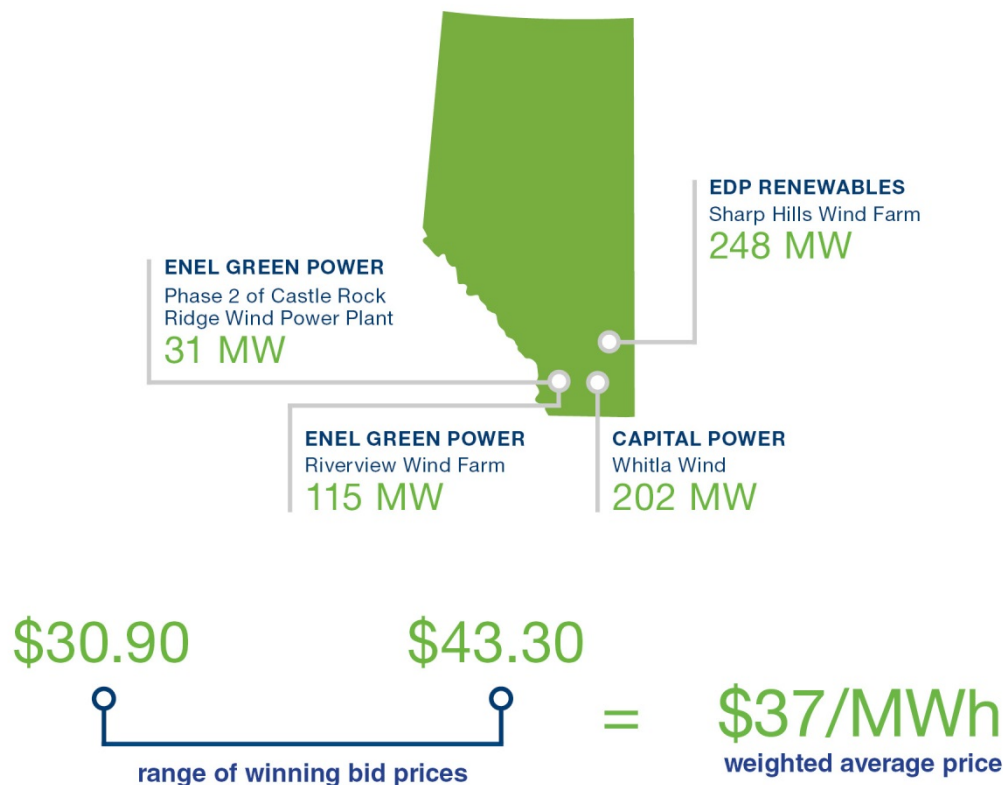
Round 1 RFQ

**DECEMBER**

Winning projects were awarded

# Leveraging success of Round 1

- REP Round 1:
  - Attracted the lowest renewable electricity pricing in Canada
  - Exceeded the procurement target
  - Attracted national and international interest
  - Positions Alberta as a global player in the renewable electricity field



# Competition design features and principles

- Utilize competitive market forces to drive down the cost of support for renewables projects
- Conduct a fair and transparent three-stage competition overseen by an independent fairness advisor
- Minimize barriers to participation
- Be straightforward and efficient
- Do not jeopardize the performance and reliability of the Alberta Interconnected Electric System (AIES)
- Be guided by the principle of allocating risk to those best able to manage it

# REP Round 2



# Government of Alberta

## objectives and direction for Round 2



- Encourage and support the growth and development of Indigenous peoples in Alberta
- Work with Indigenous peoples and communities to support their participation in Alberta's broader electricity sector and the development of renewable electricity
- Round 2 works toward this commitment and includes a minimum 25% Indigenous equity ownership threshold for each renewables project to:
  - Allow for the greatest Indigenous community participation
  - Create the greatest degree of competition
  - Provide the lowest cost for Albertans

