



Knowles

A Hill International Company

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
FEED-IN TARIFF PROGRAM – VERSION 4
INDEPENDENT EVALUATION MONITOR'S REPORT

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FINAL

Knowles Canada Consultancy Services Inc.
1599 Hurontario Street, Suite 202
Mississauga, Ontario L5G 4S1
Tel: (905) 891-2555
Fax: (905) 891-5400
Website: http://www.jrknowles.com/services_in_canada
Email: canada@jrknowles.com

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1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

This report presents our procedural findings and conclusions for the Independent Electricity System Operator (the “IESO”) Feed-In Tariff Program – Version 4 (“FIT 4”). FIT 4 was open to all potential Applicants interested and qualified based on the Feed-In Tariff Rules, Version 4.0.2 document (the “FIT Rules”) which guided the process. Our role, as the Independent Evaluation Monitor (“IEM”), was to review the IESO’s procurement process, including but not limited to the following:

- (a) Review evaluation criteria and procedures to ensure objectivity, integrity and compliance with the FIT Rules. The FIT Rules are publicly available on the IESO’s website;
- (b) Monitor the process by which the IESO conducts application evaluation, prioritization and ranking, and contract offering to ensure they are conducted in accordance with the FIT Rules and that Applicants are treated fairly;
- (c) Review and advise on communications to applicants which include:
 - (i) Clarification requests;
 - (ii) Rejection notifications; and
 - (iii) Acceptance notifications
- (d) Conduct an independent review of a sampling of applications using the established evaluation process;
- (e) Provide a written IEM report (the “IEM Report”) documenting the program results and elaborating on the consistency and integrity of the application evaluation and contracting process;
- (f) Provide comments and recommendations on areas of improvement on the evaluation process and evaluation criteria; and
- (g) Provide ad-hoc support and advice as required relating to monitoring of the evaluation process.

The role of the IEM, as the title implies, is focused strictly on monitoring of procurement practices to ensure consistency of process with the FIT Rules. This involved taking the stipulations of the FIT Rules as a standard against which to evaluate the process.

We met with all key evaluation process participants that led each stage of the review of applications in addition to reviewing all process documents ourselves independently. We obtained a clear understanding of the IESO’s evaluation process and how each application was evaluated within it. We were provided fulsome detail on all unique or general process evaluation matters as they arose and this allowed us to monitor and assess the IESO’s adherence to its FIT 4 Program process.

We, the IEM, reported directly to the IESO’s Manager of Procurement Operations and received all communications and information regarding the process we monitored from that individual, or from the FIT Procurement Business Analyst (evaluation coordinator).

This report is based on our first-hand observations of the process administered, a review of the FIT Rules Program Application documents and the information provided to us by the FIT Procurement Team (the FIT Team”). It was prepared for the staff of the IESO.



1.2 KNOWLES KEY FINDINGS

As the IEM, we can attest that:

- The evaluation process administered was consistent with that outlined in the FIT Rules;
- The evaluation criteria were applied in accordance with the requirements and evaluation processes outlined in the FIT Rules ;
- All Applicants were treated consistently and in accordance with the FIT Rules;
- IESO staff strictly adhered to the conflict of interest and confidentiality requirements of the IESO’s policies and procedures.

Particular note was made of the following:

- **Communication** – The complete FIT 4 documents were published on the IESO’s publicly accessible website, which were updated as required. One contact email and telephone number was identified with which Applicants were able to communicate with the IESO for the duration of the FIT 4 process and they were 1-888-387-3403 and FIT@ieso.ca.
- **Applicant Meetings** – No meetings with Applicants were held during the FIT 4 evaluation process.
- **Documents Posted** – A *FIT 4 Draft Documents* webinar took place on May 4th, 2015 to explain program enhancements and changes for FIT 4 and to receive and answer questions and comments provided to the IESO by webinar participants.
- **Conflict of Interest** – The IESO employees involved in supporting FIT 4 were bound by employment obligations and were not required by the IESO to sign separate FIT 4 specific conflict of interest declaration forms; all evaluations were conducted by fulltime IESO staff.
- **Confidentiality and Security of Documents** – The FIT Team, which included a Records Management and Intake Officer, were responsible for securing applications and evaluation documents when they were not in the possession of individual evaluators and we were able to confirm this process was effectively managed.
- **Evaluator Qualifications** – The FIT 4 individual evaluators were IESO staff dedicated full-time to reviewing applications and supporting the operations of the program. They received extensive training and several had experience as reviewers on 2 or more previous FIT program evaluations.
- **Evaluations** – For Stages 1-3, the applications were first evaluated by the individual evaluators (the Review Team). This was followed by a thorough peer review process conducted almost entirely by a dedicated reviewer who did not participate in the initial application review, with support from other members of the Review Team when necessary. The IEM (Knowles) conducted a secondary sample peer review process (stages 1, 2, and 3) to confirm the diligence and adherence of the evaluation process administered by the IESO. Due to the high number of applications received, and in an attempt to ensure that a consistent and efficient review and approach to all application matters was taken, applications were evenly distributed across evaluators. All matters or clarifications which may have been discovered or raised during the evaluation process were addressed through regularly scheduled issues meetings which included the entire Procurement Operations Team. When required, issues were also raised with the appropriate legal and technical experts. All matters were responded to diligently and consistently. All evaluation related meetings were conducted and facilitated by the IESO and were well documented.



