Community-Led renewable Energy

Innovative Renewable Energy Initiative

Policy

December 2023

Yukon Development Corporation

BACKGROUND

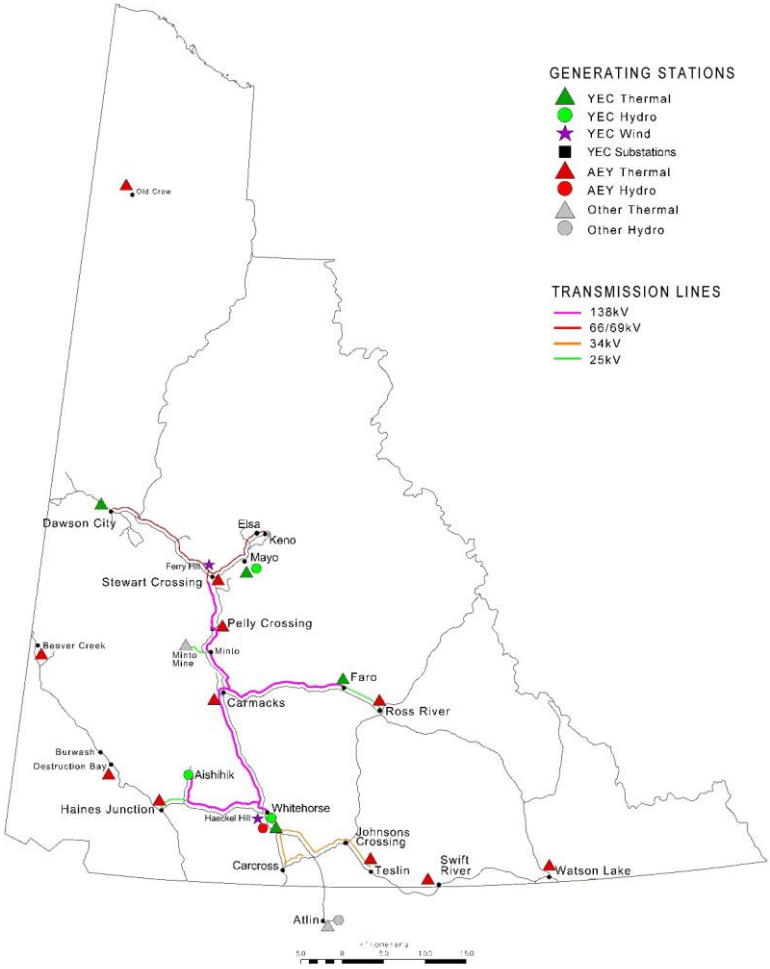
Yukon Development Corporation has been directed to develop and manage an initiative with the objective of encouraging and supporting the development of community-led renewable energy generation projects in Yukon.

The projects supported by this initiative will contribute to a broad range of government objectives:

- greenhouse gas emissions reduction targets;
- reducing Yukon's dependence on fossil fuels;
- diversifying our energy sources;
- mitigating the potential impacts of carbon taxation

Please note that the Independent Power Production Policy will be undergoing review and updating in the 2024/2025 fiscal year. Amendments to this policy are anticipated to align with the amended Independent Power Production Policy.

Electrical Generation and Transmission System for Yukon



SCOPE

1. Application

This policy applies to Yukon-based public and private organizations who want to generate electrical or heat energy from renewable sources and sell it to the local market.

2. Policy Goal and Objectives

The goal of this policy is to support and encourage local/community participation in the commercial generation of electrical or heat energy from renewable sources.

The objectives of the Innovative Renewable Energy Initiative (IREI) are to:

1. reduce the dependence on and consumption of fossil fuel in Yukon by maximizing all aspects of the Independent Power Production policy by 2025;
2. develop local business opportunities in energy generation by funding local organizations to complete a minimum of four energy production projects by 2025;
3. build experience and capacity in renewable energy generation by providing funding to the sector for more economic participation in energy; and
4. increase and diversify Yukon's energy generation capacity by adding sources of wind and solar generation to Yukon's main and isolated girds by 2025.