# Round 2 key features

- Procure renewable attributes from up to 300 MW of renewable generation projects that meet the following criteria:
  - Alberta Indigenous equity ownership participation
    - Minimum threshold is 25%; must be maintained for a minimum of 3 years following the commercial operation date (COD)
  - 5 MW or more
  - New or expanded projects in Alberta
  - Utilize an eligible renewable fuel
  - Connect to existing transmission or distribution system
  - Target COD of June 30, 2021
  - Compliance with the terms and conditions of any GoA funding
- Utilize an indexed renewable energy credit (Indexed REC) payment mechanism

# Round 2 Indigenous participation

- **Eligible Indigenous communities** must be located in the Province of Alberta and meet the Government of Alberta's definition as one or a combination of the following:
  - First Nation communities, Métis Settlements, Métis Nation of Alberta, and the Aseniwuche Winewak Nation; or
  - 100% Indigenous community-owned organization and/or business
- **Indigenous equity ownership** is defined as the right to receive, or the opportunity to participate in any payment arising out of, or return from and exposure to, a loss or a risk of loss by the business activities

# Round 2 Indigenous participation

- The AESO has designed Round 2 to minimize barriers and encourage meaningful Indigenous participation
  - Timeframes for key competition requirements have been extended wherever possible
- Project exclusivity to encourage good faith partnering
  - A renewables project must be submitted to Round 2 or Round 3, but not both
  - Once submitted as part of the RFQ stage for Round 2 or 3, the project is not eligible to participate in the other competition
- Priority is given to Round 2 projects
  - Transmission assessment

