

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

FEED IN TARIFF (FIT) 5 PROCESS

INDEPENDENT EVALUATION MONITOR'S OPINION REPORT

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Introduction

Effective January 1, 2015, the Ontario Power Authority and the Independent Electricity System Operator (“IESO”) amalgamated into a new organization. The amalgamation was effected by amendments to the *Electricity Act*, 1998, S.O. 1998, c.15, Schedule A, enacted under Schedule 7 to the *Building Opportunity and Securing Our Future Act* (Budget Measures), 2014. Both predecessor entities were continued as a single not-for-profit corporation without share capital operating under the name “Independent Electricity System Operator”. The IESO reports to the Ontario Legislative Assembly through the Minister of Energy and is licensed and regulated by the Ontario Energy Board. The IESO is responsible for ensuring an adequate, long-term supply of electricity for Ontario, as well as operating the electricity market and directing the operation of the bulk electrical system in Ontario.

As part of this mandate, the IESO establishes and administers a number of procurement processes designed to procure renewable energy projects. The **Feed-In Tariff (FIT) Program** was developed to encourage and promote greater use of renewable energy sources including on-shore wind, waterpower, renewable biomass, biogas, landfill gas and solar photovoltaic (PV) for electricity generating projects in Ontario. The fundamental objective of the FIT Program, in conjunction with the *Green Energy and Green Economy Act, 2009* (Ontario) and Ontario’s Long Term Energy Plan, 2013, is to facilitate the increased development of Renewable Generating Facilities of varying sizes, technologies and configurations via a standardized, open and fair process.

The FIT Program is a standard offer process for procuring small renewable energy projects, meaning either:

- a) a project that is to be connected to a Distribution System and has a proposed Contract Capacity of 250 kW or less (if connected to a less than 15 kV line); or
- b) a project that is to be connected to a Distribution System and has a proposed Contract Capacity of 500 kW or less (if connected to a 15 kV or greater line) and is not a microFIT (renewable electricity generation projects (10 kilowatts (kW) or less in size) Project.

Through the FIT 5 procurement process the IESO intended to award Contracts up to a procurement target of 150 MW, across all eligible Renewable Fuels. Within this procurement target, a portion of capacity was allocated to Projects with greater than 50% economic interest from Indigenous (including First Nation and Métis) communities, Communities, and Municipal and Public Sector Entities (“Contract Capacity Set-Asides (CCSA)”). A maximum amount of 5 MW was also identified as applicable to Rooftop Solar Projects on Unconstructed Buildings that are Farm Buildings.

The FIT 5 process was a comprehensive procurement process, consisting of a wide-ranging number and types of Applications and a series of complex review stages.

Consistent with IESO practice, in place since the second offering of the FIT procurement program (FIT 2), the IESO retained the services of an Independent Evaluation Monitor (IEM) as a risk mitigation strategy to provide an additional expert resource of an independent third party to support the procurement process. The role of the IEM was to provide third-party oversight and verification of the application of IESO’s processes and procedures for the FIT program, and to support the organization in ensuring the procurement was conducted in a fair and transparent manner in accordance with the applicable governing directives and policies. The services of the IEM were contracted by IESO to act as an independent and impartial third-party monitor of the FIT 5 evaluation and Contract Offering process.

The IEM, RFP Solutions Inc., was engaged by the IESO on November 1, 2016, prior to the opening (“Application Start Date”) of the Application Period (November 7-25, 2016) for the FIT 5 procurement process. The IEM was engaged pursuant to a competitive solicitation process under the IESO’s pre-existing Vendor of Record mechanism. *RFP SOLUTIONS INC was an independent third party with respect to this procurement process.*

The FIT 5 procurement was an open publicly advertised procurement which was posted on the IESO’s website and published in the media. Prior to the release of FIT 5 to Applicants, the IESO conducted public engagement including the posting of FIT 5 draft materials (FIT Rules, FIT Contract, Standard Definitions, and Prescribed Forms) for comment. The IESO also reviewed its processes and procedures based on questions raised and issues encountered through previous rounds of the FIT Program, to update the documentation for Applicants and internal procedures, and to enhance the clarity of requirements. The FIT 5 process kicked off with issuance of the final program documents to the public on August 26, 2016, and the opening of the Application Period on November 7, 2016. The IESO accepted electronic Applications until November 25, 2016 (“Application End Date”), with the corresponding requirement that all hard copy evidence and supporting documentation in connection with an electronic submission were required to be delivered to the IESO within five (5) business days of submitting the applicable electronic Application (resulting in the last hard copy Applications being received by December 2, 2016). For FIT 5, the IESO received 1,120 Applications (this number does not include Applications that were submitted electronically but for which no hard copy Application materials were submitted, and Applications that were withdrawn by the Application withdrawal deadline of March 3, 2017; for details, see further in this report).

Following receipt of the hard copy Application materials, the IESO undertook its review of all submitted Applications over the period of December, 2016 - April, 2017 and undertook connection availability assessment over the period of May – August, 2017. This included review of Applications in stages for, as follows:

- Stage 1 - Application requirements applicable to all Applications (as set out in the FIT 5 Rules Sections 3.2 and 3.5) and Project-specific Application requirements (as set out in the FIT 5 Rules Sections 3.6-3.11);
- Stage 2 -Eligibility requirements applicable to all Projects, and Project-specific eligibility requirements (as set out in the FIT 5 Rules Section 2). This included review for Project Splitting);
- Stage 3 - Determination of CCSA Eligible Projects, the allocation of Priority Points, and Ranking of all Projects meeting eligibility requirements (as set out in the FIT 5 Rules Section 5);
- Stage 4 – Connection Availability Assessment for CCSA Eligible Projects and;
- Stage 5 – Connection Availability Assessment for Other Projects (as set out in the FIT 5 Rules Section 6).

While Applications that do not pass any of the Application requirements and eligibility requirements review stages (Stages 1 and 2 above) are no longer eligible for consideration for a FIT Contract, as set out in the FIT 5 Rules, the IESO continued to review these Applications against all applicable Application and eligibility requirements as a courtesy in order to provide Applicants with detailed feedback on any errors made in their Application at each of these two (2) Stages.

