

April 17, 2018

Fair Trading Commission
Good Hope, Green Hill
St. Michael
BB12003
Barbados

Attention: Dr. Martha Atherley-Ikechi, Director of Utility Regulation

Re: Public Consultation Notice – Power Purchase Agreement for Distributed Generators

Dear Dr. Atherley-Ikechi,

Blackstone Megawatt Energy Services Inc. is an energy services provider in Barbados with experience developing and negotiating Power Purchase Agreements in multiple locations. We are pleased to provide the following comments as part of the Fair Trading Commission's solicitation.

It is important to stress that a number of our comments are related to third party financing of renewable energy – and solar energy specifically. Rarely are MW-scale projects undertaken without access to third party financing so we see the satisfaction of a lender's contractual and security requirements as critical to a project's feasibility.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours faithfully,

Grant McArthur
VP Renewables

cc: Michael Cadogan, Ian Sinclair: BMESI

Comments on the document “Renewable Energy Supplier Agreement for Distributed Generators >500kW”, from The Barbados Light & Power Company Limited, 2016

General Comments

1. There are few conditions precedent to signing a PPA with BLPC. Often, there are qualifying items required in order that the utility or regulator doesn't have to invest significant time assessing a project with little chance of proceeding. For example, there is no requirement for any evidence of Town and Country approval or long-term access (lease or ownership) to the site location.

Definitions

2. **Excess Energy.** The definition of Excess Energy is too narrow given the typical range of solar/wind generation from location to location. We recommend this be increased from 1.02 to 1.10.
3. **Performance Securities.** Our experience is that Performance Securities typically do not exist post-Commercial Operation Date (COD) for renewable energy projects, given the technology and energy sources employed. When they do exist, they cannot be overly punitive or it will deter development and investment.
4. **Prime Rate.** Given banking sector connections between Canada and Barbados we would recommend using the Government of Canada rate.
5. **PV Discount Rate.** Recommend this be set at the time of COD.

Terms

6. **Item 3.0.** Allowing BLPC security over the project will be very problematic for a Facility Lender due to conflict of interest between the generator (the IPP) and the off-taker (BLPC), who also owns the majority of generation on the island. Further, we submit that given the capital they invest in a project, the IPP and the Facility Lender are tremendously motivated to operate and maintain the project to the best of their abilities, and that there is no need for the LDC to have security over the project.
7. **Item 3.1.** Performance Security. We recommend \$50 per kW pre-construction decreasing to \$25 per kW, post-construction.
8. **Item 4.2.** Any delays to construction as a result of a Force Majeure should be incorporated into the definition.

9. **Item 5.3.** Penalties for under-performance are far too harsh given the realities of renewable energy generation (see #2 above).
 - a. We suggest 5.3 (b) be deleted and the contract should rely on 5.3 (c) for under-performance correction measures.
 - b. Item 5.3. There is no Section 4.1 (d) in the document.
10. **Item 7.0.** In terms of paying for any rural connection, consideration should be given to location, given the national benefit to expanding electricity infrastructure outside of major urban locations.
11. **Item 9.0.** Production forecasts – particularly for solar – should not be required to be provided on a daily or hourly basis given unpredictability of locational cloud build up.
12. **Item 13.2 (b).** On site staff not required for solar PV; 24-hour off-site monitoring should be sufficient.
13. **Item 13.2(c).** No Long Term Service Agreement should be subject to BLPC for review given the nature of solar PV operation. This seems overly bureaucratic.
14. **Item 14.** A clause should be inserted that following the expiration of the written notice period, the cure period shall be extended by twenty (20) business days if the RE Supplier is diligently remediating the failure.
15. **Item 14.** It should be clear that the Facility Lender will be notified of any RE Supplier default, and be given the ability the cure the RE Supplier default within the same period of time as the default provision.
16. **Item 14.1 (b).** It will be very difficult for the Facility Lender or RE Supplier to accept this clause. Both will be highly motivated to make their project work but unforeseen events, other than an Extraneous Event, may trigger 14.1. The RE Supplier should be given time to remedy and if a remedy is not possible, the parties should negotiate in good faith to reduce the Energy Bid accordingly.
17. **Item 14.2 [note to draft].** No project Facility Lender will lend to a project that allows for BL&P to take over Facility ownership in the event of default. Conflict of interest.
18. **Item 14.2 (a).** Request the advance notice to be fifteen (15) business days.
19. **Item 14.2 (d).** This clause will be difficult for a Facility Lender. In the event of a termination, the Facility Lender will need to salvage what it can to make itself whole. The Early Termination Payment will compromise its ability to do so.

20. **Item 14.5.** This clause and its concept will be very difficult for a Facility Lender to accept. Who will make this payment to BL&P? In the event of a default, the project will cease to exist and the Facility Lender will need to salvage what it can to offset its loss. An Early Termination Payment compromises the security of the Facility Lender.

21. **Item 15.1 (b,iii).** Further definition of this item is required, particularly as relates to the potential for hurricane damage. Precedent for expectations of severe weather in terms of wind speeds are defined within the Barbados Building Code as 130 mph and while not typically experienced over the previous 20-years, are a known risk in the area and need to be recognised as such.