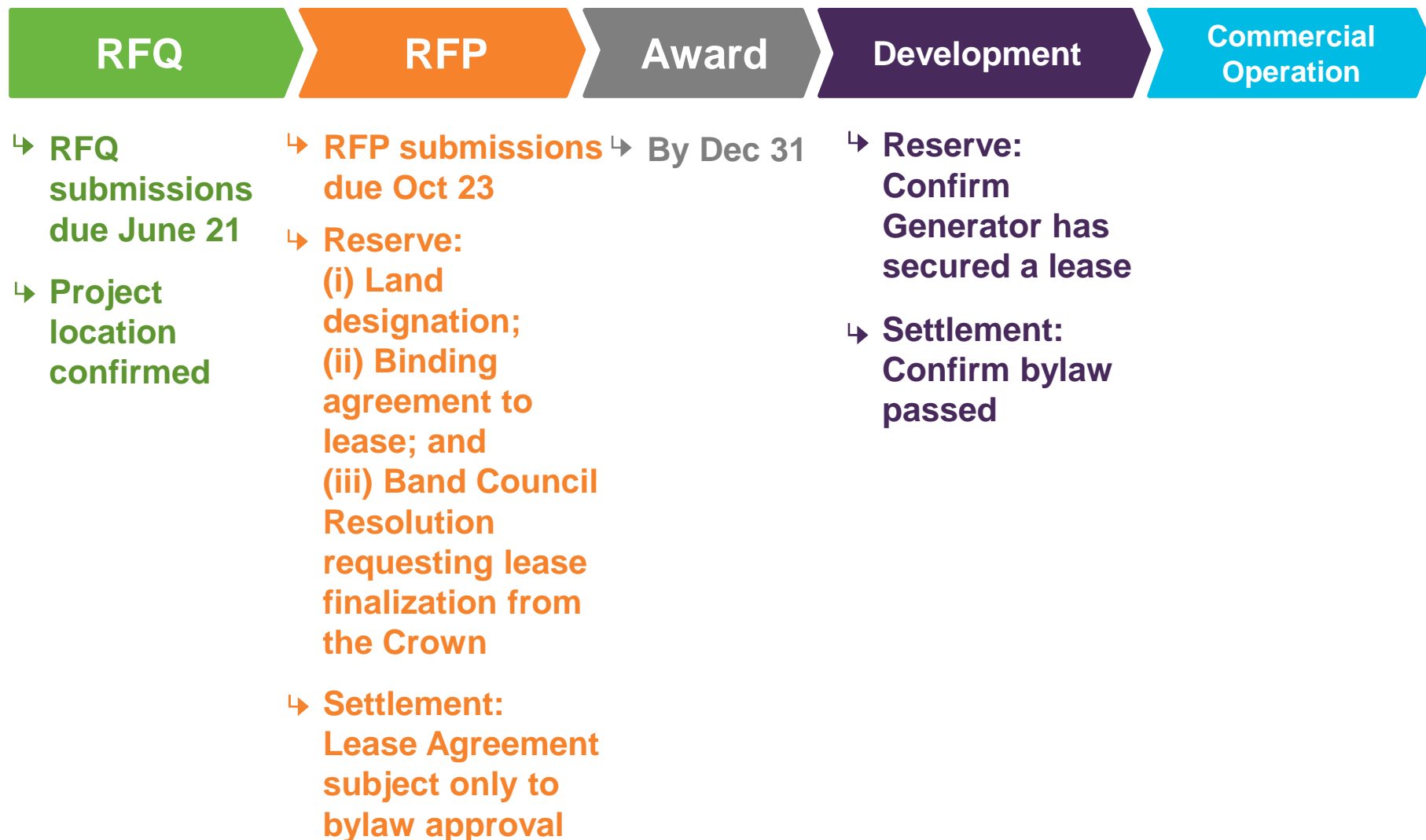
# Anticipated timeline



# Indigenous equity ownership requirements



# Development on reserve/settlement lands



# Fairness Advisor



**Fairness Advisor (P1 Consulting) is engaged by the AESO to oversee the procurement process and confirm that it is fair**

## **We monitor:**

- Compliance with the AESO's procurement process, policies and guidelines
- Compliance with confidentiality and avoidance of conflict of interest requirements
- Review and oversight of the evaluation process to ensure that it is consistent with the RFQ/RFP and applied fairly, objectively and free of bias
- Fair and equitable treatment of all Bidders

## **Actively participates through all stages by:**

- Reviewing procurement documents throughout the drafting phases
- Reviewing all communication with Bidders
  - Written (e.g. REOI, RFQ, RFP, Addenda, Requests For Information (RFI) responses, feedback, Requests for Clarification (RFC))
  - Verbal – attending all meetings (e.g. Bidder meetings, de-briefing meetings)

## **Actively participates through all stages by:**

- Observing and validating evaluation process
- Investigating fairness issues upon request
- Preparing report at conclusion of procurement process

## The Fairness Advisor:

- Is overseeing both Round 2 and Round 3 procurements
- Has validated that the procurement processes, including the transmission assessment and selection process, are fair and transparent
- Will oversee that the processes are being applied in a fair manner in both Round 2 and Round 3

# Request for Qualifications (RFQ)

- Respondents must:
  - Have an eligible project or projects
  - For each project, demonstrate that the respondent can meet the June 30, 2021 target COD
  - Provide evidence of site control for each project
    - Different requirements for projects located on or off reserve or settlement lands
  - Have sufficient tangible net worth for all projects submitted

# Submission fee

- Fee calculation
  - \$1,000/MW (aggregate nameplate capacity)
    - Minimum \$10,000 & maximum \$50,000
  - \$2,500 per additional project if more than one project proposal submitted
- Sample calculations (before GST)

Number of Projects (n)	Project Size (MW)	n x MW x 1,000 (\$)	Fee per additional project (\$)	Submission Fee (\$)
1	9	9,000	N/A	10,000
3	9	27,000	5,000	32,000
1	75	75,000	N/A	50,000
3	75	225,000	5,000	55,000

# RFQ respondent requirements

- Respondent control group members are:
  - Designated Equity Providers (DEPs)
  - Project team leads
- Each respondent may submit multiple projects in one qualification submission
  - Each project may have its own project team
  - A project can only be submitted in one round
- Respondents must:
  - Demonstrate sufficient tangible net worth
  - Have no control group members that violate the common ownership restrictions
    - Control group members cannot be members of the control group of another respondent team



