

INDUSTRIAL ACCELERATOR PROGRAM

Overview of Proposed IAP Changes

November 19, 2018

Agenda

- Purpose
- Background
- Considerations
- Overview of Proposed Changes
- Next Steps
- Q&A

Purpose

- To provide an overview of the proposed changes to the Industrial Accelerator Program (IAP) and to collect feedback prior to moving ahead with implementation

Background

- The IESO, in collaboration with LDCs, implemented enhancements to the Process & System Upgrades (PSU) program, which is delivered by local distribution companies under the Conservation First Framework, in April 2018
 - Changes were the result of a comprehensive mid-term review of the Programs
 - Some IAP participants and engineering consultants had participated in IESO stakeholder engagements
 - Changes were broadly supported by customers, consultants and LDCs
- The changes were implemented to achieve the following benefits:
 - Strengthen program participation through reduced customer administrative burden;
 - Shorten project cycles including administrative review periods and agreement execution;
 - Increase program cost effectiveness via efficiencies and scale; and
 - Improve customer satisfaction through streamlined processes and requirements

Considerations

- With success being demonstrated through the implementation of the PSU changes, the IESO has identified changes that, when implemented, are expected to achieve similar benefits through the IAP while fostering consistency for industrial customers across the province
 - The proposed changes will be applicable to all IAP customers
 - The changes are expected to be implemented, and available to IAP customers, beginning Q1 2019

Overview of Proposed Changes

- The following changes are proposed to be implemented through the IAP:
 - Streamlined Participant Agreement
 - Restructured Project Incentive
 - Revised Measurement & Verification (M&V) requirements
 - Shortened contract term
 - Revised Engineering Study requirements

Item 1 – Streamlined Agreement

- To be removed from Project Incentive Agreements: Requirements for Solvency certificates, Energy Management Plan, Status Reports
- In place: Master Program Agreement and Incentive Schedules
- Streamlined payment and default terms

Item 2 – Project Incentive Restructuring

- Currently the program pays 100% of the approved customer incentive, whether a project achieves a minimum of 90% savings or exceeds the energy savings target
- It is proposed that the customer incentive will be paid based on actual savings achieved, capped at 120% of predicted savings
- Reduce onus of proving savings at application stage
 - Technical Review to focus on the baseline/M&V Plan
 - May result in less certainty of the estimated savings and incentive
 - Should improve turn around time of applications

Item 2: Project Incentive Restructuring – Proposed Payment Schedule

Deferred Payment	Timing	Amount	Condition
1 st Payment	Q1 M&V Report	50%	Based on M&V savings and Eligible Costs*
Final Payment	Y1 M&V Report	Balance	Based on M&V savings and Eligible Costs*

Advanced Payment	Timing	Amount	Condition
1 st Payment	Approval & Receipt of Security	50% (approved)	Based on Approved Amount; Requires a 50% Security
2 nd Payment	Q1 M&V Report	90% (actual)	Based on M&V savings and Eligible Costs*
Final Payment	Y1 M&V Report	Balance	Based on M&V savings and Eligible Costs*

*Eligible Costs = minimum of: 1) actual Eligible Costs, or
2) the estimated Eligible Costs, adjusted for changes outside of the Participant's control e.g. exchange rate and actual connection costs

Item 3: Revised M&V Requirements

- M&V reporting to not be an ongoing obligation
 - All projects to submit 1st quarter and 1st year M&V reports (formerly 10 years for > \$1M)
 - M&V Plan will stipulate information to be maintained for future audits to verify persistence of savings

Term (years)	1	2	3	4	5	6	7	8	9	10
<\$1M	New									
>\$1M	New									Former

Item 4: Shortened Contract Term

- Most project contract terms reduced to 4 years
- Participants' obligations beyond first year:
 - Maintain operation of measures with intention to achieve energy savings (Facility shut-down, removal of the measures or other non-conformance to agreed terms would warrant a partial incentive repayment)
 - Access and availability of information on request (audit)

Term (years)	1	2	3	4	5	6	7	8	9	10
<\$1M				New	Former					
>\$1M			New - EE						New - BMG	
										Former

Item 5: Revised Engineering Study Requirements

- Current study offer involves rigid requirements for preliminary and detailed studies
 - Very few opportunities proceed from a preliminary study to a detailed study to project
- The Engineering Feasibility Study will be used to enable a project
 - Flexible scope rooted in current preliminary and detailed studies
 - Provide what the Participant needs to move the project forward
- Study cost deducted from project incentive

Additional Proposed Changes

- Minimum Annual Electricity Savings: 300MWh;
- All measures must have at least 5 years' persistence
- Performance Security (Advanced payment): 50% of the incentive amount prior to the 1st payment, and reduce to zero upon final payment
- Fossil-fueled CHP: clarity provided for impact of Total System Efficiency (TSE) < 65%
 - $62.5\% \leq \text{TSE} < 65\%$: 5% discount
 - $60\% \leq \text{TSE} < 62.5\%$: 10% discount
 - $57.5\% \leq \text{TSE} < 60\%$: 15% discount
 - $< 57.5\%$: is considered a default of the incentive schedule

Next Steps and Q&A

- Feedback is due by December 7, 2018 and can be submitted to IA@ieso.ca
- When submitting feedback, please consider:
 - Comments on the proposed changes
 - Any recommendations for implementation of proposed changes
- IESO will respond to feedback on IESO website by December 14, 2018