

Program Name: saveONenergy Process & Systems Upgrades Program

## **1. Program Description**

The Process & Systems Upgrades Program (the “PSU Program”) provides financial support (i.e. incentives) for the implementation of Energy Efficiency and Generation Projects (collectively, the “Projects”) that are capital intensive.

This PSU Program also provides funding for an Engineering Feasibility Study which supports the PSU Program by identifying and developing PSU Program participation opportunities. See Appendix 3.

This PSU Program is offered under, and is subject to the terms of, the Energy Conservation Agreement.

All capitalized terms not defined in these Process & Systems Upgrades Program Rules (the “PSU Program Rules”) have the definitions given to them in the Energy Conservation Agreement between the LDC and the IESO.

These PSU Program Rules will take effect on May 7, 2018.

## **2. Program Rules**

Recommended reference material relating to the PSU Program is for information purposes only and may be found at [saveonenergy.ca/Business/Program-Overviews/Process-and-System-Upgrades.aspx](http://saveonenergy.ca/Business/Program-Overviews/Process-and-System-Upgrades.aspx).

### **2.1 Standard (Provincially-Consistent) Incentives**

As detailed below, the Participant Incentives under the PSU Program are different for:

- (a) Energy Efficiency Projects; and
- (b) Generation Projects.

### **2.2 Participant Incentive for Energy Efficiency Projects**

The Participant Incentive for Projects is the lower of:

- (a) 70% of the Eligible Costs of the Project;
- (b) the product of the Electricity Savings multiplied by \$200/MWh capped at 120% of the Approved Amount; and
- (c) the amount that would provide a Project Payback for one year for a Project.

## 2.3 Participant Incentives for Generation Projects

The Participant Incentive for a Generation Project is the lower of:

- (a) 70% of the Eligible Costs of the Projects (including a Waste Energy Recovery project), or in the case of a Conservation Combined Heat and Power (CCHP) projects, 40% of the Eligible Costs of the Project;
- (b) the product of the Electricity Savings multiplied by \$200/MWh, up to a maximum of 120% of the Approved Amount; and
- (c) the amount that would provide a Project Payback of one year for the Project.

Applications for CCHP projects must demonstrate the ability to achieve the Total System Efficiency requirement of 65%. If the M&V Report demonstrates that the CCHP Projects fails to achieve a Total System Efficiency (TSE) of 65% (rounded to the second decimal) the Participant Incentive is discounted as follows:

- $62.5\% \leq \text{TSE} < 65\%$ : 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 Participant Agreement (see Appendix 2, Section 2)

2.4 The Participant Incentive is payable in accordance with the terms of Appendix 1.

## 3. Program Eligibility Criteria

### 3.1 Participant Eligibility

The Participant must:

- (a) be either (A) a Distribution Customer who owns and/or occupies the Facility, or (B) notwithstanding Section 3.1 of the Behind-the-Meter Generation Project Rules, a person who will install and operate a Project at the Facility (the “**Third Party Participant**”); and
- (b) be solvent.

### 3.2 Facility Eligibility

- (a) The Facility must be connected to, or behind the meter of another electricity consumer connected to the LDC’s Distribution System

- (b) For Third Party Participants, the Participant's proposed Project must be connected to the LDC's Distribution System, unless otherwise approved by the LDC.

### **3.3 Project and Measures Eligibility**

- (a) Applications for all CCHP Projects received after July 1, 2018 will not be eligible for Participant Incentive.
- (b) Projects must be the subject of an Engineering Feasibility Study or provide supporting documentation that substantially addresses the Engineering Feasibility Study Minimum Requirements (Appendix 3, Exhibit 1), as approved by the Technical Reviewer and the LDC.
- (c) Eligible Projects must be expected to deliver a minimum 300 MWh of Electricity Savings per year.
- (d) A Generation Project must be approved by the LDC and the IESO for the ability to connect to the Distribution System and be expected to produce a minimum Total System Efficiency in accordance with the [Behind-the-Meter Generation Project Rules](#) and [Eligible Behind-the-Meter Generation Projects Review Process Guideline](#)
- (e) A Project must:
  - (i) involve the installation or implementation of a Measure or Measures;
  - (ii) achieve an In-Service Date on or before December 31, 2020;
  - (iii) only include a Measure or Measures that delivers Electricity Savings for a minimum of 5 years for Energy Efficiency Projects and a minimum of 10 years in the case of Generation Projects;
  - (iv) conform to the requirements of the M&V Plan; and
  - (v) not fall under one of the following types of projects:
    - A. a project that the LDC determines is more appropriately funded by another Save on Energy program, or other IESO-funded program;
    - B. Lighting;
    - C. Demand Response;
    - D. a project with a Project Payback of less than 1 year;