# RFQ project proposal requirements

- Project information
- Project plan
  - Timeline to commercial operation date (COD)
  - Key risks and mitigation plan
  - Approvals
  - Interconnection to the AIES
- Site control
  - Different requirements for projects located on or off reserve or settlement lands
- Approach to stakeholder engagement
- Team member roles

# RFQ project proposal requirements

- Demonstrate comparable experience in each stage of project delivery
  - Development and planning
  - Financing
  - Construction
  - Operation and maintenance
- Respondents may use between a minimum of 2 and a maximum of 8 comparable facilities to demonstrate experience

# Designated Equity Provider

- Designated Equity Providers (DEPs) are responsible for 51% of the total equity for each project
  - Demonstrated through a commitment letter
- Each DEP must demonstrate sufficient tangible net worth to support all projects submitted
- AESO will provide a definition of tangible net worth in the RFQ
  - DEPs will provide calculated tangible net worth and a description of the methodology used in the calculations
  - AESO will evaluate to ensure consistency with the AESO definition

# Demonstration of tangible net worth

- Tangible net worth will be assessed using financial statement information
- DEPs must submit:
  - Financial statements for each of the last 2 fiscal years, and if applicable, the last interim fiscal period
  - Tangible net worth calculation

# RFQ Evaluation

- Submissions will be evaluated on a pass/fail basis
  - No scoring
- Evaluation will include an assessment of:
  - Compliance with RFQ requirements
  - Projects submitted
  - Experience
  - Financial strength and equity commitment
  - Ability of each project to connect to the existing system

- Project evaluation
  - Reasonable expectation that project will meet target COD
- Experience
  - Sufficient experience with project delivery (including financing) to ensure proposed project is likely to meet target COD
- Financial strength and equity commitment
- Meet tangible net worth requirements
  - If submitting more than one project, respondents may indicate the order in which to assess their projects against the tangible net worth requirement

# Transmission capacity assessment

- Projects will be individually assessed to ensure they can connect their full capacity to the existing system without requiring any expansion
- If a project requires expansion to the existing transmission system, it will not be considered further
- This assessment will be based on the project information provided in the RFQ submission
- Projects will be assessed using a specific base case

