



**LARGE RENEWABLE PROCUREMENT I CONTRACT  
("LRP I Contract")**

**Key Development Milestones Guidelines**

**February 13, 2018**

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## **SECTION 1: INTRODUCTION**

### **1.1 Purpose**

The purpose of this document is to provide the Supplier with guidance on the evidence which must be provided to the IESO to demonstrate completion of each of the Key Development Milestones (“**KDMs**”) under the Large Renewable Procurement I Contract (“**LRP I Contract**”). Evidence of completion of the KDMs is to be provided to the IESO by completing the Prescribed Form – Key Development Milestones.

### **1.2 How to Use this Document**

This document must be read in conjunction with the LRP I Contract.

Should you require additional information on the Large Renewable Procurement or the LRP I Contract, please visit the Program website (<http://www.ieso.ca/en/sector-participants/energy-procurement-programs-and-contracts/large-renewable-procurement>).

*All capitalized terms in this document have the meanings given to them in Exhibit A - Definitions of the LRP I Contract, unless defined otherwise in this document.*

### **1.3 Disclaimer**

These Key Development Milestones Guidelines (the “**KDM Guidelines**”) for the LRP I Contract provide general guidance on the process for meeting Key Development Milestones and do not amend the LRP I Contract in any way. In the event of any inconsistency or conflict between the provisions of the KDM Guidelines and the LRP I Contract, the LRP I Contract will govern. Nothing in the KDM Guidelines shall be binding on the IESO.

Further, the IESO may change, modify, amend or update the KDM Guidelines at any time and without notice. While the IESO will endeavour to keep the KDM Guidelines current, the IESO cannot guarantee their accuracy or completeness.

## SECTION 2: KEY DEVELOPMENT MILESTONES

### 2.1 Purpose of Attaining the KDMs

The IESO's determination that all of the KDMs have been met allows you, as the Supplier, to commence construction on the Facility. When the IESO issues a confirmation that all of the KDMs have been met, it is indicating that the IESO is satisfied that:

- i. you have completed the necessary Impact Assessments and executed Connection Cost Agreements or Connection Costs Recovery Agreements (as applicable);
- ii. you have received a Renewable Energy Approval, if applicable, and any other equivalent environmental assessments, approvals, permits or registrations necessary for the construction to commence; and
- iii. you have secured sufficient financing to complete the development, construction and commissioning of the Facility.

You may submit evidence of completion of the KDMs to the IESO as soon as they have been met, but no later than three (3) months prior to the Milestone Date for Commercial Operation ("MCOD").

### 2.2. Confirming and Evidencing Completion of the KDMs

Once you have met the KDMs, you must provide the IESO with a fully-completed and signed PDF copy of the Prescribed Form – Key Development Milestones ("**Prescribed Form**") by email, listing the LRP I Contract reference number in the subject line, to [contract.management@ieso.ca](mailto:contract.management@ieso.ca). A hardcopy with original ink signature must also be delivered to:

Independent Electricity System Operator  
120 Adelaide Street West, Suite 1600  
Toronto, Ontario M5H 1T1  
Attn: Director, Contract Management

The Prescribed Form – Key Development Milestones is available on the IESO's website at: <http://www.ieso.ca/en/sector-participants/energy-procurement-programs-and-contracts/large-renewable-procurement>

### **SECTION 3: MINIMUM REQUIRED DELIVERABLES**

The KDMs are enumerated in the LRP I Contract, and include (i) Impact Assessments and Connection Cost Agreements or Connection Costs Recovery Agreement, as applicable, (ii) a Renewable Energy Approval, if applicable, and any other equivalent environmental assessments, approvals, permits or registrations necessary for the construction to commence on the Facility, and (iii) securing financing sufficient to complete the development, construction and commissioning of the Facility.

You must provide evidence of meeting the KDMs by submitting a completed Prescribed Form attaching all required supporting documentation outlined in the Prescribed Form to the IESO.