3. IREI Target

To meet these objectives, this policy will establish the following aspirational targets for IREI's contribution to Yukon's climate change mitigation strategy:

1. offset 850 tonnes of greenhouse gas emissions from fossil fuel sources by 2022; and
2. have four community-based renewable energy projects operational by 2025.

POLICY PARAMETERS

This policy establishes the process by which organizations can apply for and receive funding from IREI (the Program) for their renewable energy projects. That process includes:

1. Organization eligibility: defining who can apply to the initiative.
2. Project eligibility: what kinds of projects will be funded.
3. Project acceptance and review process: how applications will be evaluated.
4. Stage-gate process.
5. Monitoring and reporting requirements.

1. Organization Eligibility

This initiative will be open to a broad range of Yukon-based organizations (Proponents), including:

- Municipal Governments
- First Nation Governments
- First Nation Development Corporations
- Community Societies or Associations
- Yukon-based businesses

For the purposes of the initiative, community societies or associations are defined as being organizations that:

- Are registered societies under the Yukon Societies Act and are in good standing?
- Are based in the community.
- Are open to local public membership.
- Have no association with any specific generating solution and whose members will not benefit directly from the selection of a specific solution.

Yukon's existing utilities, Yukon Energy Corporation and ATCO Electric Yukon, are only eligible to receive funding through this initiative if all other eligible applications within a fiscal year have been funded and unspent funds would otherwise lapse.

A partnership between eligible participants is permitted. Partnerships between an eligible recipient and ineligible recipient are permitted so long as the eligible recipient has an ownership stake of 51 percent or greater in the Project.

To be considered for funding, the organization (Proponent) must have a project team identified that will be accountable for the deliverables associated with the current phase of the project, and sufficient capital allocated to the project to cover 15% of the costs associated with completing the current phase of the project (phases are described below under the "Stage-gate Process" section).

2. Project Eligibility

The focus of the initiative will be on the use of established or proven technologies using renewable energy sources for the generation of electrical or heat energy in Yukon. These would include:

- Photovoltaic solar panels
- Solar thermal collectors
- Wind turbines
- Biomass
- Gasification
- Run-of-River hydro
- Hydro
- Geothermal
- Demand-Side management
- Energy storage

Other technologies to be deemed as eligible upon review and approval by YDC.

Preference may be given to those projects that can demonstrate that their implementation will result in a direct and significant reduction in greenhouse gas emissions.

Scale of Projects

There are no hard limits to the scale of project that can be supported through the initiative. For electrical generation projects, the limit will be determined through the Grid Impact Assessments and the Electricity Purchase Agreements.

From a funding perspective, the maximum support the initiative will provide is the lesser of 75% of eligible expenses or $500,000. Five hundred thousand dollars is the maximum for an entire project.

Proponents are responsible for the remaining 25% of project expenses. Proponent contributions may be own-source or from a third party. In-kind contributions directly related to the application may be considered up to a maximum of 10% of the proponent contribution.

3. Project Acceptance and Review Process

Applications to the initiative will be accepted on an on-going basis. A standard application form will be provided to guide applicants through the process. YDC will provide support for applicants should assistance be required.

Project applications will be forwarded to an advisory committee including:

- A representative from YDC
- Representation from a diverse group of Yukon government representatives, including but not limited to, Energy, Mines and Resources (EMR), Highways and Public Works (HPW) and

Economic Development.

To be accepted for evaluation, applicants will have to demonstrate that their projects can meet both the organization and project eligibility criteria. Once cleared, the project will be assessed on its alignment with the objectives of the initiative (see Section 2 above),which development stage it is in, and how it aligns with renewable energy needs in the Yukon.

Application to the Innovative Renewable Energy Initiative and/or acceptance of an application for evaluation does not guarantee funding. Previous successful application to the fund does not guarantee subsequent or additional funding.