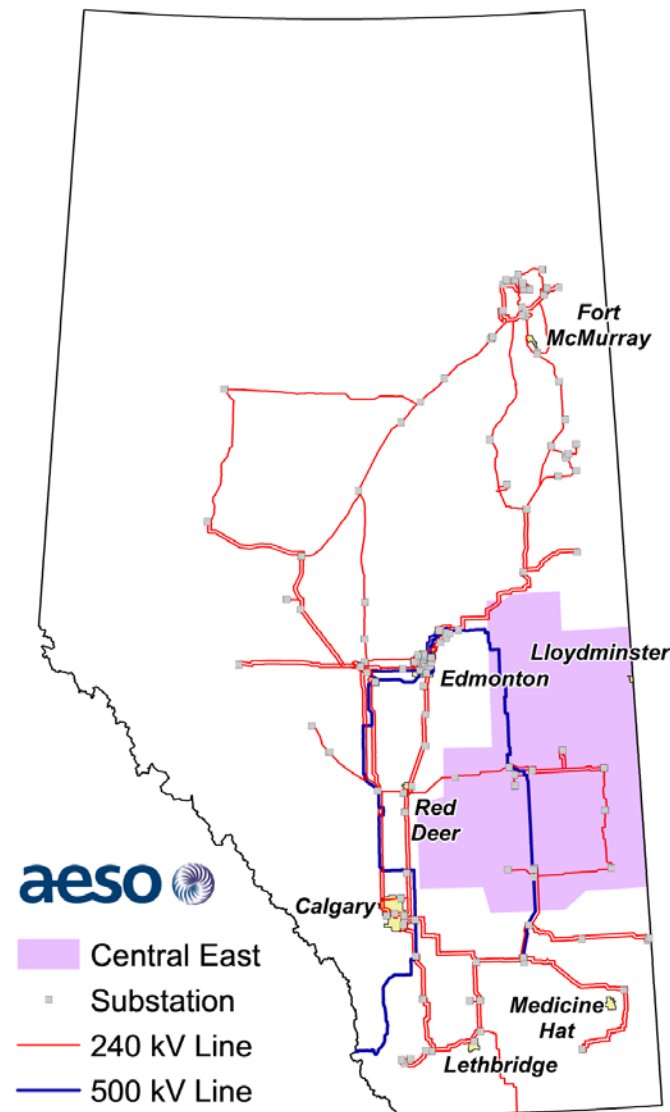


# Base case assumptions

- Existing topology, including approved system projects that will be energized by 2021
- Existing generation and load
  - Generation dispatched using AESO dispatch methodology
  - Load forecast based on *AESO 2017 Long-term Outlook*
- Non-REP Round 2 & 3 market participants
  - Generation Projects
    - Facilities under construction
    - Paid Generating Unit Owner's Contribution (GUOC)
    - REP Round 1 projects that were awarded RESAs
  - Load Projects
    - Projects that received permit and licence and requested service prior to June 30, 2021

# Available transmission capacity in the Central East region

- The Central East region has limited transmission capacity to integrate additional generation
- The AESO expects to be able to connect approximately 130 MW of additional generation in Central East
- The AESO continues to plan and execute transmission expansion projects to accommodate future needs
- Please refer to the *2017 Long-term Transmission Plan* available on [aeso.ca](https://aeso.ca)



# Request for Proposals (RFP)

# RFP submission requirements

- Qualified at RFQ
  - No changes to respondent team without prior consent
  - No material changes to project or other qualifications
- Bid security provided
  - \$25,000/MW of each project's contract capacity
- Strike price (bid price)

# RFP submission requirements

- All projects must confirm a minimum of 25% Indigenous equity ownership
- Projects on reserve lands
  - Land designation
  - Binding agreement to lease
  - Band Council Resolution
- Projects on settlement lands
  - Lease Agreement subject only to bylaw approval

# RFP Evaluation

# RFP evaluation & RESA award

- At the RFP stage, Round 2 projects must:
  - Meet requirements
  - Pass the RFP transmission assessment
- Price ranking of each qualified project will be provided to the Minister of Energy
  - Total volume procured is subject to ministerial approval
- Successful proponents will be awarded a Renewable Electricity Support Agreement (RESA)