- E. a project designed to reduce voltage or improve power factor or power quality other than as ancillary benefit to obtaining Electricity Savings;
- F. a project that involves installation of any equipment or system if such equipment or system, or the operation of either, would not comply with all laws and regulations;
- G. prior to submitting an Application to participate in the PSU Program to the LDC, the Participant has approved the undertaking of an Engineering Feasibility Study, or a Project in respect of an Application for the Project, entered into an agreement with a contractor or consultant (except to prepare a Engineering Feasibility Study in respect of a Project), or ordered or purchased any equipment for use in relation to the Project;
- H. a fuel-switching project, unless the Technical Reviewer has provided a recommendation to approve such a project and such project is approved by the LDC; or
- I. a project relating to a LDC's investment in new infrastructure or replacement of existing infrastructure, or any measures an LDC uses to maximize the efficiency of its new or existing infrastructure.

### **3.4 Eligible Costs**

#### **3.4.1 Eligible Costs**

Costs must be directly related to design, selection, purchase and installation of the Measure(s) included in a Project(s). The following costs may be eligible:

- (a) capital expenses;
- (b) for Generation Projects, connection costs to connect the Project to the distribution system;
- (c) equipment and products including diagnostic and testing tools and associated software;
- (d) data collection services, including processing, analysis and data management;
- (e) meter purchase, design, installation and configuration costs associated with implementing the M&V Plan;

- (f) professional, engineering, scientific, technical, management and contracting services;
- (g) travel, including accommodation but excluding meals;
- (h) printing services;
- (i) permit and licence fees;
- (j) costs associated with environmental assessments;
- (k) an Engineering Feasibility Study expense, not funded by the LDC, including, any additional technical or engineering preparation, analysis or studies associated with the Project completed after the Engineering Feasibility Study, which may be incurred before or after the submission of the Application for a Project, as approved by the LDC; and
- (l) any reasonable costs as may be determined by the Technical Reviewer to be an Eligible Cost and agreed to by the LDC and the IESO in advance of such expense being incurred.

Generally, the Participant Incentive will be based on the lower of the estimated Eligible Costs and the actual Eligible Costs except where the LDC determines in its reasonable discretion that the Participant has incurred costs outside of its control (such as, fluctuations in currency exchange for significant equipment purchases or increases in cost to install tele-protections to an upstream transformer station or other Distribution System upgrade costs incurred in order to connect Generation Projects). Such increases in cost may be applied to the estimated and the actual Eligible Costs, when determining the final (lower) Eligible Costs for calculation of the Participant Incentive.

Where the Third Party Participant is an affiliate of the LDC, Eligible Costs may consist only of costs on a fully-allocated costs basis in accordance with the Ontario Energy Board's Affiliate Relationship Code.

### **3.4.2 Ineligible Costs**

Any costs that are not directly related to design, selection, purchase and installation of the Measure(s) included in a Project(s) are not eligible. Without limitation, the following costs are not considered Eligible Costs:

- (a) the cost of preparing or amending the Application for the Project, reviewing or responding to the LDC's or the Technical Reviewer's questions regarding that Application or reviewing the provisions of the Participant Agreement;
- (b) the cost of collecting and submitting information required by an M&V Plan;

- (c) HST;
- (d) any portion of the costs that have been or will be received from, or reimbursed by, Third Party Contributions;
- (e) any costs related to financing including, but not limited to, costs associated with leasing and lease-to-own procurement arrangements and such other financing costs associated with leasing or borrowing capital as demonstrated by delivery of the lease agreement to the LDC. For certainty the term of the lease should be equal to or more than the Electricity Savings Period. The Participant, or lessor through the Participant, must provide copies of invoices related to the purchase of the equipment (i.e. costs incurred by the lessor to purchase the equipment) in order to substantiate the Project's Eligible Costs
- (f) any unreasonable costs of the Third-Party Participant as determined by the Technical Reviewer in collaboration with the LDC and the IESO; and
- (g) costs arising from or relating to an LDC investment in new infrastructure or replacement of existing infrastructure, or any measures an LDC uses to maximize the efficiency of its new or existing infrastructure, including without limitation, capacitor banks or reactive power compensation.