Applications that passed Stage 2 were then evaluated to determine whether they qualified as a CCSA Eligible Project and were awarded Priority Points (Stage 3). Following this, Applications were ranked based on the Priority Points that were awarded to them and their Time Stamp, for assessment of connection availability under the Transmission Availability Test (TAT) and the Distribution Availability Test (DAT).

Initial Ranking of Applications was conducted by the IESO on April 20, 2017. Following notification to unsuccessful Applicants on April 24, 2017 the IESO received a communication regarding the viability of a connection point from a Local Distribution Company (LDC) that resulted in the re-consideration of one Application by the IESO. The IESO was also contacted by an Applicant regarding their rejection reason which then resulted in the re-consideration of a number of previously rejected Applications. As a result of this review, all passing Applications were Ranked again on May 30, 2017. This group of passing Applications underwent the connection availability assessment between May, 2017 – early August, 2017.

During the connection availability assessment process, the IESO identified several changes that were needed to the FIT Contract's terms that would be offered to successful Applicants. As a result, a new FIT Contract version was issued on July 12, and again on July 14, 2017 (see further in this report for more detail). On July 5, 2017, the IESO paused the connection availability assessment process to enable Applicants to review the new FIT Contract version and consider their continued participation in the process in light of the changes. As detailed later in this report, 10 Applications were withdrawn, and the connection availability assessment was resumed on July 28, 2017 and concluded August 3, 2017.

At the conclusion of connection availability assessment, the IESO posted a notice of all successful Applications to its website on September 20, 2017 and sent notifications to successful Applicants through the My FIT Home Page on September 21, 2017. Following these notifications, all remaining unsuccessful Applicants were notified on September 22, 2017 that their Applications were not successful and were Terminated. Each notice included specific details regarding the reason(s) for termination.

Following these notifications, the IESO sent a Notice of Eligibility to successful Applicants for Rooftop Solar Projects on an Unconstructed Building and the IESO commenced the process of offering FIT Contracts ("Offer Notices") to the successful FIT 5 Applicants. Offer Notices were distributed starting on September 28, 2017; offering 100 contracts per week until the end of October, 2017.

This report from the IEM is issued following the completion of the notification and Contract Offer process (completed by the IESO October 24, 2017). This report addresses the review of the IESO's process by the IEM, prior to the opening of the FIT 5 Application Period, through IESO's receipt of Applications, the conduct of the review of Applications (Application requirements review, eligibility (including Project Splitting) review, clarifications conducted with Applicants, determination of CCSA Eligibility and assignment of Priority Points), Ranking of Applications, connection availability assessment by IESO and Contract Offering. It provides an opinion as to the consistency of the process undertaken by the IESO with the published FIT 5 Rules, established procedures and processes, and principles of public sector procurement.

Project Requirement

The Independent Evaluation Monitor (IEM) for this process was RFP Solutions Inc. – *Public Sector Procurement Solutions*, an Ottawa-based firm specializing in RFP development and proposal evaluation support services to the Canadian public sector.

The IEM was mandated to review, monitor and provide advice to the IESO with respect to the consistent application of the FIT 5 Rules in the administration of the procurement process. The IEM's services included the following activities:

- i. Review evaluation criteria and procedures to ensure objectivity, integrity and compliance with the FIT Rules, Version 5.0.1 (the "FIT Rules"), as published on the IESO's website;

- ii. Monitor the process by which the IESO conducted Application evaluation, Ranking, connection availability assessment, Application selection and Contract Offering, to ensure they are conducted consistent with the FIT Rules and that Applicants are treated fairly;
- iii. Review and advise on communications to Applicants which included:
 - a. Clarification requests;
 - b. Rejection notifications; and
 - c. Acceptance notifications
- iv. Conduct an independent review of a sampling of Applications using the established FIT 5 evaluation process;
- v. Provide a written IEM report documenting program results and elaborating on the consistency and integrity of the Application evaluation, selection and contracting process;
- vi. Provide comments and recommendations on areas of improvement on the evaluation process and evaluation criteria; and
- vii. Provide ad-hoc support and advice as required relating to monitoring of the evaluation process.

The IEM actively attended and participated in all aspects of the FIT 5 procurement process up to and including the issuance of Offer Notices to Applicants and final notifications to unsuccessful Applicants. The IEM was not involved in the finalization of Contracts subsequent to this period.

FIT 5 Procurement Process, Independent Evaluation Monitor Activities and Observations

In all respects, an IEM serves as a neutral (non-voting) and objective third-party during the procurement process, with no interest, financial or otherwise, in the outcome of the procurement other than supporting the conduct of an open, fair and transparent process.

In the pursuit of this mandate, the IEM observed and undertook the following during the conduct of its work.

FIT 5 Application Period

The FIT 5 process was publicly issued on the IESO's website on August 26, 2016. The Application Period for FIT 5 was formally opened for receipt of Applications on November 7, 2016 at 11:00:00 a.m. EPT, with an Application End Date of November 25, 2016 at 11:59:59 p.m. EPT.

The launch of the FIT 5 process and opening of the Application Period was preceded by the publication of the FIT 5 Rules, FIT Contract, and Prescribed Forms, in addition to the publication of a number of process guides, a mock-up of the electronic Application Form, and FAQs pertaining to the FIT 5 procurement. Additionally, the IESO published a 'blackline' copy of the FIT 5 Rules providing a comparison to the rules of the preceding FIT 4 process (conducted in 2015-2016) to assist previous Applicants in understanding updates to the FIT procurement process and requirements.

The IEM was engaged by the IESO on November 1, 2016, prior to the opening of the Application Period for FIT 5. To familiarize itself with the FIT 5 Program, the IEM reviewed available background material (including the preceding FIT 4 procurement process documentation, forms, and Frequently Asked Questions (FAQs) published by the IESO to Applicants) and familiarized itself with the IESO's planned process and objectives for the FIT 5 process.

