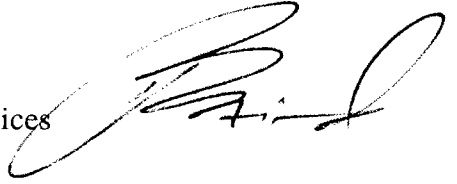


## MEMORANDUM

**TO:** Mayor and Members of Council

**FROM:** Jim Baird, Commissioner of Development Services 

**DATE:** June 24, 2008

**SUBJECT:** Update on OPA's Local Generation RFP (Northern York Region)

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### RECOMMENDATION

That the Memorandum titled "Update on OPA's Local Generation RFP (Northern York Region)", dated June 24, 2008, be received;

That Markham Council reiterates its support for the OPA's "Integrated Solution" for power supply to Northern York Region comprised of: Demand Reduction; New Transformer Station capacity; and Local Generation as adopted by Council on September 27, 2005 and further endorsed by Council on April 24, 2007 and November 27, 2007;

That the Town of Markham remains strongly opposed to a transmission contingency solution for Northern York Region and requests the OPA to continue to expedite local generation supply options to Northern York Region;

That the OPA be requested to review its draft RFP dated June 6, 2008 for 350 MW of peaking generation in Northern York Region, with a view to placing a greater emphasis on environmental, municipal consultation, and community outreach criteria in the scoring and evaluation of proposals, as outlined in the Memorandum attached;

That Council support the submission of this Memorandum and Resolution to the Ontario Power Authority, the Ontario Energy Board, the Ministry of Energy, Hydro One, PowerStream, Region of York, and the Markham – Aurora Hydro One Task Force Members;

That this Memorandum and Resolution also be forwarded to the Premier, the Minister of Energy, and Region of York based M.P.P.s;

And that Staff be authorized and directed to do all things necessary to give effect to this resolution.

## **CONTEXT:**

The Ontario Power Authority (OPA) on June 6, 2008 released its draft Request for Proposals (RFP) for approximately 350 MW of Peaking Generation to serve Northern York Region (NYR).

The OPA first initiated a Request for Qualifications (RFQ) process in January 2008. Five (5) “Qualified Applicants” have advanced to the more detailed RFP stage. These are:

- Epcor Energy Centre (Ontario) LP
- Northland Power Inc.
- Pristine Power Inc.
- Sithe Global Canadian Power Services Ltd.
- TransCanada Energy Ltd.

At this point in the procurement process, eight (8) potential sites have been identified to date – certain proponents having more than one candidate site.

The OPA is now seeking detailed proposals from the Qualified Applicants for the supply of approximately 350 MW of new natural gas-fired peaking generation located in Northern York Region. For the purpose of this exercise the OPA defines NYR as Aurora, East Gwillimbury, King, Newmarket, and Whitchurch-Stouffville, as well as Bradford West Gwillimbury in Simcoe County.

## **BACKGROUND:**

The Town of Markham has been involved with the issue of power supply to Northern York Region since 2004.

Markham Council and the Markham-Aurora Hydro One Task force played a key role in opposing the 2004 Hydro One Environmental Assessment proposal to expand transmission from the south to the north, through urban residential neighbourhoods. This opposition was on the basis that reasonable alternatives were not considered; process concerns were not addressed (Class versus Individual EA); public concerns were not mitigated (e.g. EMF; under-grounding); and that there are significant detrimental environmental, social and economic impacts associated with large scale transmission.

In March 2005, the Minister of Energy announced Hydro One was withdrawing its application to MOE, to facilitate a review by the newly created Ontario Power Authority of possible alternative solutions to meet the energy demands of NYR.

Markham participated on the OPA’s 2005 Working Group which investigated a wide range of options to address the power supply needs of NYR.

Markham Council in September 2005 expressed support for the OPA's "integrated solution" comprised of:

1. Demand Reduction
2. New Transformer Station Capacity
3. Local Generation.

The OPA was commended for undertaking a fair, open and participatory process in 2005.

Since 2005, the OPA has been moving forward in implementing the short term (2006 – 2008) recommendations of the integrated solution including:

- aggressive conservation and demand management in partnership with industry, local power distribution companies, municipalities, and consumers
- upgrades to the Armitage Transformer Station in Newmarket
- new transformer station (under construction) at Holland Junction in King.

The OPA's longer term (2008 – 2015) recommendations are in process, through the current RFQ/RFP for a local generation plant in Northern York Region. Local generation (via a 350 MW simple cycle peaking plant) has been identified by the OPA as the technically preferred solution to meet the need for supply diversity and reliability in NYR.