4. Stage-Gate Process

Projects will be assessed as to where they fit in the project life-cycle. The assessment will be based on the information provided by the proponent, as per the categories listed in Appendix A. Funding support will be provided only for activities associated with the stage in which the project is assessed.

Support for subsequent stages of the project will be based on three criteria:

1. Balance of funding available given the $500,000 cap
2. Completion of the documentation associated with the current stage
3. Demonstration of technical, financial, and operational feasibility at the current stage

5. Funding Parameters

Funding support from the Program will reflect the scale, scope and development state of the project. The total award of funding may be conditional and subject to the completion of the documentation requirements for each phase listed in Appendix A: Documentation Content. Additional documentation may be required to demonstrate project viability and proponent eligibility prior to receiving financial support.

Funding Guidelines by Phase

- Feasibility Phase – up to $150,000
- Design Phase – up to $300,000
- Implementation Phase – up to $500,000

Eligible Expenditures

1. All costs considered by Yukon (YDC) to be direct and necessary for the successful implementation of the current Phase of an eligible Project, excluding those explicitly identified under Ineligible Expenditures, and which may include capital costs, design and planning, and costs related to meeting specific Program requirements.
2. The incremental costs of employees of a Proponent may be included as Eligible Expenditures for a Project under the following conditions:

a) The Proponent is able to demonstrate that it is not economically feasible to tender a Contract; and
b) The arrangement is approved in advance and in writing by Yukon (YDC).

3. Capacity expenditures such as for example salary expenditures.

Legal fees related to Energy Purchase Agreements

Ineligible Expenditures

1. Costs incurred before Project approval and any and all expenditures related to contracts signed prior to Project approval;
2. Costs incurred for cancelled Projects;
3. Costs incurred once the Project is deemed by the Proponent or Yukon (YDC) to no longer be economically viable or technically feasible, or has no reasonable likelihood of completing the current Phase or advancing to a future Phase, in accordance with Appendix A: Documentation Content;
4. Land acquisition;
5. Leasing land, buildings and other facilities; leasing equipment other than equipment directly related to the construction of the Project; real estate fees and related costs;
6. Any overhead costs, including salaries and other employment benefits of any employees of the Proponent, any direct or indirect operating or administrative costs of the Proponent, and more specifically any costs related to planning, engineering, architecture, supervision, management and other activities normally carried out by the Proponent's staff, except in accordance with paragraph 2 of Eligible Expenditures;
7. Financing charges, legal fees, and loan interest payments, including those related to easements (e g. surveys);
8. Any goods and services costs which are received through donations or in kind;
9. Provincial sales tax, goods and services tax, or harmonized sales tax for which the Proponent is eligible for a rebate, and any other costs eligible for rebates;
10. Costs associated with operating expenses and regularly scheduled maintenance work;
11. Cost related to furnishing and non-fixed assets which are not essential for the operation of the Asset/Project; and
12. All capital costs, including site preparation and construction costs, until Yukon (YDC) has confirmed that environmental assessment, permitting, and Indigenous consultation obligations have been met and continue to be met.

6. Monitoring and Reporting Requirements

As part of the agreement for support, proponents will be required to provide information on the actual performance of the equipment associated with the project, if it reaches operational status. This will help IREI refine its support model and assessment process for future projects. Information to be shared will be mutually agreed upon and will be specified in the Transfer Payment Agreement.

YDC will make publicly available a report which identifies the projects supported.

Appendix A: Documentation Content

Documentation presented by the applicant will be assessed by the committee to determine the development phase the project is in. It is not necessary to break out the documentation into these specific categories, but the content described in each phase below must be completed and provided to YDC before funding for subsequent phases will be considered.

1. Feasibility Phase

This phase will establish the community support for the project, its objectives, the technology used to generate the energy, and a high-level assessment of its financial feasibility.

Project Overview

The project overview sets out the background of the project. It describes who is working on it, who has been consulted or engaged in it, what the objectives and success criteria are, and what has been accomplished to date. Information should include:

- Applicant: who the applicant is, and what role they will fill in the project.
- Project History: work accomplished to date, along with a description of community involvement.
- Project Objectives: the problem the project seeks to solve or need the project will fulfill, including goals and measures of success.