The IEM met with and conducted interviews with the IESO FIT 5 team to ensure a firm understanding of the FIT 5 procurement process objectives and requirements, and the IESO's planned governance, activities and procedures.

The IEM reviewed the published FIT 5 Rules, Prescribed Forms and associated guidance documentation, including the blackline to the FIT 4 Rules, to familiarize itself with the FIT 5 process and to identify any potential areas of enhancement to support greater transparency or comprehensibility of the process by potential Applicants. The IEM made inquiries of the IESO to clarify items as appropriate. No issues were observed.

Prior to and during the Application Period, the IESO received additional feedback and questions from potential Applicants on the FIT 5 Rules and process materials and issued updates to the FAQs on October 12, 2016; this was supplemented on November 22, 2016 when FAQ #7.12 was added.

The IEM reviewed the feedback received by the IESO, together with draft responses prepared by the IESO (in the form of changes to the FIT 5 Rules documentation and responses to be published on the IESO website). No issues were observed.

Prior to the Application End Date, the IEM reviewed the IESO's process for the receipt (electronic and hard copy), secure handling and assessment of Applications, including date/time stamp procedures, logging and storage, IESO review committee structure and training, and procedural guidance materials prepared by the IESO for use by the review team members. All material was in conformance to the FIT 5 Rules documentation published for Applicants. No issues were observed.

The IESO was very forthcoming with information both to the IEM and for potential Applicants, with a body of material published in an organized manner on the IESO's FIT Program website, including the ability for potential Applicants to subscribe to the website to receive notification when new content was added to the site. The IESO was clearly committed to an open, transparent and accessible process. No fairness concerns were identified.

Application Period End Date

The FIT 5 Application Period ended on November 25, 2016 for the submission of electronic Applications, and a final submission date of December 2, 2016, for associated hard copy Application packages. As noted previously, Applicants were required to submit hard copies of their Applications within five (5) business days of submitting their electronic Applications.

At the end of the Application Period, the IESO had received 1,120 Applications, as follows:

Renewable Fuel	Number of Applications Received	Sub-set of Rooftop Applications	Number of Applications Received
Solar Rooftop	304	Existing Building	261
Non Rooftop Solar	695	Unconstructed Building	43
Waterpower	37		
On-Shore Wind	6		
On-Farm Biogas	73		
Renewable Biomass	4		
Landfill Gas	1		
Total	1,120		

Electronic Applications were completed online by Applicants through My FIT Home Page via completion of an IESO programmed Application Form. Applicants were required to enter tombstone Application information and make selections from among choices programmed in accordance with the FIT 5 Rules. Once Applications were submitted by Applicants, automated business rules were enforced such that no changes could be made to the Application content. Following the Application End Date for receipt of electronic Applications, automated business rules were enforced within the My FIT Home Page, such that no more Applications were submitted.

In accordance with public sector procurement best practices, where there was a discrepancy in the Application package between the electronic version and the hard copy Application materials submitted by the Applicant, the electronic version was determined to prevail; as it was determined to represent the official submission by the Applicant prior to the Application End Date. This approach helped to ensure that no substantively “new” information was introduced by Applicants within the hard copy Application package that could have been obtained by the Applicant following the electronic Application End Date.

Prior to the opening of the Application Period, a technical issue in the Prescribed Form: Zoning Certificate for Non-Rooftop Solar Project was discovered. Under item 7 of the Prescribed Form, if an Applicant checked the box “Is located in whole or in part on Rural-Residential Lands”, the Applicant could not then select an option under both (a) and (b) in order to fully complete item 7. While a revised Prescribed Form was posted on the Website and the use of either version of the Prescribed Form was deemed acceptable by IESO, the use of the older version of the Form by some Applicants had the potential to result in selections being made by an Applicant on this Prescribed Form that did not fully align to the submitted electronic Application. While a discrepancy between the electronic and hard copy Application would otherwise be grounds for disqualification, as noted above, as this discrepancy resulted from a technical glitch that was not within the Applicants’ control, and as the My FIT Home Page and Prescribed Forms were provided by the IESO, in fairness, the IESO clarified with the affected Applicants to request the revised version of the Prescribed Form.

Following the Application End Date for electronic submission, copies of the electronic Applications and data submitted by Applicants via the My FIT Home Page were stored within the IESO’s FIT Management Tool, enabling the IESO to review and verify the contents of electronic Applications against the hard copy Application materials subsequently received.

Hard copy Application materials were received by the IESO’s main reception staff and were date and time stamped and logged by IESO personnel upon receipt to verify that the Application packages had been received by the required date and time.

Hard copy Application materials that were received were opened and payment instruments submitted for Application Fees and associated Application Security (where applicable) were logged, copied and verified by IESO personnel.

Hard copy Application materials were stored in a secure location at IESO premises.

The IEM reviewed the IESO’s systems and processes, made inquiries of IESO and confirmed the IESO’s procedures for receipt of electronic Applications, as well as the receipt, handling and secure storage of the hard copy Application materials to verify their adherence to the procedures as set out in the IESO’s FIT 5 rules, and associated internal procedures.

In addition, as part of its independent review of Application packages, the IEM verified the date and time at which the electronic Applications had been received, as well as the date and time (as recorded by physical time stamp) of the receipt of the hard copy Application packages, to verify that only those Applications

received on time in accordance with the FIT 5 rules, would be considered in the offering of Contracts following the review and testing processes. No issues were observed.

Review Team Structure and Preparation

To complete the FIT 5 Program Application evaluation, IESO established a core team of six (6) review team members, reporting to a review manager. The team of reviewers included a mix of IESO personnel with previous experience with IESO energy project procurement and the FIT Program in previous rounds, as well as IESO personnel new to the FIT Program; providing a balance between process experience and a fresh perspective on Applications and the FIT Rules.