#### **COMMENT:**

Markham Council officially supported the OPA's integrated solution by resolution dated September 27, 2005. Markham Council reiterated its support for the OPA's integrated solution by resolutions passed on April 24, 2007 and November 27, 2007.

It is recommended that Markham Council continue to strongly support the OPA's integrated solution. The OPA's selection criteria and municipal review and environmental assessment processes are intended to address proper siting and mitigation of local generation in Northern York Region.

It is also recommended that Markham Council continue to oppose a transmission solution on the basis that:

- The OPA's integrated solution (comprised of demand reduction, new transformer station capacity and local generation) is the preferred solution and is advancing through the proper implementation processes
- Transmission is not the preferred technical solution
- The OPA's 2005 recommendations identified the "transmission contingency" only as a last resort
- There is extensive public opposition to large scale transmission, as demonstrated at the time of the 2004 Hydro One EA
- There are significant detrimental social, economic and environmental impacts associated with transmission.

With respect to implementing local generation in NYR, the Draft RFP dated June 6, 2008 has been released on the OPA web site for public review and comment. It is our understanding that the RFP document will be finalized and released by July 2008, and RFP submissions by Qualified Applicants will be due in October, with the preferred supplier intended to be selected by the end of 2008.

The draft RFP document outlines a four stage Evaluation process as follows:

- Stage 1 – Proposal Completeness Requirements (pass or fail)
- Stage 2 – Mandatory Requirements (pass or fail)
- Stage 3 – Rated Criteria (scoring up to a maximum 100 points)
- Stage 4 – Economic Bid Evaluation and Selection (cost/value rating)

**Of greatest interest to municipalities will be “Stage 3 – Rated Criteria”, summarized on the chart below:**

<b>Overview of Rated Criteria</b>	<b>Maximum Point Scores</b>
Electrical Connection Point	20
Environmental Assessment	18
Municipal and Regional Approvals	18
Community Outreach	17
EPC Arrangements	8
Equipment Availability	5
Fuel Supply	5
Water Use	4
Water Supply	3
Proposed Milestone Date for Commercial Operation	2
<b>TOTAL MAXIMUM POINT SCORE</b>	<b>100</b>
<b>Minimum Required Total Point Score</b>	<b>40</b>

See Appendix ‘A’ for a full extract from the OPA’s RFP Document Section 3.3. – Stage 3 – Rated Criteria.

It is positive that, in addition to technical engineering criteria, the OPA’s rated criteria include:

- Environmental Assessment
- Municipal and Regional Approvals
- Community Outreach.

These criteria are intended to ensure that proponents have regard for and address the environmental and land use implications of their proposals, and consult with municipalities and the community. The OPA scoring and selection process will evaluate proposals based, in part, on the above criteria to ensure that the winning bid demonstrates a suitable location and proper measures to mitigate impacts and address any concerns.

**However, it is recommended that the OPA be requested to revise the scoring and screening approach in Stage 3 of the draft RFP to address the following concerns:**

- whereas the environmental, municipal and community criteria noted above are currently shown to have a cumulative maximum score of 53 out of a possible 100 points, we would recommend a higher score allocation for these 3 criteria of no less than 60 points.
- the Electrical Connection Point criterion should award points for under-grounding of transmission connection(s) to the grid
- the minimum required total point score to advance to Stage 4 – Evaluation and Selection Process, should be much higher than 40 points out of 100; in order to place a higher emphasis on environmental criteria and mitigation of community impacts, we would recommend a minimum of 60 points to “pass” and advance to Stage 4.

Stage 4 of the OPA’s selection process is the final evaluation and selection stage for all proposals that have achieved the minimum required total point score in Stage 3. This final stage is primarily based on cost and the economic competitiveness of each proposal. However the OPA, to its credit, does not rely solely on minimum cost in determining final selection in Stage 4. Rather, there is an adjustment (Step 4 – Calculation of the Adjusted Evaluated Cost) to take account of the relative scores of the proposals on Stage 3 criteria (including environmental, municipal and community criteria). In essence Step 3 of Stage 4 provides that each proposal shall have its evaluated cost “discounted by a factor that is directly proportional to its Total Point Score received in Stage 3, in order to determine the Proposal’s Adjusted Evaluated Cost”.

Appendix B provides an extract from the OPA’s draft RFP outlining Stage 4, Step 3 Calculation of Adjusted Evaluated Cost, including the discount factor calculation.

