

March 5, 2014

The Honourable Bob Chiarelli
Minister of Energy
Hearst Block
4th Floor, 900 Bay St.
Toronto, ON M7A 2E1

Dear Minister Chiarelli:

RE: Streamlining the RFQ process for Large Renewable Procurement (LRP)

The Ontario Energy Association (OEA) would like to acknowledge and thank the Ontario Power Authority (OPA) for inviting us to participate in its consultation process on the competitive Large Renewable Procurement (LRP).

At the March 4th, 2014 OPA SAC meeting, the OPA had indicated that they had reported back to you on the draft recommendations with regards to the proposed components/evaluation criteria for the RFQ and RFP stages of the procurement. Prior to you providing feedback to the OPA on their LRP Final Recommendations Report, we would like to bring to your attention two issues with respect to the design of the Request for Qualification (RFQ) within the LRP that we feel strongly about.

The OEA supports your December 16, 2013 direction to the OPA to develop the LRP and posting of the draft RFQ before the end of Q1/14, and the clarity provided in the Long-Term Energy Plan calling for first round LRP targets of 300 MW of wind, 140 MW of solar, 50 MW of bioenergy and 50 MW of hydroelectricity.

In order to facilitate stakeholder consultation regarding development of the draft RFQ, the OPA published a document, *Preliminary RFQ Evaluation Criteria Summary*, conveying a proposed evaluation process. The OEA has concerns with the following two areas of the OPA's proposed evaluation process.

- **RFQ SHOULD QUALIFY APPLICANTS AND LEAVE THE EVALUATION OF PROJECTS TO THE RFP STAGE**

First, within the RFQ stage of the LRP it is more appropriate to qualify applicants and not qualify projects to be developed by applicants. Qualification of applicants ensures that renewable generation project developers have appropriate capabilities to develop their projects based on their experience in developing similar projects (i.e., size, fuel type, etc.) and ability to finance the development of projects (e.g., equity, debt, balance sheet etc.). Therefore, the OEA supports the

OPA's proposed mandatory requirements to qualify applicants as this will result in a higher level of certainty that projects will be developed on time and on budget.

However, while it is appropriate for applicants to provide preliminary project information within the RFQ stage such that the OPA can design the Request for Proposals (RFP), the RFQ stage is too early in the LRP process to qualify projects because the OPA will not have provided enough of the details needed to guide applicants in the development of their projects. For example, the OPA will not have provided enough guidance on project specifications, detailed connection information to the grid, and how projects will be evaluated to determine which projects will be awarded contracts. Without having a clear understanding of these fundamental details, applicants will not be able to make sound decisions on which projects to develop, and therefore will be unable to judge whether to participate in the LRP at all.

Therefore, the OEA recommends that if more details are not provided by the OPA to support qualification of projects within the RFQ, the RFQ should only be used to qualify applicants and not to qualify projects.

- **COMMUNITY ENGAGEMENT SHOULD TAKE PLACE DURING THE RFP STAGE**

Second, the lack of details within the RFQ relating to projects makes it very difficult and even problematic to create many mandatory requirements relating to community engagement because applicants will not be able to effectively engage communities if they cannot clearly and sufficiently articulate details of their projects.

Communities need to be consulted early and often regarding development of renewable generation projects but also need sufficient project information in order to have meaningful dialogue. The OPA's proposed mandatory requirements regarding community engagement in the RFQ will not help facilitate meaningful dialogue between applicants and communities because applicants will be required to engage with communities even though they may not be able to clearly articulate details of their projects, precisely because the proposed design of the RFQ does not provide sufficient guidance to applicants regarding key specifications for their projects (e.g., project size, connection to the grid, etc.). If the proposed mandatory requirements for community engagement are adopted by the OPA, applicants will presumably be presented with many questions about their projects at the required engagement sessions – but the applicants may not have accurate or final responses (e.g., What is the size of the project?, Where will your project connect to the grid?, etc.). Even if responses are provided by applicants, changes to project details may occur once the OPA has defined additional project specifications in the RFP stage (e.g., based on the proposed requirements in the RFQ an Applicant may inform communities they plan to develop a 10 MW project but upon learning about additional project specifications in the RFP the Applicant may actually be able to develop a 50 MW project and must then go back to the same community to discuss a larger project). Finally, it is extremely



unlikely that any form of municipal support – an important goal for project proponents – would be gained without full knowledge of project details.

Potentially more problematic than the issues discussed above is the strong likelihood that the proposed mandatory requirements in the RFQ regarding community engagement will trigger all applicants to commence community engagement even though some of these applicants will withdraw from the process once they receive and evaluate the RFP requirements. As a result, communities will be repeatedly bombarded by applicants on projects that will never be developed. This unnecessary community engagement has high potential to create friction and irritation in many communities across Ontario. Additionally, many small municipalities may not have the resources available to evaluate the number of projects triggered by the RFQ, and proponents who agree to reimburse legal costs incurred by municipalities may waste resources if the consultation at the RFQ stage is insufficiently detailed. The OEA understands that in the course of its consultation on the preliminary RFQ mandatory requirements, the OPA has consistently heard this concern not only from potential applicants but also from municipalities.

The OEA realizes that community engagement is fundamental to developing renewable generation projects but consultation needs to be effectively positioned within the LRP process for it to be productive and meaningful. Therefore, the OEA recommends that applicants be required to submit clearly detailed Community Engagement Plans in the RFQ stage, but only initiate community engagement activities during the RFP stage as it is only at this point that applicants will be able to provide communities with factual information rather than conjecture.

We look forward to continuing the dialogue with you and your team on how streamlining the design of the LRP will make the process more efficient for industry and more relevant for communities. If you would like to further discuss our concerns or have any questions please feel free to contact me directly at 647.920.3269 or tina@energyontario.ca at your convenience.

As always, we look forward to continuing to work together.

Many thanks,

A handwritten signature in black ink, appearing to read "Tina Arvanitis", is written in a cursive style.

Tina Arvanitis
Vice President
Government Relations and Communications
Ontario Energy Association

cc: Colin Andersen, CEO, Ontario Power Authority