

Backgrounder

Renewable Electricity Program (REP)

What is the Renewable Electricity Program (REP)?

- The REP encourages the development of 5,000 MW of renewable electricity generation through a series of competitions that will run between 2017 and 2030.
- Renewable attributes produced from renewable electricity generation projects are procured through a competitive process.

How will the competition proceed?

- Each competition may have up to three stages:
 - A Request for Expressions of Interest (REOI), a discretionary stage where the AESO is able to gauge the interest of industry in participating in a given competition (4–6 weeks);
 - A Request for Qualifications (RFQ), where bidders submit their qualifications including their project proposals (4–6 months); and
 - A Request for Proposals (RFP), where bidders qualified in the RFQ stage confirm no changes to their bid teams or their projects, and submit a final offer for support (2–3 months).

Who can participate in the first competition?

- The first competition will be fuel-neutral and open to new and expanded projects in Alberta only.
- Projects are required to be equal to or larger than five MW in size and the first competition is intended to incent the development of up to 400 MW of renewable electricity generation.

When will the projects be built?

- The first competition will open in 2017 and the first projects will be in service in 2019. The frequency of future competitions will be determined by reliability considerations such as the supply-demand balance, the coal retirement schedule and advancement towards the renewable target.

Has this been done before?

- Programs to support renewable generation have been developed and implemented across the globe. The AESO retained London Economics International LLC, a highly regarded firm, to look at how other jurisdictions incented renewable electricity generation projects.
- This work allowed the AESO to consider key learnings that helped inform the design of the REP, such as using transparent and objective systems for bid evaluation, having third-party oversight and setting realistic timeframes for the procurement process.

How much will this cost?

- The AESO will use a competitive process where developers will compete for support for their projects. Competitive market forces will determine the level of support required and will drive the program costs down.
- For the first competition, an Indexed Renewable Energy Credit (REC) payment mechanism will be used, where winning bidders are paid a \$/MWh payment for renewable attributes that reflects the difference between their bid price and a pool price. This method is preferred as the level of support varies with pool prices, avoiding a situation where windfall gains would flow to the bidder.

How will consumers be impacted?

- The government has indicated that funding for this program will come from the carbon levy.

Can we achieve the government's target?

- The REP has been designed to be robust, flexible, sustainable and scalable in order to deliver the required amount of renewable electricity to the grid.
- The AESO is confident in its ability to meet the government's target of having 30 per cent of electricity consumed in Alberta come from renewable sources.

Where will the projects be built?

- The AESO anticipates most projects will develop where renewable resources are the most abundant—southern and eastern Alberta. However, it is possible for developers to choose other feasible locations.
- Existing transmission and distribution infrastructure must be utilized for the first competition in order to minimize cost impacts and meet the 2019 in-service date.

What about existing transmission infrastructure?

- With existing steel in the ground, approximately 2,600 MW of renewable generation could be added to the grid today.

How will the facilities get built and by whom?

- A successful REP project must receive approvals through the existing regulatory processes that govern generation and transmission development in Alberta before the project can be built and connected to the transmission system.
- Successful bidders must apply for a Power Plant Application to build their renewable electricity project. To connect their project to the transmission system, a Needs Application and a Facility Application are also required. The AESO applies for the need to connect their project by preparing and submitting a Needs Application and a transmission facility owner, e.g., ATCO or AML, must submit a Facility Application for approval on behalf of the successful bidder to approve the construction of the transmission line that will connect the bidder's project to the transmission system.
- All three applications—the Power Plant, Need, and Facility Applications—must be filed with the Alberta Utilities Commission (AUC) for review and, if they meet the AUC's standards, approval.

Will investors be motivated to build?

- Individual investors will need to evaluate a number of inputs before making a business decision. The AESO does not have control over these or how an investor will choose to deploy capital.
- The AESO developed a program intended to achieve the appropriate allocation of risk and includes a procurement process for the first competition that is clear, transparent and fair. These factors increase the likelihood that investors will be interested in taking part in the REP.