The IESO reserves the right to request written clarification or the submission of supplementary written information from any Supplier and incorporate any response to that request for clarification into the Prescribed Form. The IESO also reserves the right to verify with any Supplier or with a third party any information set out in or provided in respect of the Prescribed Form and contact any party providing financing, including obtaining information on such party whether directly from the party or a third party.

### **3.1 Impact Assessments and Connection Cost Agreement/Connection Costs Recovery Agreement**

#### *Impact Assessments*

The Impact Assessments will assess the impact of your Project on the IESO-Controlled Grid, the Distribution System and the Transmission System, as applicable, as well as provide the IESO with specific details of the cost, length of time and requirements for connecting your Project.

Each Project will have a Connection Point to which it delivers the electricity it generates. The location of this Connection Point determines which type of Impact Assessment is required for the Project.

There are 3 types of Impact Assessments:

1. For a Facility to be connected to the Distribution System, a **Connection Impact Assessment** is required and must be conducted by your local distribution company (“**LDC**”). The Connection Impact Assessment determines the impact on the Distribution System of connecting your Project to the Distribution System.
2. For a Facility to be connected to the Transmission System, a **Customer Impact Assessment** is required and must be conducted by the applicable Transmitter. The Customer Impact Assessment determines the impact the connection of your Project will have on the transmission customers in the area.
3. In addition, for a Facility to be connected to the IESO-Controlled Grid, a **System Impact Assessment** is required and must be conducted by the IESO. The System Impact Assessment determines the impact of the connection of your Project to the IESO-Controlled Grid and any impact on the reliability of the integrated power system.

Copies of each of the above Impact Assessments, as applicable to your Project, must be included with your Prescribed Form, along with the time and date of application for each Impact Assessment. For example, you can provide a copy of the electronic submission of the Impact Assessments showing the date each was submitted.

#### *Connection Cost Agreements or Connection Costs Recovery Agreement*

Where your Facility is to be connected to the Distribution System, you must enter into a Connection Cost Agreement with your local LDC.

Where your Facility is to be connected to the Transmission System, you must enter into a Connection Costs Recovery Agreement with the applicable Transmitter.

A copy of a fully executed Connection Cost Agreement or Connection Costs Recovery Agreement, as applicable to your Project, must be included with your Prescribed Form.

### **3.2 Renewable Energy Approval and other Assessments, Approvals, Permits or Registrations**

The environmental approval required for renewable energy projects is called the Renewable Energy Approval (“**REA**”). The REA is administered by the Ministry of the Environment and Climate Change and the Ministry of Natural Resources and Forestry. To obtain an REA, your Project must meet certain requirements, including but not limited to (i) provincial setback and noise standards, (ii) environmental impact studies and (iii) consultation with the public, municipalities and Aboriginal communities.

The Ministry of Energy’s website (<http://www.energy.gov.on.ca/en/renewable-energy-facilitation-office/resources-and-contacts-2/guide-to-provincial-approvals-for-renewable-energy-projects/>) provides a comprehensive guide for navigating the provincial approval process for renewable energy projects entitled “*Guide to Provincial Approvals for Renewable Energy Projects*”.

The Renewable Energy Facilitation Office (<http://www.energy.gov.on.ca/en/renewable-energy-facilitation-office/>) can also help you with this process by providing access to information and connecting you with the right resources at the appropriate government ministries and agencies.

Please consult with the Ministry of the Environment and Climate Change, the Ministry of Natural Resources and Forestry, Ministry of Energy and the Renewable Energy Facilitation Office to ensure the effective completion of the REA.

Please note that certain projects such as Rooftop Solar Projects may be exempt from the requirement to receive an REA. In addition, depending on its size, type and location, your Project may be subject to other regulatory approval(s), in addition to or instead of an REA, through the Ministry of the Environment and Climate Change and/or the Ministry of Natural Resources and Forestry or otherwise. Examples of other such requirements include Class Environmental Assessment, Individual Environmental Assessment, Federal Environmental Assessment, and/or registration with the Environmental Activity Sector Registry.