- **Undue Influence** – Throughout the evaluation process, all findings were made or verified by more than one person and documented in the same manner. However the initial evaluation was completed by a single reviewer, the risks and mitigation strategy of which is explained in further detail within section 3 of this report. Decisions regarding issues were made by the Manager of Procurement Operations.
- **Debriefings** – The FIT Rules made no provision for debriefing Applicants. Detailed feedback regarding rejections was provided to each Applicant that was unsuccessful i.e. did not receive a contract award.

1.3 FINAL OUTCOME AND APPLICATION STATISTICS

- 1,968 electronic Applications were received during the FIT 4 Application Period.
- After accounting for withdrawn Applications and applications which failed to submit a hard copy Application or were received late, 1,702 Applications were reviewed by the review team.
- After review stages 1-3 were complete, 1,197 applications were determined to be complete and eligible as per FIT Rules section 4.1 and thus proceeded to the Stage 4, the connection testing process. Applications that were deemed complete and eligible were ranked based on the Priority Points that were awarded to them and their Revised Time Stamp. Applications that were tied in both Priority Points and Revised Time Stamps were awarded a random number which determined their rank among the other applications they were tied with.
- Stage 4 and 5 of the evaluation process included the Transmission Availability Test (TAT) and the Distribution Availability Test (DAT) which tested connection availability for each application. Once connection availability was confirmed, the selection process for inclusion in the contract Offer List was done. Per the FIT Rules, this process started with the CCSA eligible projects until each CCSA was filled or there were no remaining CCSA eligible applications. Once the CCSA portion was complete all remaining applications, including CCSA eligible applications that were not successful as CCSA applications, were tested together in the general pool until the procurement target was reached.
- The IESO offered a total of **936 contracts** to applications that successfully satisfied all stages of the review and requirements of the FIT Rules, of which 695 were CCSA eligible projects. 261 Applications were terminated due to a lack of connection capacity at their chosen connection point and 116 Applications were not offered contracts because doing so would have exceeded the FIT 4 Procurement Target.

For Further details on the evaluation process see section 3.0 of this report.



2.0 REVIEW OF THE FIT 4 PROGRAM DOCUMENTS

2.1 OVERVIEW

The FIT 4 Program Application evaluation process was guided by the FIT Rules, the FIT Contract version 4.0.2, and FIT Standard Definitions version 4.0.1.

All relevant information was included within the FIT 4 Rules, with additional references made to other sources of information including:

- Minister of Energy's FIT 4 Directions¹ – (June 12, 2013 , April 7, 2015 and June 24, 2015)
- FIT 4 Application templates
- IESO credit ratings produced by Moody's and DBRS credit raters
- The Green Energy and Green Economy Act – 2009, as amended in 2011²
- Ontario's 2013 Long Term Energy Plan³
- Laws and Regulations applicable to the FIT Program, including the Distribution System Code⁴ and IESO Market Rules⁵

All of which was located on the IESO website <http://www.ieso.ca>.

2.2 BACKGROUND

FIT 4 PURPOSE

The IESO was directed by the Minister of Energy, on June 12, 2013, to commence the FIT 4 Program to encourage greater use of renewable sources for electricity in the Province. Eligible renewable energy sources included in FIT 4 were: solar (PV), on-shore wind, waterpower, renewable biomass, biogas, and landfill gas. The FIT 4 procurement target was 241.438 MW and there were no individual resource type procurement caps. As per the Minister's direction, as referred to above in section 2.1, FIT 4 was issued by the IESO to request applications for small renewable projects, which generally means those greater than 10 kW but less than or equal to 500 kW.

FIT Review Team

FIT Procurement Business Analyst and Review Team Members whom completed the Stages 1-3 evaluations.

- Review Team Members – there six (6) reviewers (evaluators)
- Peer Reviewer – a review team member that performed a secondary review of the Applications eligibility.
- Procurement Intake and Records Management Officer – managed the document distribution and security of the Applications at the IESO.