**While we support this approach of applying Stage 3 environmental criteria in the final selection process at Stage 4, we would request the following modification:**

- that the Step 3 calculation of the adjusted evaluated cost place a higher emphasis on Stage 3 criteria, and specifically that the “discount factor” be modified from a maximum 20 % discount to a revised maximum 30 % discount, in order to acknowledge and benefit those proponents scoring the highest in Stage 3 on environmental, municipal and community outreach criteria.

For example, if a proposal received 100 out of 100 points in Stage 3, then the discount factor for the proposal would be revised from 0.200 to 0.300, meaning that the adjusted

evaluated cost would be reduced by 30 % below actual evaluated cost in determining the relative cost efficiency of the proposals.

The above comments and recommendations should be submitted to the OPA and other stakeholders as the Town of Markham's comments on the draft RFP document.

Attachments:

Appendix 'A' – Stage 3 – Rated Criteria

Appendix 'B' – Stage 4, Step 3 – Calculation of the Adjusted Evaluated Cost

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### 3.3 Stage 3 – Rated Criteria

In Stage 3, the Proposal will be reviewed and scored against the following criteria (the “Rated Criteria”):

Section	Overview of Rated Criteria	Maximum Point Scores
3.3.1	Electrical Connection Point	20
3.3.2	Environmental Assessment	18
3.3.3	Municipal and Regional Approvals	18
3.3.4	Community Outreach	17
3.3.5	EPC Arrangements	8
3.3.6	Equipment Availability	5
3.3.7	Fuel Supply	5
3.3.8	Water Use	4
3.3.9	Water Supply	3
3.3.10	Proposed Milestone Date for Commercial Operation	2
	<b>TOTAL MAXIMUM POINT SCORE</b>	<b>100</b>
	<b>Minimum Required Total Point Score</b>	<b>40</b>

The criteria outlined in this section will be used to rate the proposed Contract Facility in terms of its quality, including technical and operational features, mitigation of specific elements of risk, as well as its maturity to ensure that a sufficient amount of work has gone into the proposed Contract Facility such that there is a reasonable degree of likelihood that the proposed Contract Facility will achieve Commercial Operation by the proposed Milestone Date for Commercial Operation.

Information set out in the Proposal, including responses to the Technical Questionnaire and the Rated Criteria Information Form, should contain sufficiently detailed information to enable the OPA to evaluate the merits of both the Proponent and the proposed Contract Facility. The onus is on the Proponent to demonstrate its technical and financial abilities to develop, construct and operate the proposed Contract Facility, as well as present the work that has already been done in developing the proposed Contract Facility.

Proponents are encouraged, where possible, to provide additional information and supporting evidence to substantiate their statements in response to the Rated Criteria, even

if this additional information is not specifically requested in this NYR RFP. Failure to provide sufficient detailed information or supporting statements or documentation may lead to zero points being awarded for some or all criteria.

Each Proposal will be awarded a total point score which will range from a minimum of zero points up to a maximum of 100 points. In order to proceed to Stage 4, a Proposal must achieve a Minimum Required Total Point Score of 40 points; otherwise the Proposal will be disqualified and will not be further considered.

### **3.3.1 Electrical Connection Point (20 points)**

There are electrical system advantages that depend upon where the generation facility is connected. The different levels of interruption risks have been factored into the following ranking. Points will be allocated depending on where the proposed Contract Facility is connected to the IESO-Controlled Grid.

Points will be allocated from highest to lowest for the following Connection Points:

1. The proposed Contract Facility makes its Connection Point into the IESO-Controlled Grid in Connection Area A.
2. The proposed Contract Facility makes its Connection Point into the IESO-Controlled Grid in Connection Area B.
3. The proposed Contract Facility makes its Connection Point into the IESO-Controlled Grid in Connection Area C.
4. The proposed Contract Facility makes its Connection Point into the IESO-Controlled Grid in Connection Area D or Connection Area E.

The points for this criterion will be determined by the Proponent's response to the Technical Questionnaire as well as the supporting evidence provided in Section 3.2.14.

### **3.3.2 Environmental Assessment (18 points)**

Points will be allocated depending on the status of the Proponent's progress in the environmental assessment process required pursuant to the appropriate Category of the EA Guide.

Points will be allocated from highest to lowest for the following levels of progress:

1. The Proponent does not require permits or approvals for the proposed Contract Facility (including proposed Contract Facilities belonging to Category A); or

All required permits or approvals have been obtained and a "Statement of Completion" has been filed with the Ministry of the Environment; or



The Minister of the Environment or the Director of the Environmental Assessment and Approvals Board has made a final EA decision for the proposed Contract Facility.