The team of IESO reviewers was also supplemented and supported by two (2) IESO personnel experienced with the FIT program, acting in the capacity of peer reviewers. These individuals independently assessed all Applications that were determined not to meet Application requirements and eligibility requirements. During the eligibility requirements review stage, IESO reviewers also acted in a peer review capacity for the Applications assigned to other reviewers; reviewing 20% of all Applications that were determined to pass eligibility requirements, in order to provide further quality assurance as to the compliance of the review process to the FIT 5 Rules, FAQs and procedures, as well as to support verification of consistency in the review process.

Prior to the initiation of the review period, the IESO prepared and delivered familiarization and detailed training to the review team members, including operational training on the use of the IESO's tools (including record systems and procedures), acceptable reference material (e.g. verification of GPS/UTM coordinates, verification of zoning with Municipalities/Regional Municipalities, etc.) and subject matter training on the FIT 5 Rules and Application review processes.

The IEM reviewed all training materials, tools and procedures provided to the review team, for consistency to the FIT 5 Rules and FAQs published to Applicants. The tools and procedures conformed to the published FIT 5 Rules, and the use of public sector reference materials to support verification of key items was found to be consistent with the use of available government information to assess Applications without introduction of new information on the part of Applicants.

In addition to the completion of the required training, review team members also participated in a 'mock' review exercise prior to the review of submitted Applications, in order to validate the steps required to complete the review process, as well as to estimate the timing required for the completion of the reviews. Each review team member was then responsible for independent review of their assigned Applications. Applications were divided amongst reviewers based on workload.

The IESO took a very thorough and systematic approach to ensuring the reviewers were well trained to complete the assessments and had sufficient time and access to appropriate resources to do so in a thorough, informed, and consistent manner.

Review Clarification Items and Meetings

During the course of the Application review period, the IESO review team implemented a process to further support consistency of the application of the FIT 5 Rules as well as to provide clarification and consistent disposition of decisions relative to areas of question arising from the Applications submitted.

This included recording of clarification questions within the IESO's internal tracking system and a weekly meeting of the members of the review team and peer reviewers to bring forward and discuss the issues encountered within Applications to identify the appropriate resolution for each issue in accordance with the

FIT 5 Rules. Administrative and technical matters were resolved at this operational level with access to additional technical subject matter expert resources as required. For matters of a legal or more technical nature, clarification items were escalated to the IESO's legal counsel for review and disposition. The disposition of all matters was recorded and circulated to all review team members for consistent implementation across Application files.

The IEM had the opportunity to attend meetings of the operational and legal review teams, to review questions that had arisen during the course of the review that were not included within the standard procedures. The IEM also had access to and reviewed the clarification logs and dispositions on an iterative basis against the published FIT 5 Rules and procedures. No issues were observed.

Applicant Clarification Process

In accordance with the FIT 5 Rules, the IESO reserved the right to clarify information provided in Applications where submitted Application materials gave rise to questions as to the compliance of the Application package with the FIT 5 Rules, or where additional clarity as to the nature of the Project and its structure were required.

Clarifications included matters such as:

- Discrepancies in data entry in submitted Applications;
- Verification of completed and submitted Prescribed Forms for Applicant Legal Name and Entity Conformation – including clarification of corporate ownership and status;
- Verification of Project location relative to land ownership and Zoning, including Abutting Properties and land use;
- Verification of the nature of third party engineering recommendations provided for Rooftop Solar Projects;
- Verification of completed and submitted Prescribed Forms granting “blanket” support for Projects on First Nation Lands;
- Verification where organization structure, direct and indirect ownership and control of the Applicant by third parties was provided but not clearly depicted with respect to Participation Projects;
- Verification of matters pertaining to the eligibility of Projects relative to their proximity to other Projects (i.e. Project Splitting);
- Verification of inactive or retired Property Identification Numbers (PINs); and
- Request for Incremental Security, in accordance with the FIT 5 Rules.

The IEM reviewed all identified topics of clarification, together with the clarification text developed by the IESO to be sent to all Applicants with an identified clarification item.

In addition, the IESO proactively asked the IEM to review a number of clarifications pertaining to new questions that had arisen due to modifications in the FIT 5 Rules (from the previous FIT 4 process) to provide assurance of the fairness of the nature of the clarification as well as the consistency of the treatment of the Application with other like Applications.

The IESO followed a structured process for the development, issuance, receipt and disposition of clarifications, in accordance with a detailed procedure. Clarifications were issued to Applicants via the My FIT Home Page, with identified date and time requirements for the receipt of any Applicant clarified information by the IESO. The IESO issued 625 clarifications for the FIT 5 process.

Application Requirements Review

During the Application requirements review, the IESO evaluated the presence of all required evidence (for compliance items) within the hard copy Application materials. The substantive content or quality of the evidence provided was not considered at the Application requirements review stage.

The IEM reviewed 100% of the Applications that were identified by the IESO to be incomplete and thus unable to be further formally evaluated as part of the FIT 5 Application process. The IEM's independent review for Application requirements took place at a secure location at IESO premises January 4-6, 2017.

The IEM independently reviewed all file components for the Applications – including verification of hard copy Application materials against the electronic information submitted by Applicants. Applications were reviewed against the requirements set out in the FIT 5 Rules, as clarified through the published FAQs, and using the IESO's procedures. This included review and verification that electronic Applications had been received prior to the Application End Date, and hard copy Application materials received within five (5) business days of their electronic submission; that all submission requirements were included within the Applications, and that the required form and amount of the Application Fee, and where applicable the Application Security, had been submitted by the Applicant. Where necessary, the IEM made inquiries of IESO personnel to verify the receipt of Application Fees and Application Security (where applicable).

At the conclusion of the IEM's review, the IEM met with IESO representatives to review and compare the outcomes and rationales from the IEM's independent review with the outcomes and rationales of the IESO review team; to verify agreement with the outcomes for each Application, and validate the rationale for the pass or no pass assessment. No issues were observed.

As a result of the Application requirements review, 1,090 Applications proceeded to Stage 2 for evaluation against the eligibility requirements. While 30 Applications were determined not to meet all Application requirements and were rejected and thus not eligible to be considered for a FIT Contract, the Applications were reviewed by the IESO against the eligibility requirements in order to provide additional feedback for Applicants on areas of potential improvement for subsequent procurement processes. These Applications were also included in the random sample, which was reviewed by the IEM (see further below).