¹ <http://www.ieso.ca/document-library/search-results?q=&pi=0&c=3B09226D-D2B0-4F9D-BFB4-F3B004A1154C&a=false>

² <https://www.ontario.ca/laws/statute/09g12/v5>

³ http://www.energy.gov.on.ca/en/files/2014/10/LTEP_2013_English_WEB.pdf

⁴ http://www.ontarioenergyboard.ca/oeb/_Documents/Regulatory/Distribution_System_Code.pdf

⁵ <http://www.ieso.ca/Pages/Participate/Market-Rules-and-Manuals-Library.aspx>



FIT Program Terminology

The terminology used in this report is consistent with the FIT Standard Definitions version 4.0.1.

3.0 EVALUATION PROCESS

3.1 APPLICATION EVALUATION PROCESS OVERVIEW

The evaluation process was supported by the Manager of Procurement Operations who led the Procurement Operations Team, the FIT Procurement Business Analyst (evaluation coordinator), and six (6) review team members, a dedicated Peer Reviewer, the Procurement Intake and Record Management Officer. The evaluation process was also supported by the Transmission Integration Department.

Additional support was provided by the IESO’s legal department, LDC’s, as determined necessary, as well as the IEM team.

The following information provides a breakdown of the gross number of applications received. Those that were withdrawn, not received in hard copy, or not submitted in the Time Stamp Application Period were not evaluated.

FIGURE 3.1 APPLICATION RESPONSE TABLE

Renewable Fuel	Gross Applications	Withdrawn Applications	Hard Copy Applications Not Received	Eligible Applications Not Submitted in Time Stamp Application Period
Solar (PV) (Rooftop)	1063	62	29	5
Solar (PV) (Non-Rooftop)	759	102	41	2
Waterpower	55	4	9	2
Wind (On-Shore)	26	0	7	1
Biogas	6	2	0	0
Biogas (On-Farm)	44	0	0	0
Renewable Biomass	15	0	0	0
Landfill Gas	0	0	0	0
	1968	170	86	10

As a result of the above noted reasons the 1,702 Applications proceeded into Stage 1 in the FIT 4 evaluation process.



3.2 EVALUATION PROCESS STAGES AND RESULTS

The following were the FIT evaluation process stages administered during this Application review period. The evaluation process results were as follows:

FIGURE 3.2.A EVALUATION RESULTS

# of Applications	Evaluation Process Step
1968	Total Applications received by the IESO
266	Ineligible applications which were not considered for evaluation as they were either withdrawn, no hard copies were received or a Revised Time Stamp Application was not submitted.
1702	Applications entered into Stage 1 evaluation process
505	Applications did not pass Stage 1 and 2, for either being incomplete or were deemed to be ineligible under the FIT Rules
1197	Applications successfully had their Priority Points assessed and verified and Revised Time Stamp applied and ranked in Stage 3 and as per the FIT Rules and proceeded to Stage 4
261	Applications did not pass Stage 4 and 5 evaluation process either because the application failed the connection availability tests completed or exceeded the procurement target
936	Applications received contract offers

Below we have explained the evaluation process stages that were administered and the outcomes of each stage.

STAGE 1 – APPLICATION REQUIREMENTS:

The first stage of review that the Applications went through was the vetting (on a pass or fail basis) to determine whether the Applications were complete, i.e. were submitted in compliance with the Application submission requirements in Section 3.2 and substantially complied with the requirements in Sections 3.5 to 3.10, inclusive from the FIT 4 Rules.

STAGE 2 - ELIGIBILITY REQUIREMENTS:

In stage 2, Applications were assessed to determine whether the Project described in each Application satisfied the eligibility requirements as set out in Section 2 of the FIT 4 Rules.

If an Application initially passed stage 2 and the IESO determined at a later stage that the Application did not in fact meet the eligibility requirements, then the Application was determined to have failed stage 2 and was not considered further in the evaluation process. This also occurred in the reverse scenario whereby Applications were initially deemed to have failed stage 2, but after further due diligence by the IESO it was determined that the Applications had met the requirements of the FIT Rules and they were then evaluated in Stage 3 for prioritization.

It was our understanding that eligibility was solely determined based on the information provided in an Application. If application materials, including information



that may have been clarified, did not establish an Application’s eligibility, then the Application did not pass Stage 2 and was not evaluated further.

One process point that we identified was that, in terms of completing the review stages consecutively, all applications were reviewed for stage 1, following which each individual Application (that passed stage 1) was reviewed for stages 2 and 3 on its own rather than reviewing all Applications for stage two then moving on to reviewing all Applications for stage 3. To be clear each Application was reviewed in the linear order of Stage 1 then Stage 2, and each reviewer completed stage 1 for all assigned Applications before beginning stage 2 for any Application. However all Applications were not held in tandem in stage 1 until all Applications had been determined to pass Stage 1. As clarifications or further diligence may have been required for specific Applications this would have led to a substantively inefficient use of time.