2. The Proponent has filed a "Notice of Completion of a Screening Report" and the final Screening Report has been made available for public and agency review; or

The Proponent has filed a "Notice of Completion of an Environmental Review Report" and the final Environmental Review Report has been made available for public and agency review.

3. Either a draft Screening Report or a draft Environmental Review Report has been submitted to the Ministry of the Environment and other key agencies/stakeholders for review and comment.

4. A Screening Report is being drafted and the Proponent has completed all consultations; or

The Proponent has commenced with the Environmental Review Stage, including having published a "Notice of Commencement of an Environmental Review".

5. The Proponent has commenced consultations, guided by section A.6.2 of the EA Guide.

Proponents should submit:

- Evidence that the environmental assessment process has been completed, such as the Statement of Completion.

Or:

- a description of the work already undertaken on the Environmental Screening Process along with any supporting documentation evidencing their status and progress, including whether any elevation requests have been received; and
- a timeline and a description of the major milestones necessary to complete the environmental assessment process.

### **3.3.3 Municipal and Regional Approvals (18 points)**

Points will be allocated based on the site's status regarding existing land use rights and approvals and the steps taken to obtain the appropriate land use approvals or amendments such as: official plan amendment and, where applicable, secondary plan amendment and zoning by-law amendment for the proposed Contract Facility with the local municipality and, where applicable, the regional municipality.

Points will be allocated from highest to lowest for the following levels of progress:

1. The site for the proposed Contract Facility conforms with all regional and/or local official plans, secondary plans (where applicable) and zoning by-laws that permit the development of the proposed Contract Facility.
2. The site for the proposed Contract Facility has all regional and/or local official plan or secondary plan designations (where applicable), but requires only minor variances to the zoning by-law amendment to allow for the development and operation of the proposed Contract Facility; and the Proponent has submitted complete application(s) to the required municipal approval authorities to obtain the applicable minor variances to the zoning by-law.
3. The site for the proposed Contract Facility has all regional and/or local official plan or secondary plan designations (where applicable), but requires only minor variances to the zoning by-law amendment to allow for the development and operation of the proposed Contract Facility; and the Proponent has not submitted applications to the required municipal approval authorities to obtain the applicable minor variances.
4. The site for the proposed Contract Facility has all regional and/or local official plan and secondary plan (where applicable) designations, but requires a zoning by-law amendment to allow for the development and operation of the proposed Contract Facility and the Proponent has submitted complete applications to the required municipal approval authorities to obtain applicable amendments to the zoning by-laws.
5. The site for the proposed Contract Facility has all regional and/or local official plan and secondary plan (where applicable) designations, but requires a zoning by-law amendment to allow for the development and operation of the proposed Contract Facility the Proponent has not submitted applications to the required municipal approval authorities to obtain applicable amendments to the zoning by-laws.
6. The site for the proposed Contract Facility has zoning approvals, but no regional and/or local official plan or secondary plan designations (where applicable) to allow for the development and operation of the proposed Contract Facility and the Proponent has submitted complete applications to the required municipal approval authorities to obtain applicable amendments to the official plans.
7. The site for the proposed Contract Facility has zoning approvals, but no regional and/or local official plan or secondary plan designations (where applicable) to allow for the development and operation of the proposed Contract Facility and the Proponent has not submitted applications to the required municipal approval authorities to obtain applicable amendments to the official plans.
8. The site for the proposed Contract Facility has neither regional and/or local official plan and secondary plan (where applicable) designations or zoning approvals to allow for the development and operation of the proposed Contract Facility and the Proponent has

submitted complete applications to the required municipal approval authorities to obtain applicable amendments to the official plans and the zoning by-laws.

9. The site for the proposed Contract Facility has neither regional and/or local official plan and secondary plan (where applicable) designations or zoning approvals to allow for the development and operation of the proposed Contract Facility and the Proponent has not submitted applications to the required municipal approval authorities to obtain applicable amendments to the official plans and the zoning by-laws.

Proponents should submit any supporting documentation, including, but not limited to:

- copy of any order made under the Planning Act affecting the proposed Contract Facility;
- excerpts from the applicable regional and/or local municipal official plan, secondary plans (where applicable) and zoning by-laws and elaborate on the current official plan designation and zoning that applies to the subject lands for the proposed Contract Facility;
- a description of the extent to which the proposed Contract Facility does not conform to the regional and/or local official plan and/or zoning by-law and what steps, if any, have been taken to amend the regional and/or local official plan and/or zoning by-law to permit the development, construction and operation of the proposed Contract Facility and state the expected time frame for receiving each of such approvals;
- an indication of whether any variances will be needed to accommodate the physical features of the proposed Contract Facility; and
- a description of the processes involving the local municipality and, where applicable, the regional municipality, to obtain appropriate regional and/or local official plan amendments, including secondary plan amendments, where applicable, zoning by-law amendments, and any minor variances required in order to ensure development of the proposed Contract Facility on the subject lands.

