

REP Round 1: Request for Expressions of Interest Information Session

April 18, 2017



Renewable Electricity Program

Request for Expressions of Interest for REP Round 1
now open

- Introductions
- REP background
- Fairness advisor
- RFQ and RFP requirements
- Renewable Electricity Support Agreement (RESA)
- Next steps
- Break
 - Final opportunity to submit questions
- Q&A

- Elizabeth Moore, Director, Renewables Development (AESO)
- Neil Brausen, Chief Engineer (AESO)
- Claire Stilwell, Legal Counsel (AESO)
- David Eeles, External Legal Counsel (Norton Rose Fulbright Canada LLP)
- John Carleton, External Legal Counsel (Norton Rose Fulbright Canada LLP)
- Andrew McClune, External Financial Advisor (KPMG LLP)
- Oliver Grant, Fairness Advisor (P1 Consulting Inc.)

- Government of Alberta approved AESO's *Renewable Electricity Program Recommendations* in November 2016
- The AESO sought feedback on key provisions of the Renewable Electricity Support Agreement (RESA) in December 2016
- Alberta Legislature passed the *Renewable Electricity Act* (REA) in March 2017
 - Minister of Energy approved the key provisions of the RESA
- AESO opened REOI for REP Round 1 on March 31, 2017

Competitive Process Principles

- Utilize competitive market forces to drive down the government's cost of support for renewable generation
- Be fair and transparent
- Reduce barriers to entry, where appropriate, to maximize the number of competitors
- Utilize a 3-stage approach
- Allocate risk to those best able to manage it
- Fairness Advisor provides oversight



REP Round 1 Key Features

- Procure renewable attributes from up to 400 MW of renewable generation projects that meet the following criteria:
 - New and expanded
 - Utility scale
 - must be 5 MW or greater
 - Single project cannot be greater than 400 MW
 - Utilize a renewable fuel (or fuels)
 - Located in Alberta, selling into the Alberta Power Pool
 - Able to achieve commercial operation date (COD) on or before December 1, 2019
 - Able to connect to existing transmission or distribution system

Fairness Advisor



Role of the 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 oversee 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



Role of the Fairness Advisor

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)



Role of the Fairness Advisor

Actively participates through all stages by:

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

Request for Qualifications (RFQ)

- Respondents must:
 - Have an eligible project or projects
 - For each project, demonstrate that the respondent can meet the December 1, 2019 COD
 - Provide evidence of site control for each project
 - Have sufficient tangible net worth for all projects submitted
 - Pay the submission fee
 - \$1,000/MW (aggregate nameplate capacity)
 - *Minimum \$10,000 & maximum \$50,000*
 - \$2,500 per project (in addition to the first project)

- Respondents control group members are:
 - Designated equity providers
 - Project team leads
- Each respondent can submit multiple projects
 - Each project may have its own project team
- 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

Project Proposal Requirements

- Project plan
 - Timeline to COD
 - Key risks & mitigation plan
 - Approvals
 - Interconnection
- Site control
 - Title (or option to acquire title), or lease (or option to lease)
 - Solicitor's confirmation opinion
- Approach to stakeholder engagement
- Team member roles

Project Proposal Requirements

- Demonstrate experience in each stage of project delivery
 - Development and planning
 - Project funding
 - Construction
 - Operation and maintenance
- Respondents may use between 2 and 10 comparable facilities to demonstrate experience

- 51% of total equity for each project must be committed
 - Commitment letter(s) from relevant designated equity provider(s)
- Designated equity provider(s) must submit:
 - Financial statements for each of its last 2 fiscal years and most recent completed fiscal quarter
- Tangible net worth will be assessed using designated equity provider information

- Each designated equity provider will need to demonstrate sufficient tangible net worth for its equity share of all projects submitted
- AESO will provide a definition of tangible net worth
 - Designated equity providers will provide calculated tangible net worth along with a description of the approach taken to such calculation
 - AESO will evaluate the described approach to ensure it is consistent with the AESO definition