The FIT Rules allow the IESO the reserved the right to clarify information provided in the Application for the purposes of determining eligibility. Based on our observation when this right was exercised it was done so sparingly and with appropriate consideration. Approximately 398 clarifications were issued, representing 261 Applications, by the IESO during the evaluation process. Just over 50% of those clarifications were in regards to the Prescribed Form: Zoning Certificate for Non-Rooftop Solar Project. We understand that the fulsome and proper completion of all forms is required by all Applicants and the IESO continues to improve the clarity of materials and requirements to the benefit of Applicants.

STAGE 3 - DETERMINATION OF CCSA ELIGIBLE PROJECTS AND RANKING OF ALL PROJECTS:

Applications which successfully passed Stage 2 were assessed for CCSA eligibility and Priority Points in stage 3. CCSA eligibility and the awarding of Priority Points was assessed as set out in section 5 of the FIT Rules. Priority Points were awarded based on the available Priority Points for each eligible category as shown in Figure 3.2.

FIGURE 3.2 B – PRIORITY POINTS DISTRIBUTION

Price Reduction Priority Points	Priority Points
Tier One	1
Tier Two	2
Tier Three	3
Additional Priority Points	Priority Points
Support Resolution	
Municipal Council Support Resolution	2
Aboriginal Support Resolution	2
Site Host	
Municipal Site Host or Public Sector Entity Site Host	1
Aboriginal Community Site Host	1

Applications that were awarded at least 1 Priority Point were then included in the ranked list. 68 Applications that were otherwise complete and eligible, but were not



awarded at least one Priority Point, were determined to not have met this eligibility requirement per section 2.1(e) of the FIT Rules. These ineligible Applications were removed from the set of complete and eligible Applications and were not included in the ranked list.

All remaining complete and eligible Applications were placed on the ranked list based first on awarded Priority Points and then on Revised Time Stamp. Applications that were tied based on both the number of Priority Points awarded and their Revised Time Stamp, were assigned a random number and ranked among these tied Applications by that random number.

Knowles reviewed the set of complete and eligible Applications before ranking to confirm that they comprised the entire set of complete and eligible Applications and that their CCSA eligibility and Priority Points were awarded correctly. There were instances where an Application had initially failed to satisfy the stage 2 evaluation but clarification was sought with IESO permissible information outlets. As a result of the clarifications received, three (3) Applications were added into the set of complete and eligible Applications, and three (3) different Applications were removed. All of the changes that occurred were based on confirmation of each Application's eligibility or ineligibility provided by the clarifications received.

Knowles was informed and oversaw the insertion of the new complete and eligible Applications. Together, the set of complete and eligible Applications were ranked according to section 4 of the FIT Rules. Where ties in the ranked list existed, Knowles witnessed the process of creating and assigning randomly generated numbers to the tied Applications and the ranking of these Applications within the tied group based on the order assigned by the randomly generated number.

Knowles is satisfied and has no concerns with the process for creating the ranked list, including the breaking of ties. Knowles is of the opinion that the ranked list was generated in accordance with the FIT Rules. Knowles spent approximately 4 hours reviewing and observing the ranking process with the IESO and is confident that the ranked list was generated as required by the FIT Rules.

Knowles monitored Stages 1-3 of the evaluation process and can attest to the strict adherence of the Procurement Operations Team's review during these stages, which we deemed was completed in accordance with the FIT Rules.

STAGE 4 – CONNECTION AVAILABILITY FOR CCSA ELIGIBLE PROJECTS:

The IESO screened CCSA Eligible Projects to assess the connection availability for each Project at the distribution Connection Point identified in each Application. Applications were screened in the order that they appeared on the ranked list.

Applicants were informed that passing the connection screening process would not guarantee a Project's ability to connect and that the FIT contract would still require the project to obtain a Connection Agreement from the relevant LDC.

The IESO's Transmission Integration Department used a tool called the FIT Application Management Environment (FAME) to manage the connection screening (TAT/DAT) process and make the selection of Applications for inclusion on the Offer List. The IESO has incorporated all rules and procedures required by the FIT Rules for assessing and selecting CCSA Eligible Projects into the FAME tool, so that an objective review of the connection availability and selection of each Application could be completed and documented.



CCSA Eligible Projects were screened under the TAT and DAT in their order on the ranked list. Successful Projects were then added to the Offer List, in accordance with Section 7.1 of the FIT Rules, if sufficient availability remained within the applicable CCSA.

This procedure was repeated until each of the CCSAs were fully allocated as applicable or there were no remaining Applications available in the CCSA to be added to the Offer list.

TAT AND DAT EVALUATION PROCESS IN MORE DETAIL:

The IESO conducted connection screening tests for both transmission availability (TAT) and working with the LDCs distribution availability (DAT) respecting the relevant procedures. Each successful Application went through both the TAT and DAT assessment. The TAT was carried out by the IESO based on the prioritized order, which was triple checked at various points in this evaluation stage.