In addition, as supporting evidence, Proponents are encouraged to provide letter(s), from each of the local municipality and, where applicable, the regional municipality, outlining conformity with the regional and/or local official plan(s), secondary plan(s) (where applicable) and zoning by-laws and stating whether the proposed Contract Facility requires:

- an amendment to the regional and/or local official plan(s), including secondary plan amendment(s) (where applicable);
- zoning by-law amendment(s); and/or
- any variances to accommodate any and all physical features of the proposed Contract Facility.

### 3.3.4 Community Outreach (17 points)

This criterion is comprised of two parts:

#### a) Community Engagement (12 Points)

Points will be allocated based on the level of work the Proponent has undertaken and will continue to undertake in engaging the local community and in addressing their concerns.

The Proponent should provide a community outreach summary, which shall include:

- a letter from the relevant local or regional government providing the information set out in the Municipal Response Form annexed as Appendix P;
- a description of the level of contact with the local neighbours and the local community at large, as well as any local/community/regional groups and any other relevant community stakeholders;
- the concerns and interests of the relevant local/community/regional groups or community stakeholders;
- the principal entities that may oppose, or may be expected to oppose, the development of the proposed Contract Facility;
- the risks of community concerns and opposition to the proposed Contract Facility in its efforts to procure required permits, approvals, and certificates and meet the proposed Milestone Date for Commercial Operation;
- what efforts the Proponent has taken, and is intending to take, in order to address concerns of the local community and to mitigate the risk of opposition to the proposed Contract Facility in procuring required permits, approvals, and certificates;
- the proposed Contract Facility's proximity to any residential neighbourhoods or significant environmental features that might represent a competing land use and/or sensitive land uses; and
- information with respect to Proponent's plan/strategy to continue efforts to engage the local community.

Proponents are encouraged to provide supporting evidence, such as letters from municipal councillor(s), local community groups and/or stakeholders, as applicable.

Higher points will be awarded to Proponents who have undertaken substantial work to identify key local stakeholders and their concerns and interests and to engage them in a

constructive dialogue to address their concerns, and who have developed a comprehensive plan to continue stakeholder relationship efforts and to address their concerns or otherwise mitigate risks of opposition.

Lower points will be awarded to Proponents with a lesser degree of understanding of the interests and concerns of key stakeholders and less engagement of the local community.

#### **b) Experience on other Projects (5 Points)**

Points will be allocated based on the Proponent's experience in successfully working with local communities for similar projects and addressing their concerns.

The Proponent should also include in its community outreach summary:

- an outline of the Proponent's experience in working with and engaging local communities and responding to key stakeholder concerns with respect to the proposed Contract Facility or similar project(s) inside or outside Ontario, with similar community issues; and
- a description and provide information with respect to other projects, as well as the experiences and lessons learned.

Higher points will be awarded to Proponents who have extensive experience in working with local communities and in addressing their concerns on similar projects with similar community issues.

Lower points will be awarded to Proponents who do not have extensive experience in working with local communities with respect to similar projects.

### **3.3.5 EPC Arrangements (8 points)**

Points will be allocated depending on the degree to which the Proponent has made progress in obtaining firm pricing from external contractors involved in the engineering, procurement and construction of the proposed Contract Facility.

Points will be allocated from highest to lowest for the following levels of progress:

1. The Proponent has a firm price executed contract with an EPC contractor or with all applicable external contractors responsible for construction engineering and procurement, or corporate commitment for resources to develop proposed Contract Facility in-house. Such contracts may be conditional upon the Proponent being awarded and entering into a NYR Contract pursuant to this NYR RFP.
2. The Proponent has a firm price executed contract with an EPC contractor or applicable external contractors responsible for two components, including the engineering, of a traditional EPC contract. For greater certainty the Proponent should have a contract for the construction, engineering or procurement of the

Contract Facility. Such contracts may be conditional upon the Proponent being awarded and entering into a NYR Contract pursuant to this NYR RFP.