Eligibility Requirements Review

Eligibility requirements review of complete Applications was undertaken in a number of stages to verify the compliance of the submitted Applications to the requirements set out in Section 2 of the FIT 5 Rules.

Each Application was reviewed for basic eligibility (requirements applicable to all Applications), including:

- a) Demonstration of Applicant legal name and status;
- b) Demonstration of the possession of Access Rights to the Project Site;
- c) Demonstration of the appropriate nature of Project being submitted (e.g. appropriately sized, and appropriately located based on Renewable Fuel); and
- d) Demonstration of evidence suitable to achieve at least one (1) Priority Point as set out in Section 5 of the FIT 5 Rules and replicated in the Table below:

PRICE REDUCTION PRIORITY POINTS (Indigenous or Community Participation Project with greater than 50% Participation Level / \$All Other Projects)	PRIORITY POINTS
Tier One (\$15/kW or \$20/kW)	1
Tier Two (\$25kW or \$30/kW)	2
Tier Three (\$55kW or \$60kW)	3
ADDITIONAL PRIORITY POINTS	PRIORITY POINTS
<i>Support Resolution</i>	
Municipal Council Support Resolution	2
Indigenous Support Resolution	2
<i>Site Host</i>	
Municipal Site Host or Public Sector Entity Site Host	1
Indigenous Community Site Host	1

In addition, Applications were reviewed against Renewable Fuel-specific eligibility requirements applicable to the type of Project proposed by the Applicant. These requirements were applied as set out in Section 2 of the FIT 5 Rules, and included consideration of:

- a) Demonstration of appropriate Zoning, and as applicable compliance with Visual Screening and Setback requirements;
- b) Demonstration of compliance with land use requirements for soil type, compliance with specialty crop area restrictions, and requirements pertaining to Projects on industrial use properties and contaminated sites;
- c) Demonstration of structural soundness of Existing Buildings, and constructability for Unconstructed Buildings;
- d) Demonstration of compliance with Waterpower Declaration requirements. This review was administered by the Ministry of Natural Resources and Forestry (MNR) through an independent assessment of the Waterpower Declarations and supporting evidence submitted by Applicants. MNR provided its findings to the IESO which were incorporated into the IESO's findings.

Hard copy Application materials submitted to support the assignment of Priority Points were also reviewed for eligibility at this time. In accordance with the FIT 5 Rules, if an Application did not meet the requirements to receive Priority Points of a certain category based on the submitted evidence, so long as the Application received at least one (1) Priority Point, it was not rejected.

During the eligibility requirements review, the IEM conducted an independent review and evaluation of a randomly selected statistically significant sample of Applications, stratified by Renewable Fuel, as follows:

Renewable Fuel	Sample Size	Subsample Solar Rooftop	
Solar Rooftop (Sample total)	78	Solar Existing	67
Non-Rooftop Solar	178	Solar Unconstructed	11
Waterpower	9	<i>Subtotal Solar Rooftop</i>	78
On-Shore Wind	2		
On-Farm Biogas	19		
Renewable Biomass	1		
Landfill Gas	1		
Total Sample Size	288		

The IEM's independent review for eligibility took place at a secure location at IESO premises, January 31 – March 22, 2017.

In the sample of Applications reviewed by the IEM, a cross-section of Applications reviewed by each member of the IESO evaluation team was included, to support review and validation of the consistency of the evaluation process and criteria applied by each IESO review team member, across all Applications. This sample included some Applications that had also been independently assessed through the IESO's peer review process, as well as some Applications that had not been included in the IESO's peer review process.

During the course of the IEM's review of the Applications, the IEM also had the opportunity to attend clarification meetings amongst IESO personnel (as described above), and to make inquiries of IESO on any questions arising from particular Applications; to verify that the FIT 5 Rules and evaluation procedures were applied consistently to each type of Application and each issue. The IEM reviewed the issues raised by the reviewers and also examined the issues and resolution log maintained by the IESO (providing common guidance across evaluators) to verify its concurrence to the FIT 5 Rules. No issues were observed.

At the conclusion of the IEM's review, the IEM met with IESO representatives to review the comparison of the outcomes and comments from the IEM's independent review with those of the IESO review team; to verify agreement with the outcomes for each file, and validate the rationale for the eligible / ineligible assessment. The IESO was very forthcoming with information throughout the evaluation process.

In the course of its individual and peer reviews, IESO identified a number of questions through the on-going process of operational and legal meetings, such as the nature of evidence provided by Applicants within the hard copy Application materials. The IESO made reference to the FAQs published on the IESO website that responded to a number of issues; providing for a high degree of transparency to Applicants on IESO's decision-making processes with respect to their Applications. With the modifications to the FIT 5 Rules based on learnings from previous rounds of the FIT Program, there were a small number of new questions that arose.

Where such questions resulted from an ambiguity in the language of the FIT 5 Rules, Applicants were provided with the opportunity to clarify their Application. For example, Applicants were required to provide demonstration of their legal status, including "equivalent" demonstration from other jurisdictions. Where equivalent demonstration was not specifically or exhaustively defined in the FIT 5 Rules, IESO provided Applicants with the opportunity to clarify submitted forms that did not fully address the eligibility criteria, as the Rules themselves were not sufficiently prescriptive for Applicants.

The IEM reviewed the standard clarification notifications and text to be sent to Applicants, to verify their concordance to the FIT 5 Rules, and to validate that no substantively new information was invited to be introduced by Applicants following receipt of their initial Application; as well as to validate the consistent treatment of Applications with like circumstances by the IESO.

The IEM reviewed the IESO's disposition of received clarifications by topic and made inquiries of the IESO to verify the consistent application of clarification outcomes to impacted Applications.

For the Application files reviewed by the IEM as part of its random sample, the IEM reviewed any clarifications sent to and responses received from Applicants and finalized its notes and assessment of the Applications in light of the clarifications received. The IEM also made inquiries of the IESO to verify the IESO's disposition of these same files in light of the received clarifications, and to compare the IEM's

findings to those of the IESO.