The DAT testing process was carried out by LDC's on only those Applications which successfully passed the TAT assessment and therefore required consideration for the distribution system connectivity as referenced in the FIT Rules. Although the LDC's conduct the DAT tests independently of the IESO, we understand that the LDC's do not at any point have hardcopies of the applications nor the ranked list, and are given a limited view of the FAME tool for their specific use as it relates to the FIT evaluation process. We understand that LDC's only see the applications that pertain to their service territories and no others.

Overall we were pleased by the level of diligence that the IESO built into this evaluation stage. The results of it are documented at the time of assessment, and are also verifiable at any other point in time because the IESO staff and the LDC's must provide a reason with all passes and failures that are determined. This information is managed in the FAME tool database which is maintained securely by the IESO.

All applications were tested as a group in the TAT and the successful applications were sent to the LDC's for the DAT test. Only applications that successfully passed both tests were considered for selection and addition to the Offer List. Connection availability is not reserved for a Project by the LDC until a CIA is completed and a Connection Agreement for the Project is executed.

STAGE 5 - CONNECTION AVAILABILITY FOR OTHER PROJECTS:

Subject to the TAT and DAT results each remaining Application were added to the Offer List in accordance with Section 7.1 of the FIT 4 Rules. For clarity, applications were added to the Offer List if the Project described in such application passed the TAT and DAT, and if sufficient availability remains within the applicable Procurement Target as set out in the FIT Rules.

We did not oversee nor strictly monitor Stages 4 and 5 of the evaluation process, but know that it was conducted in accordance with the FIT Rules using an established IESO process, which has been done many times in the same manner for previous iterations of the FIT Program. We further understand that the TAT and DAT process conducted had high a degree of diligence incorporated which we were able to verify with the Transmission Integration Department who conducts the TAT assessment and is responsible for managing this entire stage of the connection testing process.

We are also of the opinion that the individuals who conducted this connection availability testing were qualified to undertake the review assigned to them by the Procurement Operations Team.



We were provided sufficient background and information about the connection testing procedures from the FIT Rules, and understand how they were incorporated into the FAME tool, and further are of the sound understanding of the many sequential steps in the TAT and DAT evaluation process. Based on what we have reviewed and discussed with the Transmission Integration Department, we have no process concerns to note with regards to the evaluation that took place during this stage. We were also informed all TAT and DAT reviews and evaluation results were “triple checked” and verified at various points in the testing process, but particularly at the completion of the evaluation for applications that passed both tests.

We found the process administered to be rigorous and objectively conducted. The Procurement Operations Team did not conduct the evaluation of Stages 4 and 5 but once these stages were completed and verified they were provided the results, and had an ability to review all failures documented with the reasons why as was Knowles.

FIGURE 3.2 – C TAT AND DAT FAILS DURING STAGE 4 AND 5 WERE FOR THE FOLLOWING REASONS:

Insufficient Capacity at Transmission Station or Bus	119
Insufficient Capacity - Distribution	9
Insufficient Region Capacity - North East	17
Exceeds Procurement Target	116
Total	261

CONNECTION TESTING RESULTS:

The contracts offered represent 241.430 megawatts (MW) of capacity. The procurement target for the program was 241.438 MW. With this outcome the FIT 4, in our opinion, has satisfied the objective as directed by the Ministry, while administering a procedurally consistent evaluation process.

Below we have provided a breakdown by technology type of the final contract offer results.

FIGURE 3.2 – D CONTRACT OFFER RESULTS BY TECHNOLOGY TYPE

Renewable Fuel	Terminated Applications	Contract Offers
Solar (PV) (Rooftop)	102	662
Solar (PV) (Non-Rooftop)	144	245
Waterpower	8	9
Wind (On-Shore)	2	6
Biogas	0	1
Biogas (On-Farm)	5	12
Renewable Biomass	0	1
Landfill Gas	0	0
	261	936

Overall we had no process related objections to note with regards to the FIT 4 evaluation administered.



4.0 PEER REVIEW PROCESS

4.1 INDEPENDENT PEER REVIEW PROCESS

Knowles provided an independent review of a sampling of Applications received in the process using the established evaluation framework used by the IESO and assigned in our scope. Our review took place during December 2015 - January 2016 and took approximately 49 hours to complete. In this time we had a senior consultant review thirty (30) Applications without the influence of the other reviewers or their findings.

All of the Applications reviewed had been assessed previously by other reviewers. Knowles reviewed a sampling of Applications from most evaluators, across CCSA and non-CCSA Eligible Projects and all technology types. Our review was completed on both Applications that had passed or failed Stage 1 or 2 in the evaluation process. Below is the breakdown of the Applications and the sampling between them.