3. The Proponent has a firm pricing commitment, such as a binding price quotation, from the applicable contractor(s) for some components of the proposed Contract Facility such as the major equipment, engineering or construction.
4. The Proponent has a soft pricing commitment, such as a non-binding or indicative budget price quotation, from the applicable contractor(s).
5. The Proponent has not identified contractor(s) or has not obtained either a firm pricing commitment or soft pricing commitment with respect to the proposed Contract Facility.

In order to evidence the Proponent's classification, the Proponent should provide a letter from the external contractor(s) stating whether it has executed a contract with the Proponent or provided a firm or soft pricing commitment, if applicable. If no evidence is provided, it will be deemed that no contractor has been identified or has provided either a firm or soft pricing commitment with respect to the proposed Contract Facility and zero points will be awarded.

Proponents who will solely rely on in-house expertise and capability and will not use external contractor(s) should outline the commitment of resources to the project as well as cost and risk mitigation measures.

The Proponent must not submit any pricing or similar information and must redact any letter from a contractor or other supporting documentation to ensure that pricing or similar information does not appear. This is necessary so that only the criteria specifically applicable at this stage are applied by the Evaluation Team.

### **3.3.6 Equipment Availability (5 points)**

The equipment availability rated criterion is designed to assess the Proponent's progress in obtaining equipment for the proposed Contract Facility. Points will be allocated depending on progress in securing the major equipment (for example, gas turbines) required for the proposed Contract Facility.

Points will be allocated based on the following levels of progress, ranked from highest to lowest:

1. The Proponent has entered into an equipment supply agreement (an "**Equipment Supply Agreement**") with a fixed price that guarantees delivery of the major equipment in a timeframe consistent with the proposed Contract Facility's Commercial Operation Date.

2. The Proponent is in the process of negotiating an Equipment Supply Agreement that guarantees delivery of the major equipment in a timeframe consistent with the proposed Contract Facility's Commercial Operation Date and the Proponent has a letter of intent from the manufacturer for the delivery of the required equipment.
3. The Proponent has selected a major equipment manufacturer and has a letter of intent from the manufacturer for the delivery of the required equipment.
4. The Proponent has no form of commitment from a major equipment manufacturer.

Proponents should submit any supporting documentation to evidence their progress, including any agreements, commitments, letters of intent or memoranda of understanding to evidence their status. The Proponent should outline the general terms of any such form of agreement, the type and amount of equipment, delivery timeframe and how that corresponds to the proposed Contract Facility's Commercial Operation Date.

The Proponent should also outline the number of turbines committed under such an agreement, indicating the delivery schedules for these turbines and capacity represented by other facilities under development by the Proponent for which these turbines may be used.

The Proponent must not submit any pricing or similar information and must redact any supporting documentation to ensure that pricing or similar information does not appear. This is necessary so that only the criteria specifically applicable at this stage are applied by the Evaluation Team.

### **3.3.7 Fuel Supply (5 points)**

This criterion will assess the degree to which the Proponent has worked towards completing the natural gas connection required to operate the proposed Contract Facility and achieve Commercial Operation by the proposed Milestone Date.

With respect to the natural gas lateral and metering facilities required to connect the proposed Contract Facility to the natural gas distribution or natural gas transmission system, and any natural gas distribution or natural gas transmission system expansions or upgrades necessary to deliver the volumes of natural gas required to operate the proposed Contract Facility, at the minimum delivery pressure, points will be allocated from highest to lowest based on the following levels of progress demonstrated by the Proponent:

1. The Proponent, or the entity that will be responsible for constructing the natural gas connection facilities on its behalf, has:
  - determined the preferred route and one or more alternate routes for the natural gas connection facilities, and

- completed the required preliminary environmental studies (such as geotechnical studies for example).
2. The Proponent, or the entity that will be responsible for constructing the natural gas connection facilities on its behalf, has:
    - determined the preferred route and one or more alternate routes for the natural gas connection facilities, and
    - is in the process of completing the required preliminary environmental studies (such as geotechnical studies for example).
  3. The Proponent, or the entity that will be responsible for constructing the natural gas connection facilities on its behalf, is in the process of determining the preferred route and one or more alternate routes for the natural gas connection facilities.
  4. The Proponent, or the entity that will be responsible for constructing the natural gas connection facilities on its behalf, has not started the process of determining the preferred route and one or more alternate routes for the natural gas connection facilities

The points for this criterion will be determined by the Proponent's response to the Technical Questionnaire as well as providing the following supporting documentation.