To the extent that your Project requires an REA and/or any other equivalent environmental assessments, approvals, permits or registrations which are necessary for the construction of the Facility to commence, you will be required to submit copies of these assessments, approvals, permits, or registrations to the IESO with your Prescribed Form.



### 3.3 Securing Financing and Financial Model

You must submit a statutory declaration signed by an officer of the Supplier confirming that you have Secured Financing<sup>1</sup> sufficient to complete the development, construction and commissioning of the Facility. A simple financing plan is not sufficient.

The statutory declaration is attached to the Prescribed Form as Exhibit A and requires you to submit with it a copy of the Financial Model, accompanying audit letter and a letter from an agent of the Junior Lenders and Senior Lenders, if and as applicable.

The Financial Model is a computer spreadsheet prepared for a Project which incorporates and separately identifies all expenditures, revenues, financing (including Senior Debt, Junior Debt, Equity Capital and Equity IRR) and taxes related to Project construction, development, maintenance and operations. The Financial Model must also include the profit and loss accounts and balance sheet details for the Project for the entirety of the Term. You are required to provide the IESO with details of all assumptions, calculations and methodology used when preparing the Financial Model as well as any documentation or inputs that are necessary to operate or substantiate the Financial Model. The Financial Model must allow the viewer access to all internal formulas, data and assumptions and should not include any disclaimers or qualifications. All errors or inconsistencies in formulas, data or assumptions contained in the Financial Model are solely the responsibility of the Supplier.

Since the Financial Model must be provided to the IESO before Financial Close, it can be updated on Financial Close to show final debt pricing and debt amounts under any Lending Agreements provided that it is delivered to the IESO within ten (10) Business Days of Financial Close.

The Financial Model must be audited by an independent third-party auditor of recognized standing. The auditor must provide an audit letter addressed to the IESO that confirms the logic and integrity of the Financial Model and that this logic is materially consistent with the LRP I Contract and other material project agreements and financing documents. For example, we would expect the audit letter to include the following confirmations:

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<sup>1</sup> “Secured Financing” means either

- (a) The Supplier has sufficient internal resources to fully finance and complete the development, construction and commissioning of the Facility without resort to third-party debt or equity sources, and not utilizing either Junior Debt or Senior Debt for these purposes; or
- (b) (i) Delivery of executed principal financing documents, including financing agreements and security documents, as applicable, (ii) completion of all required registrations in respect of security interests covering personal and/or real property, as applicable, or requisite control, as applicable, having been obtained by any Junior Lender or Senior Lender (or agent on its behalf), as applicable (for example, delivery of share certificates), (iii) completion of all lender due diligence (subject to material new information not previously disclosed), (iv) lender credit committee approval obtained, and (v) delivery of the Financial Model in form satisfactory to the Junior Lenders or Senior Lenders, as applicable.

- The Financial Model materially achieves its objective of generating profit and loss, cash flow, and balance sheet projections, key financial ratios and investors' returns for the Project on the basis of the assumptions, calculations, methodology and inputs provided to the IESO and used by the Supplier when preparing the Financial Model;
- The logic and integrity of the Financial Model is sound, the calculations arithmetically correct and the results reliable, accurate and consistent with the input assumptions;
- The logic embodied in the Financial Model is materially consistent with the LRP I Contract and other material project agreements and financing documents;
- The logic of the Financial Model is materially in accordance with IFRS and Canadian tax legislation;
- The outputs of the Financial Model contain no unexplainable trends or variations in key financial or banking indicators.

The statutory declaration requires an officer of the Supplier to declare certain things on behalf of the Supplier, including that it has secured sufficient financing, the source of the financing, that the Financial Model is the same model that was provided to the Senior Lenders and Junior Lenders, if and as applicable, and that the Financial Model was audited by an independent third-party auditor of recognized standing that provided an audit letter addressed to the IESO confirming the logic and integrity of the model and that this logic is materially consistent with the LRP I Contract and other material project agreements and financing documents.