Price Bid Down Tier	
Tier One	8
Tier Two	1
Tier Three	2
Grand Total	11

A few notes of importance was that there were no landfill gas applications received. Additionally, the evaluation team was reduced by one person midway through the review (the applications assigned to this reviewer were redistributed amongst the remaining reviewers) and so we did not review any proposals from that individual.

The purpose of the review was to provide our team with a sound understanding of the evaluation process and the established evaluation framework. As applications were peer reviewed by Knowles, the findings of those reviews were compiled into an excel spreadsheet provided by the IESO which was then compared against the initial review conducted by the initial evaluator. In the event that there were differences in our findings with the initial findings, of which there were few instances, the IESO and our team reviewed our comments to confirm our understanding which would either result in a change to the findings where appropriate, or a change to our peer review findings. The FIT Procurement Team assigned an IESO contact and coordinator for us to provide our questions to, and coordinate all applications under review.

Technology		Site Host	
projbiogas	0	Aboriginal Community Site Host entirely on First Nation Lands	1
projbiogasonfarm	2	Municipal Site Host or Public Sector Entity Site Host	10
projbiomass	0	Grand Total	11
projlandfill	0		
projsolarpvgroundmo	7	Participation Projects	
projsolarpvrooftop	18	Aboriginal Participation Project	2
projwater	3	Community Participation Project	8
projwindonshore	0	Municipal or Public Sector Entity Participation Project	9
Grand Total	30	Grand Total	19

In our opinion we were satisfied with the independent review we conducted and the fact that suggestions or questions we made during this review period were considered. Furthermore, we can confirm that the IESO applied its established evaluation framework to evaluate the FIT 4 Applications consistently across the population of applications that were reviewed.



4.2 IESO PEER REVIEWER

In addition to our independent peer review, the IESO had a Procurement Operations Team member complete a peer review on 100% of all failed applications for Stages 1 and 2, after the individual initial reviews were completed, and the Review Team Members completed another peer review on 20% of all Applications which passed stages 1 and 2, with no Review Team Member peer reviewing any of their own Application assignments. The peer reviewers conducted a concurrent review similar to how Knowles' review was completed. If inconsistencies arose, then the IESO's established process was initiated for verifying the findings of both the initial review and the peer review completed in those specific instances. The process was as follows: the peer reviewer would raise their findings with the evaluation coordinator, the FIT Procurement Business Analyst. Regular peer review meetings were held with the Manager of Procurement Operations, the FIT Procurement Business Analyst, the peer reviewer and the initial reviewer. At the peer review meetings, the findings of both the initial reviewer and the peer reviewer were discussed and a final determination was decided upon and documented to finalize the application's assessment.

Due to the significant amount of Applications received, the IESO could not have all of its reviewers evaluate all Applications as a team (meaning all evaluators did not have the time to evaluate all responses). Instead, the IESO divided up the total amount of Applications received amongst the team of reviewers in order to both meet timelines and to be efficient. Each reviewer was responsible to conduct the initial evaluation on a large amount of Applications which then would go into the peer review process, as applicable, or proceed through the evaluation process. One risk of having different reviewers evaluate with no verification of others is that there is a low but present ability for error.

To mitigate this risk the IESO's used the peer reviewer process which was conducted diligently and effectively. Both the independent and internal peer reviews were well documented and reinforced the IESO's commitment to administering a consistent evaluation process.

4.3 REASONS FOR APPLICATION REJECTION

We witnessed an efficient but thoughtful approach developed by the IESO for assessing and remaining consistent on the stance taken for the rejection of Applications as reflected in the FIT Rules, which failed to demonstrate substantial compliance with either the Application Requirements or the Eligibility Requirements.

At the completion of the evaluation process and all stages therein, the IESO identified 578 Applications out of a total of 1,798 received (that were not withdrawn) that did not meet the completeness and eligibility requirements set out in the FIT Rules. The top six (6) reasons why Applications were rejected are as follows:

1. Applications did not receive a Priority Point (154)
2. Hardcopy Applications were not received (86)
3. Incomplete Exhibit A in Prescribed Form (not provided when required) (41)
4. Incomplete Exhibit A in Prescribed Form (incorrect documentation provided) (29)
5. Project Splitting - Non-disclosure of multiple projects on a deemed single property (29)
6. CLI Map not provided when required (31)

4.4 DEBRIEFINGS

The FIT Rules did not provide a provision for debriefings on the strengths and weaknesses of the Applications to the unsuccessful Proponents, however we enquired if the IESO at a minimum would provide clear articulation to the Applicant's why their Applications



were unsuccessful in the rejection notification provided and if there was an ability to ask questions on the finding to better understand the failure or not. The IESO confirmed that detailed rejection messages, clearly explaining the reason for failure are provided in the rejection notice for each rejected application.