As supporting documentation, the Proponent should provide a letter from the entity or entities responsible for constructing the natural gas connection facilities on its behalf to substantiate any work that has been performed on behalf of the Proponent. The Proponent should also include the details of the preferred route and any alternate routes on a map, as well as provide a copy of any completed preliminary environmental studies.

### **3.3.8 Water Use (4 points)**

Water is a scarce resource and its consumption should be minimized to the extent reasonably possible.

Proponents must provide in the Rated Criteria Information Form :

1. the average quantity of water consumed (net of recirculated water), in litres per hour, by the proposed Contract Facility when in operation for each of the following functions:
  - cooling (equipment, process fluids, etc.);
  - emissions control;
  - inlet fogging (if applicable);
  - any other operating functions; and



the total average quantity of water consumed (net of recirculated water), in litres per hour, for all of these functions combined (the “**Estimated Operating Water Use**”);

2. the average quantity of water consumed (net of recirculated water), in litres per day, by the proposed Contract Facility regardless of whether it is or is not operating (the “**Estimated Service Water Use**”) for functions such as:
  - maintenance and equipment cleaning;
  - use by plant personnel;
  - other uses.

As supporting documentation, the Proponent should provide:

- documentation from the original equipment manufacturer(s) in the forms of tables, curves, or other to support the water requirements of the equipment;
- a summary of the water balance for the proposed Contract Facility, along with a diagram showing sufficient detail with respect to water use.

For evaluation purposes, the following will be used:

- 365 days per year;
- 500 operating hours per year.

The values provided by the Proponent will be entered into the following formula:

$$\text{Evaluated Water Consumption} = 500 * \text{Estimated Operating Water Use} + 365 * \text{Estimated Service Water Use}$$

The result will be a value for the annual Evaluated Water Consumption in litres.

Points for this criterion will be assigned on a comparative basis, by comparing the Evaluated Water Consumption values of all the Proposals against each other.

The Proposal with the lowest Evaluated Water Consumption from amongst all the Proposals (“**Evaluated Water Consumption Lowest**”) will be awarded the full point score.

The Proposal with the highest Evaluated Water Consumption from amongst all the Proposals (“**Evaluated Water Consumption Highest**”) will be awarded zero points.

The remaining Proposals will receive point scores between zero and full points based on their Evaluated Water Consumption in relation to Evaluated Water Consumption Lowest and Evaluated Water Consumption Highest.

### **3.3.9 Water Supply (3 points)**

Points will be allocated based on the following levels of progress:

1. The Proponent can provide evidence that all the proposed Contract Facility's water and waste water requirements can be met and that the proposed Milestone Date for Commercial Operation will be achieved, as well as provide a clear risk mitigation strategy and can demonstrate arrangements with the local and regional municipalities and/or the Province with respect to obtaining water and waste water services, if required and applicable.
2. The Proponent is in the process of making arrangements with the local and regional municipalities and/or the Province to obtain water and waste water services and has a comprehensive plan outlining how to mitigate risks associated with obtaining such water and waste water services and can meet the proposed Milestone Date for Commercial Operation.
3. The Proponent is in the process of making alternative arrangements to provide required water and waste water services and has a comprehensive plan outlining how to mitigate risks associated with obtaining such water and waste water services and can meet the proposed Milestone Date for Commercial Operation.
4. The Proponent has not worked with the local and regional municipalities and/or the Province to make arrangements with respect to water and waste water services, or does not have alternative arrangements to provide such services and does not have a comprehensive plan clearly outlining how to mitigate any risks associated with obtaining water and waste water services.

In addition to the information contained in the Rated Criteria Information Form, Proponents should provide supporting documentation, including a letter, or letters, from each of the local municipality and, where applicable, the regional municipality, outlining if and how the proposed Contract Facility's water and waste water requirements will be met, what approvals are required, associated milestones for obtaining such approvals and such water and waste water services, as well as any concerns regarding the proposed Contract Facility's water and waste water requirements that the municipality may have as they relate to the proposed Contract Facility.

### **3.3.10 Proposed Milestone Date for Commercial Operation (2 points)**

Points will be allocated from highest to lowest for the following proposed Milestone Dates for Commercial Operation of the proposed Contract Facility:

1. The proposed Milestone Date for Commercial Operation is June 1, 2010 or earlier.

2. The proposed Milestone Date for Commercial Operation is after June 1, 2010 and before June 1, 2011.
3. The proposed Milestone Date for Commercial Operation is after June 1, 2011.

The points for this criterion will be determined by the Proponent's response to the Technical Questionnaire.