Technology Overview

Depending on how far along the project is, this document will either describe the alternatives under consideration for energy generation or the technology that has been selected for the project.

Energy Model

The energy model is developed in the later part of the feasibility stage. It includes the amount of energy the project expects to deliver to the grid by month and how the project will integrate with the grid.

Project Plan

The project plan is a document that will evolve over time as the project moves through the phases.

The plan will outline how the project is anticipated to develop, including the phases from pre-planning through to operation, key milestones with dates, and all known or predictable interdependencies.

In the feasibility stage, the project plan should provide as much detail as possible about key

project areas such as:

- Project schedule
- Front-end engineering design
- Resource assessment
- Grid impact assessment
- Project sizing
- Site selection
- Site development
- Permit and regulatory approvals
- Environmental assessment
- Interconnection/grid connection
- Technology and equipment suppliers and shipping arrangements
- Milestone dates and expected commissioning date
- Local utility support and involvement
- Independent Power Producer application and/or Electricity Purchase Agreement negotiations
- Activities required for interconnection
- Community engagement
- Reference drawings

Investment Plan and Cash Flow

Addresses the issue of how much capital is required to develop the project, and where the project team expects to get it. It is recognized that not all the details of the capital requirements will be settled in this phase, but high-level estimates should be available before the end of the feasibility phase, and the project team must have a plan for acquiring the necessary capital for the project before proceeding to the design phase.

Along with the investment plan, an initial estimate of the cash flow must be provided. It is recognized that this would be dependent upon the terms of the Electricity Purchase Agreement, but an initial estimate can be made based on the expected energy delivery and an estimated rate.

Operational Model

This describes who will operate and maintain the renewable generation facility and the equipment necessary to integrate the power generated into the grid.

2. Design Phase

In this phase, the project team will be responsible for providing detailed information on the physical, operational, and financial dimensions of the project.

Facility Design

Describes the physical layout and specific location of the facility, along with capital equipment costs, site-preparation expenses, installation costs, and any other expenses associated with making the facility fully operational.

Environmental Assessment

Many projects will trigger the requirement for an environmental assessment through YESAB. Proponents must either demonstrate that their project does not require YESAB approval, or complete the approval process with YESAB.

Land Use Agreements

Demonstrates that the project has acquired the right to build and operate the facility on the chosen site.

Grid Impact Assessment

Demonstrates that the project facility would not adversely affect the stability of the existing grid.

Electricity Purchase Agreement

An agreement between the local utility and the organization operating the renewable energy facility outlining the terms and conditions of having the utility purchase the power generated.

Business Model

A detailed description of how the organization operating the renewable energy facility will operate, including all sources of revenue and expense. It outlines the key relationships between the facility and its partners, and how it will meet its stated objectives and goals.

Operating Plan

Provide a detailed plan and schedule for staffing, maintenance and any other aspects associated with the operation of the facility.

Financing Agreements

These agreements will demonstrate that the proponent has access to sufficient capital to complete the project successfully, and that the terms associated with these agreements are such that the project will be financially sustainable.

Construction Plan

Provide a detailed plan and schedule for the acquisition of equipment, site-preparation, installation, and any other aspects associated with the construction of the facility.

Construction Permits

The proponent will demonstrate that all permits and licenses associated with the construction of the renewable energy project have been acquired.

3. Implementation Phase

In this phase, the project team will be responsible for providing detailed information on the construction and operational dimensions of the project.

Business License

The proponent will demonstrate that it has completed all applicable registrations and secured the necessary business license(s) required to commence operation.

Final Permitting

The proponent will demonstrate that any outstanding applicable permits and licenses associated with the construction or operation of the renewable energy project have been acquired.

Commissioning

Provide a detailed plan and schedule for the commissioning of the renewable energy project.

Evaluation

The proponent shall indicate how the project will be assessed from both an economic and social standpoint, including evaluation metrics and timelines.