With respect to Waterpower Applications, while the IESO did not make determinations on the aspects of the Applications within the jurisdiction of the MNRF, the IEM also reviewed these Applications in full against the eligibility requirements in the FIT 5 Rules, together with the results of the MNRF's review of the Waterpower Declaration.

At the conclusion of the IEM's review, the IEM again met with IESO representatives to review and compare the outcomes and rationales from the IEM's independent review with the outcomes and rationales of the IESO review team; to verify agreement with the outcomes for each file and validate the rationale for the eligibility assessment. Stemming from this review, it was noted that there were six (6) items that the IEM had identified that had not been identified by the IESO review. For each identified item, the IESO reviewed and confirmed the Application outcome. For one (1) of the Applications, the IEM identified an item that had not been identified in the IESO's review and determination. This item was reviewed with the IESO team for confirmation, and in this one (1) case resulted in a change to the eligibility status of the Application in accordance with the FIT 5 Rules. For five (5) of the Applications, the IEM's findings did not alter the outcomes of the Application, but rather resulted in an additional review finding that supported the original outcomes determined for these Applications by the IESO in accordance with the FIT 5 Rules.

The number of Applications identified by the IEM with a review item that differed from the initial assessment by the IESO team is not a significant number, and the IEM's review of Applications has provided a 95% confidence rating. In addition, as noted, the IESO conducted its own peer review process on 100% of failing Applications and another sample of 20% of Applications assessed for eligibility requirements, in addition to issue specific reviews; providing further assurance as to the consistency and compliance of the IESO's review process.

Project Splitting Review

In accordance with the FIT 5 rules, Applicants must not divide proposed Projects into smaller Projects for the purposes of obtaining any benefit under the FIT Program. This includes but is not limited to, achieving a higher price for the resulting FIT Contract or to enable projects larger than 500 kW to be divided up and considered under the FIT Program rules.

Following the completion of all independent reviews, the IESO reviewed all Applications where such Applications were submitted by the same Applicants and in close geographic proximity, to verify whether any of the submitted Projects fell within the definition of Project Splitting and should be deemed ineligible; or whether the Projects were distinct Projects and remained eligible to proceed to Prioritization and Ranking. In this review, the IESO verified GPS/UTM coordinates provided in the electronic Application Form, together with verification of Project Site boundaries.

Where it was determined that Applicants had submitted multiple Applications that fell within the definition of Project Splitting, and where the first of these Applications was determined to otherwise meet all eligibility requirements, in accordance with the FIT 5 rules and in fairness to the Applicants, the first Application remained eligible to proceed to connection availability assessment. All other Applications submitted by the Applicant that were determined to be Project Splitting were deemed ineligible to proceed further, in accordance with the FIT 5 Rules.

The IEM was not directly involved in IESO's Project Splitting review. However, where files the IEM had reviewed during its independent evaluation were identified as impacted by the Project Splitting review, the IEM made inquiries of IESO and reviewed the information obtained from the Project Splitting review,

together with the disposition of Applications impacted by the review, to verify that the Project Splitting rules had been applied consistently with the requirements of the FIT 5 Rules. As a result of the Project Splitting Review, 90 Applications were rejected by the IESO for Project Splitting and ineligibility due to their being on a Deemed Single Property.

The IESO was very forthcoming with information to the IEM on the outcomes of the Project Splitting review, including subsequent quality assurance review conducted by the IESO (see further in Prioritization and Ranking below). Overall, the IEM found this approach to be a balanced consideration of Applications received in fairness to all Applicants, and in accordance with the FIT 5 Rules.

Prioritization and Ranking

Of the 1,120 Applications reviewed, 698 Applications were determined to meet all Application and eligibility requirements and proceeded to Prioritization and Ranking for the purposes of identifying the rank order in which eligible Applications would proceed to connection availability assessment. In accordance with the FIT 5 Rules, Applications were first grouped to determine the assessment order based on:

- a) Contract Capacity Set-Aside for Indigenous Participation Projects – with separate groupings established for each of First Nations and Métis Participation Projects;
- b) Contract Capacity Set-Aside for Community Participation Projects;
- c) Contract Capacity Set-Aside for Municipal & Public Sector Participation Projects; and
- d) Following the fulfilment of the identified set-aside MW capacity for testing, ranking for all remaining eligible Applications.

The order in which Applications were tested for capacity was determined first by the number of Priority Points. Applications that had the same number of Priority Points were then ranked by Time Stamp. Applications with the same number of Priority Points and the same Time Stamp were ranked randomly using a random number, generated using the RAND function in Excel. Contract Capacity Set-Aside (CCSA) eligible Applications were tested before non-CCSA projects.

As set out in the FIT 5 Rules, Priority Points were assigned based on demonstration of acceptable evidence of Indigenous Community (First Nation or Métis) or Municipal Support (Resolution); Indigenous Community or Municipal & Public Sector Site Host; as well as to Applications offering a Price Reduction and having provided the associated form and amount of Application Security within the hard copy Application materials.

If during the review process, the IESO review team found that an Indigenous or Community Participation Project did not demonstrate greater than 50% Economic Interest in the Applicant (e.g. incomplete or improperly completed Prescribed Forms for the Projects, insufficient demonstration of ownership/control of the Applicant, etc.), the IESO provided such Applicants with the opportunity to submit supplementary security to “top up” to the amount required by the FIT 5 Rules (“Incremental Application Security”). This allowed Applications that were otherwise eligible for these Priority Points to continue in the process, in accordance with the FIT 5 Rules.

The IEM reviewed the Ranking procedures and processes used by the IESO to verify their concordance to the FIT 5 Rules and made inquiries to the IESO to assure itself as of the process to be followed. On April 20, 2017, the IEM was present for and observed the generation of the random number by the IESO that would determine the order in which eligible Applications that were tied would be ordered and proceed to connection availability assessment.

At the conclusion of the initial Ranking process 698 Applications, representing approximately 248 MW, moved forward to connection availability assessment.