5.0 COMMUNICATION AND INFORMATION TO PROPONENTS

5.1 ONE POINT OF CONTACT

Provision was made in the FIT Rules for one information resource at IESO for the procurement process. Applicants that required additional information or clarity were instructed to submit their questions in writing to FIT@ieso.ca. Applicants were not permitted to communicate with any IESO representatives through any means other than as instructed.

5.2 REVISED TIME STAMP PROCESS

The draft FIT 4 documents were posted for feedback and comments to the FIT website on April 28th, 2015. The final documents were posted on June 26th, 2015 and the application period was open from October 5th, 2015 through to October 23rd, 2015.

However as a result of a technological glitch which took place on October 5th, 2015, a series of Applications did not receive an eligible Time Stamp, which is used in part to assign ranking in stage 3 of the evaluation process as per the FIT Rules, section 5.2 and 5.3, as applicable. As a result of this, the IESO issued a post-closing revised version of the FIT Rules (FIT Rules, Version 4.0.2) on November 25, 2015, to include provisions for a “Revised Time Stamp” process as per Section 3.A.1 (e). Through this process Applicants were asked to submit an “Application for a Revised Time Stamp” online between December 9th, 2015 and December 11th, 2015.

We are satisfied that the Revised Time Stamp matter was a technical matter and that it was effectively managed. The IESO made sure to communicate with all Applicants to let them know what happened and what they were required to do in order to proceed in the process. Although Knowles was not retained until after the FIT 4 evaluation process had begun we were able to review all Program related materials and were able to confirm that the FIT 4 documents were published to the IESO’s publically accessible site and was open to all potential Applicants.

5.3 APPLICANT’S MEETING

An Applicant’s meeting was not held.

5.4 APPLICANT QUESTIONS CONCERNING THE FIT DOCUMENTS

The FIT Rules indicated that Proponents were to direct questions regarding the FIT 4 designated IESO contact. Before, during and after the Application Period IESO staff responded to questions regarding the FIT documents, and provided clarification where possible.

5.5 ADDENDA

Two addenda were posted. One on September 17th, version 4.0.1 of the program documents, and on November 25th, 2015, version 4.0.2 of the program documents, which effectively amended the earlier versions posted on the IESO’s site. The last addendum summarized the Revised Time Stamp Process, which we were informed was administered in accordance with the process indicated in the program documents.



6.0 CONFIDENTIALITY AND CONFLICT OF INTEREST

Document security pertains to the handling and storage of all procurement documents throughout the process. Document security is important as it can have a direct effect on the fairness and the integrity of the process and the handling of commercially confidential information. There are three (3) key stages to achieve this which are as follows:

1. Security of the FIT documents during the drafting period;
2. Security of the Applications once submitted; and
3. Security of the evaluation framework and spreadsheets.

6.1 SECURITY OF DOCUMENTS

We were not present for the Application development nor receipt process, but it is our understanding that the day the final FIT 4 documents were posted on the IESO website was the first time any Applicant would have seen these documents in their final form. Members of the FIT Procurement Team were responsible and ensured that the confidentiality of all applications was maintained throughout the review process. We witnessed the IESO process for securing the applications which was managed by the Procurement Intake and Records Management Officer supporting the FIT Procurement Team, who was a highly trained individual in this area.

To the best of our knowledge, the applications were stored in secure locations at IESO offices at 120 Adelaide Street West in Toronto, Ontario. We know that no applications were sent offsite during this process, and as a result security of the documents was maintained at all times. The applications were either secured behind two (2) levels of security at the IESO and were in the possession of IESO staff members or were with our team while the independent peer review was performed onsite at the IESO's offices.

The contents of the applications were only known to the Review team members, The FIT Procurement Business Analyst, The Manager and the internal legal resource assigned to the FIT program. Soft copies of the Applications were maintained with the same level of diligence to our knowledge within a secured network and only accessible by IESO's FIT Review Team.

6.2 USE OF INTERNAL CONFIDENTIALITY AND CONFLICT OF INTEREST DECLARATIONS

All IESO employees who were involved in the FIT 4 evaluation process were bound by the stipulations of their employment relationship with IESO with respect to confidentiality and conflict of interest. Applications contain commercially confidential information. As a result, it was critical that Applications were kept strictly confidential and in a secure location which is the approach we witnessed in effect at the IESO at all times. Due to the fact that the FIT Review Team members are dedicated full-time to Application review and they are bound by the organization's Code of Conduct which includes specific acknowledgements regarding identifying and reporting potential conflicts of interest the reviewers were not required to sign any additional declarations.

However, we would still recommend that if a updated declarations are not required on a procurement by procurement basis that at a minimum those engaged in the evaluation process as reviewers should still be provided an explanation of the code of conduct applicable areas on matters of confidentiality and conflict of interest to ensure that they are aware of their obligations. We were not aware of any submissions being reviewed by unauthorized IESO staff and are satisfied with the security of documents and process we saw administered.