RFQ Evaluation

- Submissions will be evaluated on a pass/fail basis
 - No scoring
- Evaluation includes an assessment of:
 - Compliance with requirements of RFQ
 - Projects submitted
 - Experience
 - Equity commitment
 - Tangible net worth
- Projects will also undergo an assessment to ensure they can connect to the existing transmission or distribution system without requiring an expansion

- 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
- Equity commitment
 - Equity commitment provided
- Meet or exceed tangible net worth requirements
 - Priority ranking of projects for tangible net worth calculation

- Projects will be assessed using a specific base case
 - Project location and capacity identified in RFQ submission
- Three assessment outcomes:
 1. Disqualification – connection will require a system expansion
 - NOT eligible to participate at RFP
 2. Qualified project connection – can connect and deliver generated electricity at the project’s full contract capacity
 3. Conditionally qualified project connection – depending on outcome at RFP, may be able to connect and deliver generated electricity at the project’s full contract capacity
 - If, after project ranking at RFP, the project would require a system expansion, it will be disqualified

- Base case will be set as of June 16, 2017 using the following:
 - Existing topology (including approved system projects that will be energized by 2019)
 - Existing generation and load
 - Generation dispatched using AESO dispatch methodology
 - Load forecast based on 2016 AESO Long-term Outlook
 - Non-REP market participants requesting system access
 - Generation
 - *Transmission connection facilities under construction*
 - *Paid Generating Unit Owner's Contribution (GUOC)*
 - Load
 - *Requested service prior to December 1, 2019*

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)

- Projects will be ranked by price
- If there are projects with conditionally qualified connections, assess whether the project can connect and deliver generated electricity at the project's full contract capacity relative to other projects with a lower strike price
 - Projects unable to deliver full capacity will be disqualified
- Ranking and volume of each qualified project will be provided to the Minister of Energy
 - Total volume procured subject to Ministerial approval
- Successful proponents will be awarded a RESA

Renewable Electricity Support Agreement (RESA)

- Agreement between the AESO and successful bidders
- Establishes the terms and conditions under which the successful bidder receives support payments in exchange for the renewable attributes produced
- Governs the development and operation of each successful project
 - Support period is 20 years
- Support is provided through an indexed REC payment mechanism



Scenario 1

The pool price is low, so the government payment to generators (red) is needed to meet the bid price.

Scenario 2

The pool price is equivalent to the bid price, so the government would issue no payment to the generator.