Following the initial Ranking of Applications, the IESO notified unsuccessful Applicants as to the status of their respective Applications. The IESO received a number of responses from Applicants and upon further consideration by the IESO and discussions with its Legal department, 15 Applications were determined to be Eligible Applications and ranked with all other eligible Applications for connection availability assessment.

The IEM is of the view that the IESO's review of these Applications provided for enhanced accessibility by Applicants to the FIT 5 procurement process and is in keeping with the requirements of public sector procurement processes wherein the buyer provides an opportunity to seek clarification on the results of the procurement process; notwithstanding that the IESO's process does not provide for a formal re-consideration process.

Following completion of the Ranking of Applications, one (1) of the LDCs responsible for connection availability assessment identified to the IESO that a submitted Application within its testing batch did not contain a correct Connection Point. The IESO subsequently Terminated this Application as it was determined to not have met eligibility requirements and as a result, this Application was removed from the Ranking List for connection availability assessment. Around the same time, as a result of notifications issued by the IESO to the unsuccessful Applicants, the IESO was informed by an LDC that an error had occurred in the LDC's report to the IESO and that the Connection Point indicated by an Applicant in its disqualified Application was in fact appropriate. The IESO reviewed the situation and determined that the Application should have been included in the Ranking List and allowed this one (1) additional Application to proceed to connection availability assessment.

Due to the number of Priority Points awarded to these Applications and their Time Stamps, in accordance with the Ranking process, it was necessary to generate a new random number by the IESO in order to break new ties among Applications. This ensured that the reintroduced Applications would be ranked appropriately with all other Applications for connection availability assessment.

On May 30, 2017, the IEM was present for and observed the generation of the second random number by the IESO (again using the RAND function in Excel) that determined the order in which Applications would proceed to connection availability assessment.

Subsequently, an LDC identified to the IESO that another Application included in the May 30, 2017 Ranking List contained an incorrect Connection Point. On June 13, 2017, the IESO proceeded to Terminate this Application for not meeting the eligibility requirements. The termination of this Application did not necessitate an additional re-ranking of Applications for testing.

At the conclusion of the ranking, 712 Applications, representing approximately 251 MW were eligible to move forward to connection availability assessment.

Commencement of Connection Availability Assessment and Amendment to the FIT 5 Contract

The connection availability assessment was undertaken starting on May 30, 2017.

On July 12, 2017, during the connection availability assessment, the IESO issued an amendment, via the IESO website, to the FIT 5 Contract (version 5.0.1) to clarify the intention of Secured Lenders' rights in the event of a termination due to a Supplier Event of Default; addressing the role of Independent Engineers and incorporating a small number of administrative adjustments.

In issuing the amended FIT Contract following the Application End Date of the Application Period, the IESO provided Applicants with the opportunity to withdraw their Applications over the period from July 12 to 5:00 pm on July 25, 2017, as a result of the modified Contract terms. In light of this change and the potential for Applicants to withdraw their previously submitted Applications, the IESO suspended connection availability assessment during the withdrawal period to ensure that only eligible Applications that were not withdrawn would be considered.

IESO subsequently updated the FIT 5 Contract on July 14, 2017 and replaced version 5.0.1 with a version 5.0.2 reflecting further administrative amendments. In so doing, the IESO extended the period in which Applicants could elect to withdraw their Application to 5:00 pm on July 27, 2017.

In the FIT 5 procurement process, the IESO reserved the right to make changes to the Contract terms prior to the Contract being offered. The IEM reviewed the updated FIT 5 Contract terms. While most adjustments were administrative in nature, in light of changes having been made to the Contract terms following the Application End Date of the Application period, the IEM is of the view that the ability for Applicants to withdraw their Applications from eligibility for a FIT Contract is a measure of fairness to Applicants who may have otherwise elected not to submit an Application had the terms been such initially. Applicants that withdrew their Application were refunded any Application Security that was submitted to the IESO.

As of 5:00 pm on July 27, 2017, 10 requests for withdrawal were received by the IESO. The IESO removed these 10 Applications from the list of Ranked Applications. Further, one (1) additional Application was rejected by the IESO at this time (July 11, 2017), arising as a result of a response to a clarification issued by the IESO regarding the connection of the Project to a Host Facility on its Application Form.

Connection availability assessment then proceeded for the 701 remaining Applications, representing approximately 247 MW.

Connection Availability Assessment

Connection availability assessment was re-commenced starting on July 28 2017.

In accordance with the FIT 5 Rules, the connection availability assessment proceeded first with the CCSA Eligible Applications in each grouping. Once the identified MW target for each grouping of CCSA Eligible Applications was achieved in full the remaining Applications in each grouping remained eligible to be considered for testing, in situ, within the 'general population' of Applications; again, based on the number of Priority Points awarded during the review process and the Time Stamp of each Application.

As set out in the FIT 5 Rules, for each grouping of Applications, the connection availability assessment process was comprised of two (2) components:

- Transmission Availability Testing (TAT) – comprised of station capacity, transmission circuit capacity and area limits; and
- Distribution Availability Testing (DAT).

Applications were required to pass both TAT and DAT in order to be considered for a FIT Contract, based on their Rank order and available MW capacity within the Procurement Target. Applications that did not pass connection availability assessment were terminated for one (1) of the following reasons:

- a) There was insufficient capacity in the Transmission System supplying the identified Connection Point
- b) There was insufficient capacity in the Distribution System supplying the Connection Point
- c) There was insufficient capacity remaining within the Procurement Target.

For each grouping of Applications, the TAT was conducted first, using an automated algorithm that was developed by the IESO and has been in use throughout previous rounds of the FIT Program. The TAT results are automatically generated within this system using the algorithm, and the results reviewed by the IESO for Quality Assurance. Applications only 'fail' TAT when there is insufficient capacity within the Transmission System for which they have applied. As of the conclusion of the TAT, 19 Applications did not pass the testing and did not proceed to DAT.