The statutory declaration must be solemnly declared and signed before a solicitor, commissioner of oaths or similar official (e.g. notary public) authorized to take oaths or solemn affirmations.

If the source of financing for the Facility includes Junior Debt or Senior Debt, you must also submit a letter from an agent of the Junior Lenders and Senior Lenders, as applicable, in the form of letter attached as Schedule "C" to Exhibit A to the Prescribed Form (i) identifying the Junior Lenders and Senior Lenders, (ii) confirming the Junior Debt Amount and the Senior Debt Amount and including aggregate commitments, (iii) including a description of the calculation of the Junior Debt Makewhole and the Senior Debt Makewhole, as applicable, and (iv) confirming that the Financial Model attached to Exhibit A to the Prescribed Form is the same model as was provided to the Junior Lenders and Senior Lenders, as applicable.

### **3.4 Incomplete Documents**

If the IESO determines that (i) the Prescribed Form submitted is lacking one or more of the KDM requirements listed above, (ii) the documentation provided is unclear, (iii) the documentation provided is not in the Prescribed Form, (iv) the Financial Model is not acceptable to the IESO, or (v) the documentation provided is otherwise incomplete, you will be notified of such deficiencies in writing, within thirty (30) Business Days following the IESO's receipt of the Prescribed Form and all documents required to be submitted with the Prescribed Form.

As noted in Section 2.1 the IESO will not issue a confirmation that all of the KDMs have met until it is satisfied that the requirements have been met. It is therefore incumbent on the Supplier to respond to any of the deficiencies identified in the foregoing paragraph.

The IESO reserves the right to reject any Prescribed Form that is unsigned or improperly signed, and any documentation submitted which is illegible, obscure, contains arithmetical errors, omissions, erasures, alterations, or irregularities of any kind, or contains misrepresentations or any other inaccurate or misleading information.

## **SECTION 4: TIMING AND DEADLINES**

### **4.1 Submission Due Date of Completed Prescribed Form**

You must provide evidence of meeting the KDMs by submitting a completed Prescribed Form attaching all required supporting documentation outlined in the Prescribed Form to the IESO no later than three (3) months prior to the MCOD.

### **4.2 IESO Response Timeline**

The IESO will (i) confirm in writing that all of the KDMs have been met or (ii) provide you with details of the deficiencies in the documentation provided within thirty (30) Business Days of receipt of your completed Prescribed Form and all documents required to be submitted with the Prescribed Form.

### **4.3 Notice of an Appeal of Renewable Energy Approval**

If you have received a notice of Appeal in respect of any Renewable Energy Approval or notice of appeal in respect of any equivalent environmental assessment, approval or permit, you must notify the IESO within ten (10) Business Days after learning that such a notice has been filed. You must also provide notice to the IESO within ten (10) Business Days after receiving a decision on any such appeal.

## APPENDIX A - HELPFUL CONTACTS

### Independent Electricity System Operator

LRP I Program	<a href="http://www.ieso.ca/en/sector-participants/energy-procurement-programs-and-contracts/large-renewable-procurement">http://www.ieso.ca/en/sector-participants/energy-procurement-programs-and-contracts/large-renewable-procurement</a>
IESO Contact information	Independent Electricity System Operator 120 Adelaide Street West, Suite 1600 Toronto, Ontario M5H 1T1 ATTN: Contract Management  <a href="http://www.ieso.ca">www.ieso.ca</a> <a href="mailto:contract.management@ieso.ca">contract.management@ieso.ca</a>

### Ministry of the Environment and Climate Change

<https://www.ontario.ca/page/ministry-environment-and-climate-change>

### Ministry of Energy

<http://www.energy.gov.on.ca/en/>

### Renewable Energy Facilitation Office

<http://www.energy.gov.on.ca/en/renewable-energy-facilitation-office/>