### **3.4 Stage 4 – Evaluation and Selection Process**

This Section outlines the evaluation and selection process for all the Proposals that have achieved the Minimum Required Total Point Score in Stage 3, in accordance with the procedures set out below.

The evaluation is comprised of the following four steps:

- Step 1: Calculation of the Evaluated Cost
- Step 2: Determination of any Outlier Proposals
- Step 3: Calculation of the Adjusted Evaluated Cost
- Step 4: Selection of the Proposal with the lowest Adjusted Evaluated Cost

#### **3.4.1 Step 1: Calculation of the Evaluated Cost**

The "Evaluated Cost" is calculated to assess the economic competitiveness of each Proposal. The Economic Bid Evaluation Model, which will be made available to the Qualified Applicants and posted on the Generation Procurement Website, will be used to calculate the Evaluated Cost of each Proposal. The Economic Bid Evaluation Model will also aid Proponents in preparing their Economic Bid Statements, on the understanding, however, that the data and spreadsheets in such model are provided solely for the convenience of Proponents in preparing Proposals under the NYR RFP. The OPA and its directors, officers, employees, advisors, and agents, as the case may be, assume no responsibility whatsoever, and expressly disclaim any liability, for the contents of such model (including the data and formula it contains and the results produced there from) or the manner in which this section or the contents of the documents and spreadsheets or the results produced are used by Proponents. Proponents are reminded that the calculations are determined solely for purposes of conducting the Economic Bid Evaluation and the information provided for any Prospective Model Year is not intended to be a forecast by the OPA or its advisors.

The calculation of the Evaluated Cost is described in greater detail below, and involves the calculation of:

### 3.4.2 Step 2: Determination of any Outlier Proposals

In this step, the OPA will calculate the weighted average Evaluated Cost for all Proposals not rejected in Stage 3 (the "**Weighted Average Evaluated Cost**"), based on the Annual Average Contract Capacity and the Evaluated Cost for each Proposal in the Economic Bid Evaluation.

The OPA will then determine which, if any, of the Proposals is materially higher or lower than the Weighted Average Evaluated Cost (the "**Outlier Proposal**"). The OPA will then consider whether any of these Outlier Proposals have justifiable cost differences based on the information provided in the Proposals and in the breakdowns of the Total Project Costs (as submitted in accordance herewith) and differences in the proposed Contract Facility's technology, generation equipment or other unique features. If the OPA determines that the cost differences of any of the Outlier Proposals cannot be rationalised, the OPA may in its Discretion disqualify such Proposal.

### 3.4.3 Step 3: Calculation of the Adjusted Evaluated Cost

Any Proposal that is not disqualified in Step 2 shall then have its Evaluated Cost discounted by a factor that is directly proportional to its Total Point Score received in Stage 3, in order to determine the Proposal's Adjusted Evaluated Cost.

The OPA will calculate each Proposal's Discount Factor (DF) based upon the Proposal total point score in Stage 3. The Discount Factor is calculated as follows: if the Proposal's total point score is equal to or greater than 40, the Discount Factor is calculated as per the formula below:

$$\text{Discount Factor} = (\text{Total Point Score} - 40) * 0.0033$$

For example, if a Proposal received 100 out of 100 points, then the Discount Factor for that Proposal would be 0.200. If a Proposal received 70 out of 100 points, then the Discount Factor for that Proposal would be 0.100.

For the sole purposes of the evaluation process, the OPA will then calculate the "**Adjusted Evaluated Cost**" of a Proposal as the product of (a) the Evaluated Cost, and (b) one minus the Discount Factor, as per the formula below:

$$\text{Adjusted Evaluated Cost} = \text{Evaluated Cost} * (1 - \text{DF})$$

#### **3.4.4 Step 4: Selection of the Proposal with the Lowest Adjusted Evaluated Cost**

Subject to the internal governance procedures of the OPA, the Proposal with the lowest Adjusted Evaluated Cost will be selected and the Proponent submitting such selected Proposal will be the Selected Proponent and will be required to enter into the NYR Contract and to carry out the provisions of the NYR Contract and the Proposal.

#### **3.4.5 Potential Need to Repeat Evaluation**

If a Proposal becomes invalid for reasons that include, but are not limited to, the following reasons:

- The Proponent fails to deliver the Completion and Performance Security within eight Business Days;
- The Proponent fails to deliver the executed NYR Contract within 10 Business Days as required in Section 2.8;
- The Proponent makes or has made a material misrepresentation in the Proposal;
- The Proponent is in breach or default of this NYR RFP,

then the OPA reserves the right to repeat the evaluation process starting with the step outlined in Section 3.4.3.