Following the conduct of the TAT, for the Applications remaining eligible for consideration, the IESO requested the appropriate LDC for each Application based on the Project's location to conduct the DAT and provide the IESO with its determination. Applications 'fail' DAT when there is insufficient capacity within the Distribution System for which they have applied or where there is a viability issue with their proposed Project in terms of connectivity. As of the conclusion of the DAT, three (3) Applications did not pass the testing. In addition, the LDC determined for one (1) Application that the feeder system required for the Project was not viable to be brought to the Site and thus could not connect to the Connection Point as required. As a result, this Application was also Terminated.

For Applications successfully passing the TAT/DAT process, the Contract Capacity applied for is deducted from the available Procurement Target (in accordance with the applicable grouping in which the Application resides) for each Application based on its Rank order, until such time as no available capacity remains within the Procurement Target. Following the conclusion of the TAT/DAT, 390 Applications were identified as eligible to receive a FIT Contract; representing 149.999 MW, as follows:

Renewable Fuel	Applications submitted for connection testing	Applications eligible to receive FIT Contracts
Solar Rooftop	195	99
Solar Non-Rooftop	449	283
Waterpower	15	0
Wind	5	0
Biogas (On-Farm)	35	7
Renewable Biomass	1	0
Landfill Gas	1	1
Total	701	390

The IEM reviewed the IESO's process for the conduct of the TAT/DAT together with the results of the testing process and made inquiries of the IESO's testing personnel. The IEM also reviewed the IESO's detailed process manual for the conduct of testing. No concerns were observed.

Contract Offering and Due Diligence

Following the completion of the connection availability assessment and review by IESO personnel, the IESO published a public notice on the IESO website (September 20, 2017) identifying the successful Applications eligible to receive a FIT Contract. Following this public notification, the IESO notified each Applicant via the My FIT Home Page of the disposition of their Applications. For those Applicants whose Applications were Terminated (as described earlier in this report), the IESO provided notification which included identification of the reasons for which the Application was Terminated from the FIT 5 process, in order to provide Applicants with information to assist in addressing these issues in subsequent

processes. While the FIT 5 process does not include a formal 'dispute' procedure, should unsuccessful Applicants have questions, the IESO identified that it has in place procedures to review and respond to questions. The IEM had the opportunity to review a sample of the questions received from Applicants and responses provide by the IESO. Application Security for Terminated Applications were returned to the Applicants by the IESO at this time.

Following the issuance of the notifications to Applicants, the IESO prepared the Offer Notices for the successful Applications. Each successful Applicant was provided with the Offer Notice letter, FIT 5 Contract, FIT Contract Cover Page customized to each Application, and Contract Execution Instructions. The IESO sent these documents to each Application's identified Owner Contact via email in addition to posting a notification to the Applicant's My FIT Home Page. Successful Applicants were provided with 20 Business Days to review and execute the FIT Contract Cover Page and return the executed documents to the IESO.

Prior to the Contract Offering period commencing, the IEM made inquiries of IESO to understand the IESO's process for notification of Applicants, and the preparation of Offer Notices to validate the conformance of the process and documentation to the FIT 5 Rules and Contract documents. This included review of the IESO's Contract Offering procedures and draft notifications of Contract Offers, as well as draft Notices of Eligibility (for Rooftop Solar Projects on Unconstructed Buildings, prior to Contract Offering). The IEM also observed the Contract preparation and Offer process on one (1) of the Contract Offering days (October 3, 2017).

The IESO used a detailed standardized process to prepare and issue Offer Notices to successful Applicants, distributing the Offer Notices among the members of the IESO review team. 100 Contracts were offered each week. FIT Contracts were offered using the FIT 5 Contract documents, as amended during the FIT 5 process (as described above) and using an Offer Notice letter prepared by the IESO that identifies the Applicant and Project specific information for the FIT Contract. All Contract documents (FIT Contract Cover Page and Offer Notice letter) were prepared by one (1) IESO team member. Each team member reviewed their assigned FIT Contracts documents, and subsequently conducted a peer review on another team member's Contract Offers to verify the accuracy of the Application information contained within the Offer Notice and associated communications.

The IEM reviewed Contract documents prepared by the IESO review team and oversaw the conduct of peer review on the prepared Offer Notices including verification of Application data within the Contract Cover Pages and Letters; making inquiries of IESO personnel as to the process for Contract preparation, peer review, Applicant receipt, review and signature by the Applicants, and subsequent Contract execution by the IESO. Additionally, the IEM oversaw the issuance of Contract Offers prepared in accordance with the IESO's established procedures. No issues were observed.

Opinion of the Independent Evaluation Monitor

Following the completion of the FIT 5 Contract Offering process, as of (November 1, 2017), the IEM was asked to submit its Report, including its Opinion of Assurance, to the IESO on the conduct of the FIT 5 Procurement process to date. This Opinion covers the period from the engagement of the IEM to the conclusion of the initial Contract Offer period. The IEM was not asked to observe the sign-back of Contract Offers by successful Applicants, nor any inquiries from unsuccessful Applicants following Contract Offering. Additionally, in accordance with the FIT 5 Rules, the IESO continued to prepare and provide Contract documents to Applicants for Rooftop Solar Projects on Unconstructed Buildings, following the IESO's receipt of the additional information required from each Applicant (as set out in the FIT 5 Rules). The preparation and signature of these Contracts were outside of the scope of the IEM's activities.

The Independent Evaluation Monitor hereby provides the following unqualified statement concerning IESO's FIT 5 Procurement process as described herein:

It is our professional opinion that the Procurement process for FIT 5 was carried out in a fair, open and transparent manner, and in compliance with the, IESO Procurement Policy and the processes, procedures and criteria described in the FIT 5 Rules and documentation published to Applicants. The IESO proactively monitored and fully addressed all comments raised throughout the procurement process, and were forthcoming in sharing information at all stages. The IESO worked diligently to ensure the consistency of the evaluation process with the FIT 5 Rules. The IESO acted in a highly transparent manner with potential and actual Applicants at all stages and concluded the process with integrity.



March 29, 2018

Steve Johnston
Managing Director
for RFP Solutions Inc.

Date