



Office of the Minister
MLA, Dunvegan-Central Peace-Notley

AR 29802

February 2, 2018

Mr. David Erickson
President and Chief Executive Officer
Alberta Electric System Operator
2500, 330 – 5 Avenue SW
Calgary, Alberta T2P 0L4

Dear Mr. Erickson:

The first Renewable Electricity Program competition REP 1 was a roaring success. This letter is to direct the Alberta Electric System Operator (AESO) to develop two new proposals, REP 2 and REP 3, to promote large-scale renewable electricity generation in Alberta per Section 3 of the *Renewable Electricity Act*.

In order to fully leverage the value achieved through REP 1, the AESO is directed to ensure that the REP 2 and REP 3 proposals must contain the following elements:

- Eligible projects are limited to new or expanded, renewable electricity generation projects located in Alberta that are able to connect to the existing distribution or transmission system.
- Projects must be greater than 5 megawatts in size.
- Eligible fuels must meet Alberta's definition of renewable energy resources as defined in the *Renewable Electricity Act*.
- The payment mechanism must be compatible with Alberta's evolving power market construct.

In accordance with S. 5 (2) (v)(vi) of the *Renewable Electricity Act*, when developing REP 2 and 3 programs, identify cost ceilings for each round related to the development, implementation, and administration of the programs for my approval.

Renewable Electricity Program Round 2 (REP 2)

The Government of Alberta is committed to encouraging and supporting the growth and economic development of Indigenous peoples in Alberta. Participation by Alberta's Indigenous communities in REP 2 represents the Government of Alberta's commitment to work with Indigenous peoples and communities to support their participation in Alberta's broader electricity sector and the development of renewable electricity.

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In support of these outcomes, AESO shall develop recommendations for a program (REP 2) to procure up to 300 megawatts of renewable electricity with an estimated minimum of between 15-25 per cent of Indigenous equity ownership in each project. AESO, in developing its recommendation to government, must include advice on the optimum level of Indigenous equity that will:

- allow for the greatest participation by Indigenous groups;
- create the greatest degree of competition; and
- provide the lowest cost for Albertans.

For the purposes for REP 2, the following apply:

- Indigenous is defined as one of a combination of the following:
 - First Nation communities, Métis Settlements, Métis Nation of Alberta, and the Aseniwuche Winewak Nation; or
 - Indigenous-community owned organization and/or business.
- All proposals must be in compliance with the terms and conditions of any previous Government of Alberta funding.
- The Indigenous community must be located in the Province of Alberta.

Renewable Electricity Program Round 3 (REP 3)

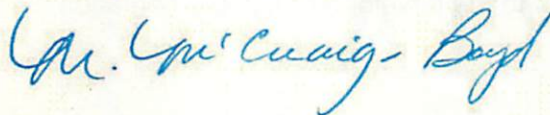
AESO shall design a competition to procure up to 400 megawatts of renewable electricity projects based on lowest cost. Ensure the valuable learnings and any necessary adjustments relevant from REP 1 are incorporated into the design and implementation of REP 3.

The AESO program proposals, for both REP 2 and REP 3, must:

- be submitted for my consideration no later than February 28, 2018;
- recommend a payment mechanism;
- recommend a target in-service date; and
- ensure Renewable Electricity Support Agreements for both REP 2 and 3 are executed by December 31, 2018.

Thank you for your excellent work to date in developing and executing the Renewable Electricity Program. Please continue to work closely with Alberta Energy.

Sincerely,



Margaret McCuaig-Boyd
Minister

cc: Honourable Shannon Phillips, Minister Responsible for the Climate Change Office
Honourable Richard Feehan, Minister of Indigenous Relations
Coleen Volk, Deputy Minister of Energy
David James, Energy