6.3 SECURITY OF EVALUATION DOCUMENTS

It was critical that the all evaluation and scoring materials were kept under strict security at all times.

The evaluation materials were provided to us when we began our peer review and stored in secure locations at the IESO's office and were not made available to anyone outside of the IESO. The evaluation framework was finalized prior to the commencement of the FIT 4 evaluation, and we used both of these documents and the FIT 4 procurement documents as a standard with which to review the process against. We were satisfied that all documents and materials related to the evaluation and all information generated in the evaluation process were kept secure and confidential at all times.

6.4 MANAGEMENT OF THE PROCESS

Overall it was our opinion that the IESO managed both the evaluation process and documents effectively and ensured that all staff resources were made aware of their tasks and responsibilities at all times and acted accordingly. To this end the IESO had regular FIT Procurement Team meetings to discuss questions or comments that reviewers had generated during their review with the larger FIT Procurement Team. In our opinion, the integration of this purposeful evaluation process step provided a beneficial opportunity for the reviewers to come to common agreement on approaches to applications that presented unique characteristics.

The FIT review team consulted third-party agents and advisors in the technical, legal and process areas, including ourselves, when there were matters that arose in our respective domains. We were advised of all substantive evaluation related advice that arose during the course of the process. When decisions were made which may have been influenced by information external to the applications themselves by way of expert advice, then we were informed and provided with open and clear details of IESO's decision making process.

There were no instances where the IESO formed an evaluation decision during the review process where we witnessed that the process administered lacked integrity or was inconsistent with the equal consideration and treatment that all Applications received.

6.5 QUALIFICATIONS OF EVALUATORS

The FIT Review Team included 4 experienced FIT reviewers with experience reviewing FIT applications in at least 1 previous FIT procurement. New reviewers received extensive training which spanned over 7 days beginning on June 29th, 2015. This training included both procedural instruction as well as review of actual FIT applications. Refresher training for all reviewers was held on September 23rd and September 24th, 2015. As the IEM, we were assured that care had been taken to ensure that each individual selected was qualified to exercise this role. In addition, upon commencing the FIT 4 Application Review, a reviewer briefing was held during which the following topics were discussed:

- Overview of evaluator responsibilities
- Evaluation stages
- Review and scoring documents and rejection reasons and comments
- Use of forms
- FIT Procurement Review Team Meetings



In future we would recommend that the Independent Evaluation Monitor be included in the evaluation training briefing that takes place.

6.6 MANAGEMENT OF UNDUE INFLUENCE

The use of six (6) Application Reviewers reduced the influence of any single reviewer over the process. At no point in the process were decisions affecting the outcome of the evaluation process made by one individual particularly as the peer review process was being administered at all times and even the peer reviewers findings were being confirmed prior to rejection decisions and ranking in Stage 3.

Reviewers predominantly worked independently during their initial assessment of each Application in each stage of review. We saw that when questions arose there was an established process within the FIT Review Team evaluation protocol which dictated how such matters should be communicated to the rest of the evaluators and managed effectively for the benefit of the Applicants.

We thought that the process the IESO applied was reliable and provided support for the reviewers and reduced the ability for undue influence by any individual. The process was managed efficiently, in our opinion, by the FIT Procurement Business Analyst who oversaw the entire evaluation process in a professional manner. It was this person's responsibility to manage all issues, communications and questions that arose during the evaluation process which we witnessed and reviewed from time to time over the course of a 5-month period. All issues or questions regarding any application were recorded and managed through an "issues tracking tool" which the IESO kept up to date and shared with us as requested at various points in the evaluation process.

It is our opinion that the process had a high degree of transparency built into it which resulted in all participants in the evaluation process acting professionally and fairly at all times that we witnessed. Consideration of the FIT 4 Rules, and the Application's adherence to those Rules were applied consistently.

6.7 CONCLUSIONS

We were not retained until the Application Period had already closed and evaluations had begun, and so in future we would recommend that we are engaged earlier, however we understand that the process administered prior to our engagement was procedurally consistent with the IESO's FIT program administration and management of previous FIT program iterations completed in years past. We were informed that the IESO paid due consideration to comments received during the FIT 4 document comment period and a list of changes that were included in the final documents was provided. We have no comments to note on the processes that took place prior to Knowles' involvement on the FIT 4 Program.

We can confirm that Applicants received consistent treatment throughout the evaluation stages we witnessed. Furthermore, we are not aware of any issues that would impair the opinion we have formed on this process. Knowles confirms that the Applicants offered FIT 4 contracts had successfully satisfied all required Application, Eligibility and Connection Availability Testing Requirements as per the FIT 4 Program documents.



Andrea Robinson
Independent Evaluation Monitor
Knowles Consultancy Services Inc. (Knowles Canada)