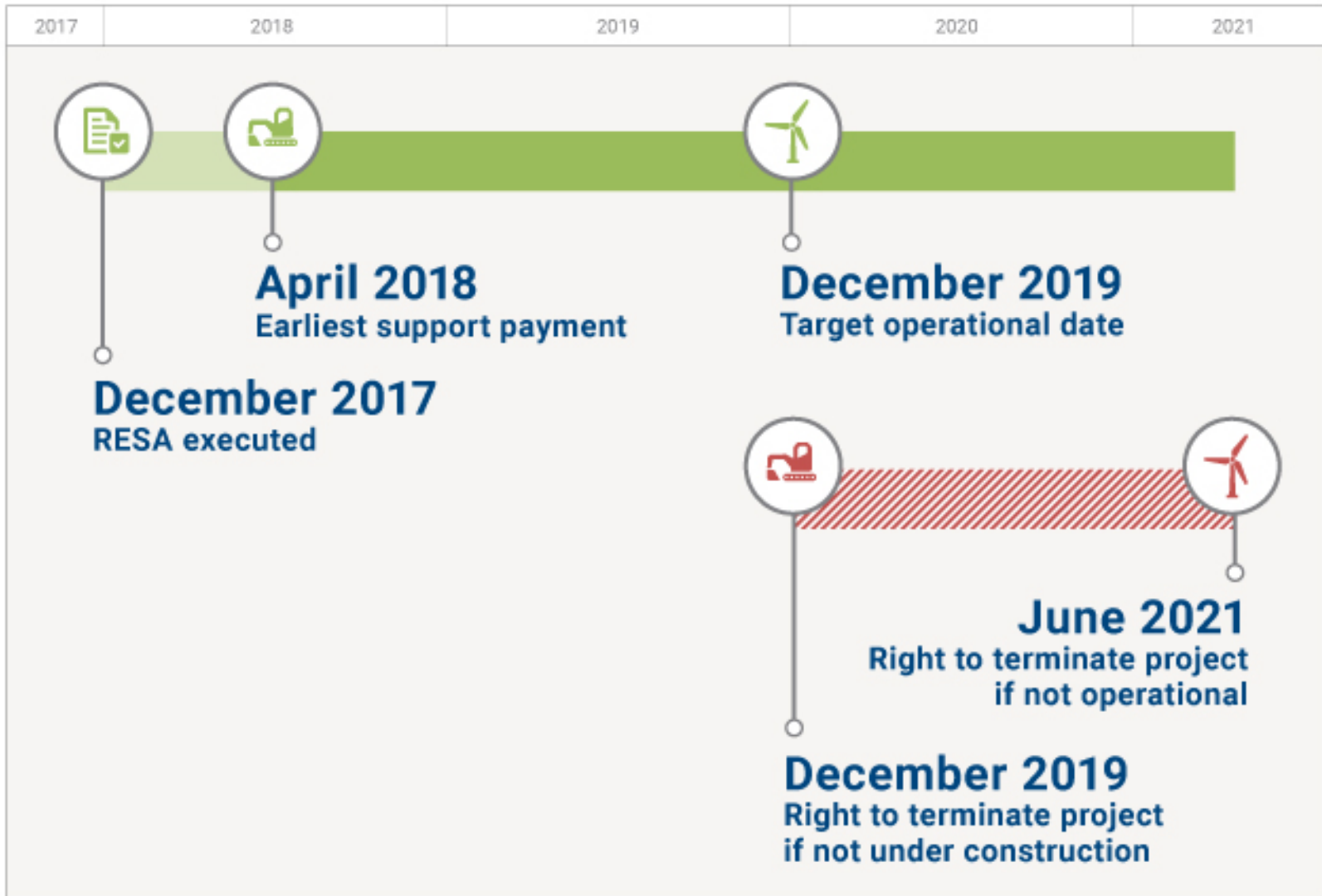
Scenario 3

The pool price is higher than the bid price, so the generator would be paying that amount (shown in green) back to the government.

Flow of Funds



Target COD and Longstop



- REC Registration
 - WREGIS
- Security
 - Debenture and form of lender consent appended to RESA
- AESO fees
 - \$0.75/MWh for first three years of support period
 - \$0.30/MWh for support period
- Earliest Support Payment
 - April 1, 2018
- Change in Law
 - Forgone energy
 - Changes in cost
- Curtailment
 - Compensation for transmission constraints above 200 MWh/MW/year
- Dispute Resolution
 - Arbitration used to resolve certain disputes

Next Steps

REP Round 1 Next Steps

- Expression of Interest forms due April 21, 2017
 - Not a prerequisite to participate in RFQ
- FAQs and April 18 information session presentation will be posted at www.aeso.ca/rep
- RFQ opens April 28, 2017
 - SharePoint registration begins April 21, 2017
 - Draft RESA available on SharePoint April 28, 2017

REP Round 1 Timeline

AESO issuance of REOI	March 31, 2017
REOI question submission deadline	April 11, 2017
REOI information session	April 18, 2017
REOI concludes & EOI Forms due	April 21, 2017
AESO issuance of RFQ to interested parties	April 28, 2017
RFQ submissions due	June 16, 2017
AESO evaluation of RFQ submissions and selection of qualified respondents	June to September 2017
AESO issuance of RFP to proponents	September 15, 2017
RFP submissions due	October 13, 2017
Selection of successful proponent(s) and execution of RESA(s)	December 2017
Target commercial operation date	December 2019

Break

Please submit your questions

Q & A

Thank you