

AESO kicks off Renewable Electricity Program

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On March 31, 2017, the Alberta Electric System Operator (AESO) kicked off the [Request for Expressions of Interest](#) (REOI) phase of the Renewable Electricity Program (REP) (described below). Proponents interested in participating in the first round of the REP must submit their completed Expression of Interest form (EOI Form) by April 21, 2017. This Update includes a summary of the REP and an analysis of key contractual terms of the Renewable Electricity Support Agreement (RESA).

Renewable Electricity Program overview

The REP is intended to incentivize the development of renewable energy projects in Alberta through a series of competitive processes. The competitive processes are intended to meet the legislative mandate in the *Renewable Electricity Act*, SA 2016 c R-16.5 (the Act) that at least 30% of the electrical energy produced in Alberta is produced from renewable energy resources by 2030. An additional 5,000 megawatts (MW) of renewable generating capacity will be brought onto the system by 2030 through the AESO's REP.

The first round of REP procurement will procure 400 MW of renewable electricity capacity and will take place in three stages throughout 2017, as outlined in the schedule below.

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

Ultimately, the successful projects in this initial procurement process will be selected based on the prices submitted in the proponents' RFP submissions.

REOI phase

The REOI phase is designed to assist the AESO in identifying proponents that are interested in participating in the first RFP. The REOI will also provide potential bidders with preliminary information to allow them to assess whether or not to participate in the RFP and provide a formal opportunity for both companies in the electrical industry and the AESO to seek clarification and feedback from the other party.

Proponents will be able to submit questions to the AESO regarding the REP until April 11, 2017, with an information session to follow on April 18, 2017. Proponents must submit their EOI Form in response to the REOI by April 21, 2017. The RFQ will be issued to proponents that respond to the REOI on April 28, 2017. The REOI stage is non-binding; submission of an EOI Form does not obligate a proponent to continue to participate in the RFQ stage.

RFQ phase

During the RFQ phase, RFQ respondents will submit their qualifications and project proposals and the AESO will determine which respondents and projects are qualified to proceed to the RFP phase based on the eligibility criteria it has determined for this first round of procurement. In order to be eligible, projects must:

- be located in Alberta;
- have a generating capacity equal to or greater than 5 MW;
- generate electricity from a "renewable energy resource" (as defined in the Act), such as wind power or solar power;
- be a new or expanded project (i.e., existing projects are not eligible);
- be able to connect to the existing transmission or distribution system; and
- achieve commercial operation by the end of 2019.

The AESO will also consider the financial strength and capacity of the proponent, as well as the development, construction and operations capability of the proponent and the project. Based on the foregoing considerations, the AESO will determine the qualified bidders to proceed to the RFP phase; only qualified bidders will proceed to the RFP phase.

RFP phase

During the RFP phase, the successful respondents from the RFQ phase will submit their bid prices for their respective projects along with a confirmation that the project has not been

changed or modified since the RFQ submission. Subject to certain ministerial approvals under the Act, proponents of the projects having the lowest bid prices will enter into a RESA for each such project.

Renewable Electricity Support Agreement – Key terms

The successful bidders (Generators) will enter into a RESA with the AESO. The RESA will govern the development and operation of the Generator's renewable electricity project and will provide pricing support and certainty to the Generators for a 20-year period (the Support Period).

Concurrently, with the commencement of the REOI process, the AESO released a revised term sheet for the RESA on [March 31, 2017 \[PDF\]](#) (Updated Term Sheet), which featured several amendments to the original term sheet released on November 10, 2016. The key provisions of the RESA, as modified in the Updated Term Sheet, include the following:

3. Target and Longstop Dates – The RESA includes a target commercial operation date for the applicable project, with a longstop commercial operation date of December 1, 2019, which will constrain the number of potential participants given the multi-year regulatory and development process for renewable energy projects.

6. Security – The Updated Term Sheet includes additional details regarding the performance security that Generators will be required to provide. Prior to commercial operation, Generators are required to maintain completion and performance security in the amount of \$50,000 per MW of project nameplate capacity. Following commercial operation, Generators must provide the AESO with security interests over their facility, including any land rights, which must be shared with the Generator's project lenders.

13. Renewable Attributes and Funding from Other Governmental Authorities – The Generator shall, in exchange for the support payments under the RESA, transfer title to all renewable attributes associated with the Generator's facility to the AESO. The Generator must also share with the AESO any other government funding it receives.

16. Settlement Provisions – The RESA will govern the settlement process for amounts owed by either party, which stipulates that if the pool price exceeds the strike (i.e., bid) price, the Generator must pay the difference to the AESO.

17. Indexation and Payment Adjustments – The RESA provides for partial adjustments to the strike price to account for increases in operation and maintenance costs, tied to the Alberta Consumer Price Index.

18. Curtailment – This provision identifies the rights of the project owner when production from the project is curtailed by the AESO, including compensation from the AESO where the cumulative amount of foregone energy due to such curtailments in a year exceeds 200 hours multiplied by the nameplate capacity of the applicable project. This marks a substantial change from the original term sheet, which stated that no compensation would be available for electricity that could have been produced during any curtailment. The Updated Term Sheet also includes additional details regarding the curtailment process by which the AESO may limit the electrical generation from a particular project.

19. Change in Law – The RESA will include schedule and financial relief for the Generator with respect to changes to laws and administrative interpretation of laws, provided that such changes materially delay the development and construction of the facility, increase the costs for the Generator or affect the volume of electricity that the Generator can produce.

20. Force Majeure – The RESA provides reasonable relief from required milestone dates, including the target and longstop commercial operation dates, due to an event of *force majeure*, and a termination right for either party when a Generator-invoked event of *force majeure* continues for 18 continuous months or 24 months in the aggregate.

23. Termination – Events of Generator Default – The Updated Term Sheet references a “mark-to-market” methodology that will apply to assess the damages suffered by the AESO due to a Generator event of default.

24. Termination – Events of AESO Default – The Updated Term Sheet references a “mark-to-market” methodology that will apply to assess the damages suffered by the Generator due to an AESO event of default.

28. Financing – The RESA permits granting security to the Generator’s lenders, and contemplates a direct tri-party agreement between the AESO, the Generator and secured lenders, which will provide for and facilitate project financing of renewable projects in Alberta.

33. Dispute Resolution – The Updated Term Sheet includes an arbitration process for disputes relating to commercial or technical matters in accordance with terms to be included in the final version of the RESA.