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Opportunity knocks: Federal government launches Alberta-specific wind and solar procurement process

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On April 15, 2020, the federal government (Canada) issued a request for information (RFI) in connection with a new public procurement of wind and solar electricity in Alberta. The RFI was issued by Public Services and Procurement Canada (PSPC) and its impetus is Canada's commitment to power federal buildings with 100% clean electricity, where available, by 2022. The RFI is intended to inform all interested stakeholders of Canada's intent to support renewable electricity generation in Alberta as well as to gather information to understand the industry's capability to fulfil Canada's objective and any challenges that may arise in meeting it. Responses to the RFI are due May 1, 2020.[1] However, responses are optional, and failure to respond to the RFI will not preclude any party from participating in the request for proposal stage of the procurement.

Federal goals, provincial opportunities

While the RFI was issued by Canada, the opportunity is focused on electricity needs in the province of Alberta. Alberta is unique among Canadian electricity markets, as the province has a deregulated electricity market (thereby allowing for direct power purchase agreements between consumer and generator) and one of the strongest combined wind and solar resources in Canada.

Subject to the outcomes of the RFI, the Government of Canada is proposing to enter into one or more 20-year power purchase contracts, either directly with solar or wind electricity generators or through retailers, to create additional renewable electricity generation capacity in Alberta to offset the consumption of electricity from federal infrastructure.

The price certainty associated with additional long-term power purchase arrangements would be a boon for renewable energy generators in Alberta, who are often subject to volatile pricing in the province's deregulated electricity market. The focus of the RFI on building out additional solar and wind generating capacity in Alberta would be beneficial for growth of employment and investment in the province's renewable industry.

The new installations must be capable of generating net new renewable electricity for:

- the equivalent of 200,000 MWh to 280,000 MWh annually, which the federal buildings consume within the province of Alberta; and
- an additional 240,000 MWh to 360,000 MWh of renewable energy credits, procured annually in Alberta, to displace the emissions of electricity consumed by federal facilities outside of Alberta.

For context, 200,000 MWh of annual generation is equivalent to approximately 60-70 MW of installed wind generation capacity or approximately 90-140 MW of installed solar generation capacity, depending on facility-specific characteristics.

Procurement process and features

Responses to the RFI will be reviewed in the spring of 2020. Canada is proposing to issue a request for proposals in the summer of 2020 with contracts to be awarded in late 2020 or early 2021. While Canada has stated that price will be a determining factor, its intention is to structure the competition based on information provided in response to the RFI to include consideration of the following criteria in addition to the bid price:

- Indigenous participation;
- job creation in Canada;
- lowest overall cost (measured in dollars per megawatt hour ($/MWh)); and
- diversifying risk through the awarding of multiple contracts.

Consistent with previous procurements in Alberta, Canada is proposing that successful proponents would receive power purchase contracts with terms of up to 20 years commencing on the commercial operation date of the successful project(s). Qualifying electricity generating facilities must:

- be capable of producing electricity in the form of solar and/or wind;
- be able to achieve commercial operation no later than December 31, 2022;
- be located within the province of Alberta;
- be new projects, or expansions of existing projects (i.e., not currently in operation);
- be projects with a minimum of 10 MW of rated capacity; and
- be capable of connecting to the existing electricity grid.

Canada is seeking a combination of solar and wind that best matches its consumption profile in order to meet the annual renewable target at the lowest possible cost, recognizing the intermittent nature of solar and wind resources. The volumes selected of wind and solar will be determined by balancing cost and price certainty.

A sign of new opportunities

Although PSPC is only seeking information at this time and the RFI will not in and of itself result in the award of power purchase agreements, the RFI signals new opportunities for the wind and solar industry in Alberta, a welcome development for renewable developers following the termination of remaining phases of the province's Renewable Electricity Program (REP) on June 10, 2019. If the procurement process mirrors the competitive bidding model and contract structure used in the provincial REP program and the Alberta Infrastructure solar procurement, developers that participated in those procurements will have the benefit of being familiar with the process and terms.

Moreover, given Canada's stated objective of procuring cost-competitive generation that matches its consumption profile, which shows peak consumption times consistent with usual office hours, this procurement process is likely to provide opportunities to proponents of both wind (which is typically cheaper but peaks at night) and solar (which is typically more expensive but peaks during the day) projects, as opposed to prior procurement programs that favoured one technology over the other. There are many potential project approaches, and proponents and retailers with a strong understanding of the Alberta market are likely to

have an advantage.

We will provide further details regarding the procurement once the request for proposals is issued, which is expected this summer.

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[1] The full RFI can be found here .