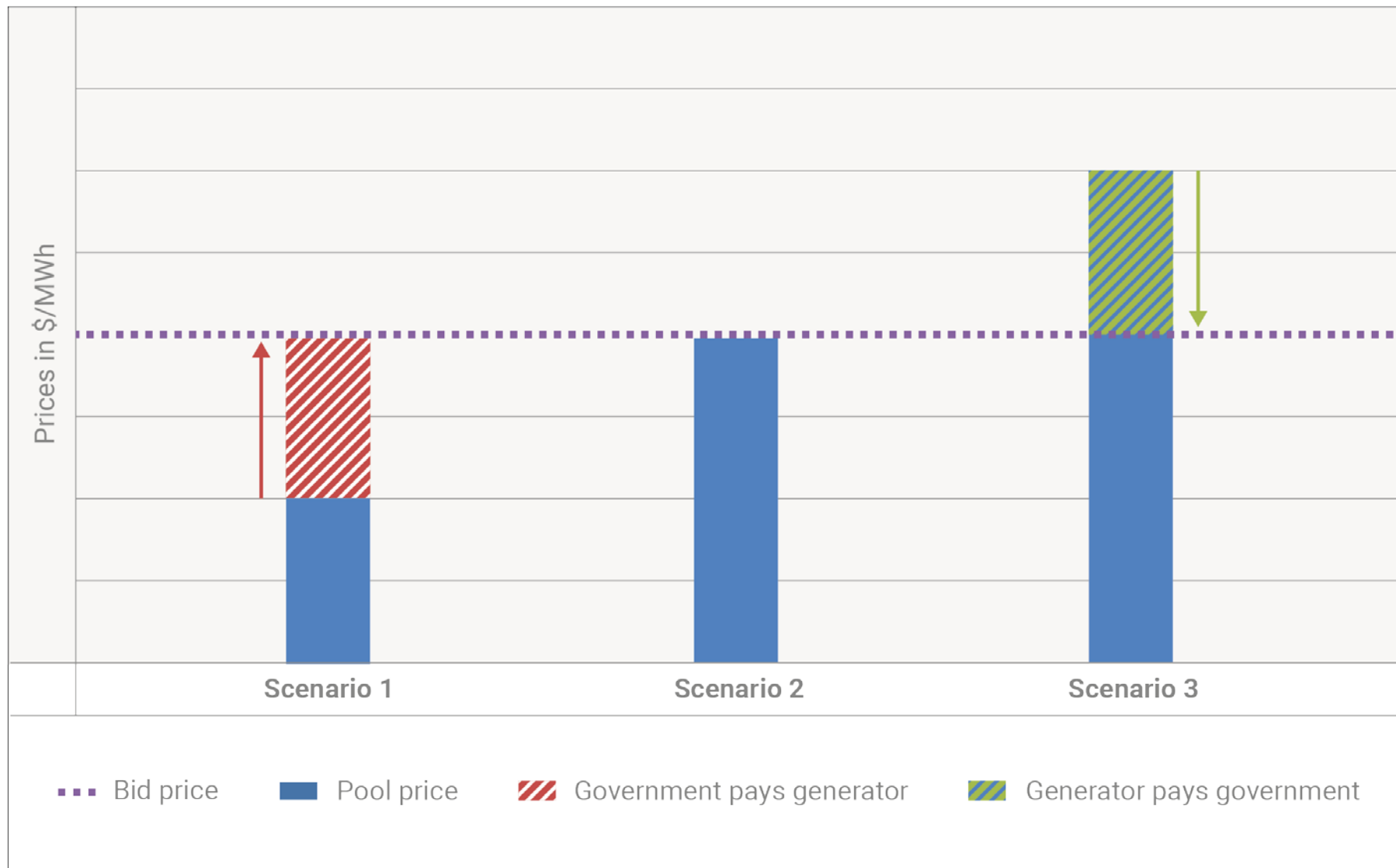
- Round 2 projects will be ranked by price against other Round 2 projects
- The transmission assessment will determine if Round 2 projects can connect the project's full contract capacity relative to other projects in Round 2 with a lower strike price
- Projects unable to deliver full capacity – taking into account lower strike price projects in the same round – will not be considered further
- The assessment for Round 3 will take into account all Round 2 projects which are eligible for a RESA (subject to ministerial approval of the Round 2 volume)



# Renewable Electricity Support Agreement (RESA)

- Agreement between the AESO and successful proponent(s)
- Establishes the terms and conditions under which the successful proponent receives support payments in exchange for the renewable attributes produced
- Governs the development and operation of each successful project
  - Support period is for 20 years
- Support is provided through an indexed REC payment mechanism
- The key RESA terms and conditions have been provided as part of the REOI stage of the competition

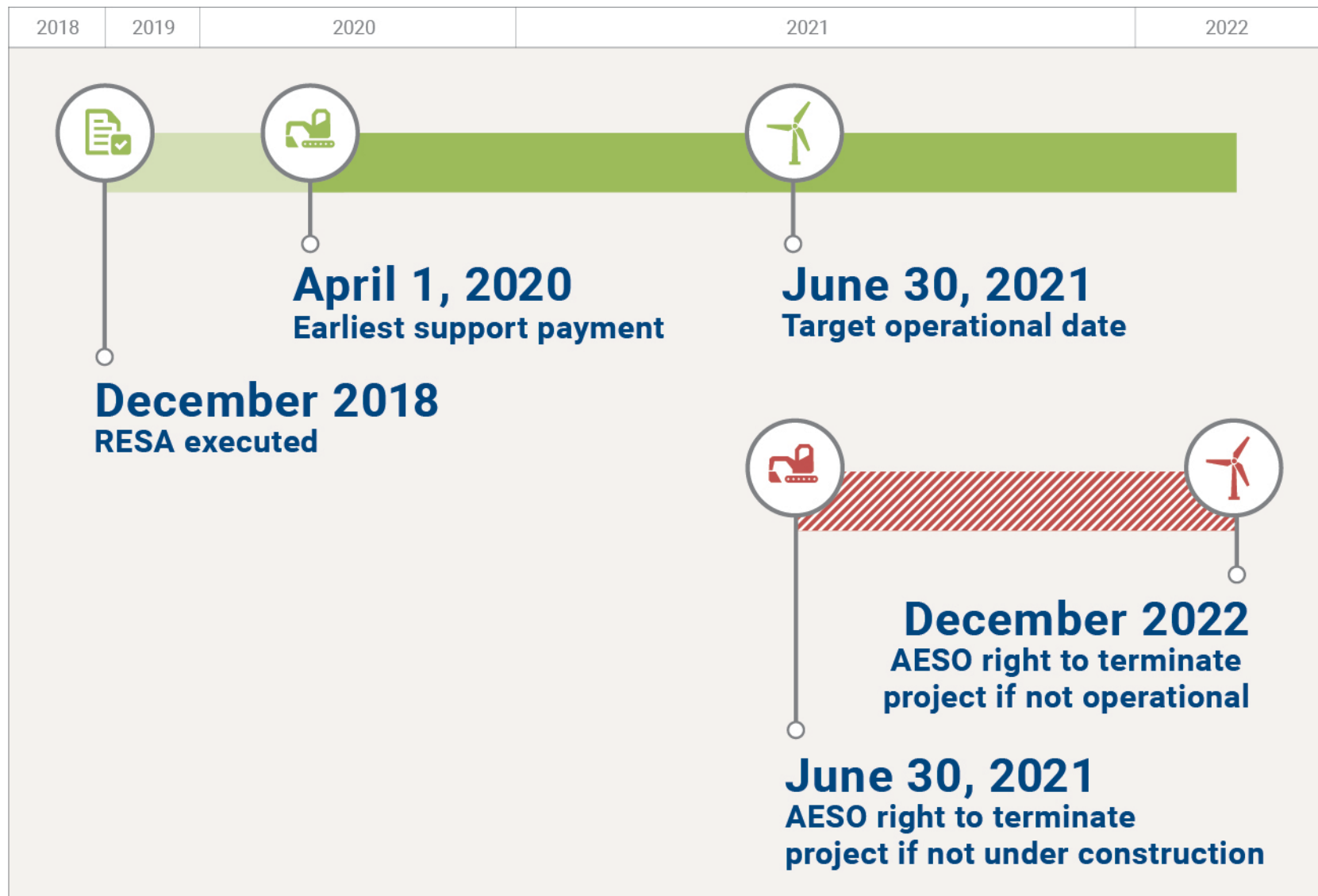
# How an Indexed REC works



# Flow of funds



# Target COD and longstop dates



- Meaningful Indigenous participation
  - Minimum 25% equity ownership at least 3 years post COD
- No changes to:
  - Change in Law
  - Curtailment
  - Security
  - Fees
  - Indexation
  - Dispute Resolution

# Next Steps & Key Dates

# Round 2 next steps

- REOI forms are due April 20
  - Not a prerequisite to participate in RFQ
- FAQs will be updated until RFQ opens
  - Submit questions to [rep@aeso.ca](mailto:rep@aeso.ca) by April 20
- RFQ opens April 27
- Parties who wish to participate in the RFQ stage should register an account on Bonfirehub to access the RFQ and draft RESA
  - Bonfirehub registration begins April 18
  - Visit [aeso.ca/rep](https://aeso.ca/rep) for further details on Bonfirehub registration
- RFQ and draft RESA will be available for viewing on [aeso.ca/rep](https://aeso.ca/rep)



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REP Rounds 2 and 3  
now open

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# Thank you

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