#### 4. Participant Agreements

The Participant Agreement will include the terms and conditions specified in the Energy Conservation Agreement. In addition, it must include the following and any other provision required to give effect to these PSU Program Rules:

- (a) The Participant Agreement will terminate on the last day of the Electricity Savings Period indicated below:

<b>Project Type / Estimated Participant Incentive</b>	<b>Electricity Savings Period</b>
Energy Efficiency Projects	4 <sup>th</sup> anniversary of the In-Service Date
Generation Projects less than \$1 million	4 <sup>th</sup> anniversary of the In-Service Date
Generation Projects greater than \$1 million	10 <sup>th</sup> anniversary of the In-Service Date

- (b) The Participant Agreement will set out the calculation of the Participant Incentive in accordance with Section 2.2 or 2.3, as applicable, and the payment schedule in accordance with the terms of Appendix 1.

- (c) If the Participant has elected to proceed by way of the Advanced Payment Option, it will deliver to the LDC, and maintain, a letter of credit(s) acceptable to the LDC and in accordance with Appendix 1.
- (d) The Participant Agreement will include the remedies set out in Appendix 2 (Savings Shortfall and Default).
- (e) The Participant Agreement will incorporate by reference the M&V Plan.
- (f) The Participant will ensure that it fulfills all of its obligations as required pursuant to the M&V Plan, including, providing all relevant data and any other information required pursuant to the M&V Plan.
- (g) The Participant will implement the Project and perform all of its other obligations under the Participant Agreement in accordance with the Participant Agreement, Good Engineering Practices and all laws and regulations.
- (h) The Participant will ensure that its relevant personnel are knowledgeable with respect to the Project and are available to the LDC and the Technical Reviewer with respect to the M&V Plan and IESO EM&V Protocols
- (i) The Participant will ensure that all equipment being replaced in whole or in part by all or part of any Measure, when removed, is not sold for re-use and is decommissioned or disposed of in accordance with laws and regulations.
- (j) The Participant will obtain and maintain all permits and approvals necessary for installation, verification and operation of the Project.
- (k) The Participant will at no time modify, vary or amend in any material respect any of the features or specifications of the Project (including, its scope, objectives, contractors, consultants, Third Party Contributions, costs and implementation schedule) without first notifying the LDC in writing and obtaining the LDC's consent in writing, such consent not to be unreasonably withheld.
- (l) Participant will provide the LDC and the IESO with the right at any time to make public the Participant's participation in the PSU Program, to use data relating to the Project aggregated with other projects in a manner intended to report on the PSU Program and to advise other Participants of the features and equipment described in the Application for a Participant Agreement unless the Participant has advised the LDC and the IESO in writing that such information is confidential.
- (m) The Participant will acknowledge the assistance provided by the LDC and the IESO in all publications, publicity materials and other forms of release or communication pertaining to the Project, as the case may be, provided that the

LDC and the IESO will have the right to approve all such communications relating to the Project in advance.

- (n) Within 10 Business Days of a request by the Technical Reviewer or the LDC, the Participant will provide written clarification on any aspect of any document submitted by the Participant to the satisfaction of the Technical Reviewer or the LDC, acting reasonably.
- (o) The Participant will maintain, or will cause to be maintained, all of the equipment and improvements installed or implemented for the Project in good working order and will operate and maintain, or will cause to be operated and maintained, such equipment and improvements without any modification such that commercially reasonable efforts are made to maintain the Electricity Savings throughout the Electricity Savings Period.
- (p) The In-Service Date for the Project will be no later than December 31, 2020. The process to confirm if a Project has achieved the requirements to meet the In-Service Date and that the In-Service Date has occurred is as set out in the M&V Plan.
- (q) The Participant will prepare and submit to the LDC, in form and substance acceptable to the LDC and the Technical Reviewer, an Invoice Reconciliation Form. An Invoice Reconciliation Form will be deemed to be a representation and warranty of the Participant to the LDC that the work required to be completed or costs required to be incurred and paid, including, without limitation, payment to all suppliers and contractors, to qualify to receive such payment has been completed in all material respects or paid in accordance with the evidence thereof provided to the LDC, unless otherwise agreed to in writing by the LDC.
- (r) The Participant acknowledges and shall cause the owner and occupier of the Facility to acknowledge that the IESO and the LDC are subject to the Freedom of Information and Protection of Privacy Act (Ontario) and the Municipal Freedom of Information and Protection of Privacy Act (Ontario), and any information provided in connection with this PSU Program may be subject to disclosure pursuant to those acts.
- (s) The Third Party Participant shall and will cause the owner and occupier of the Facility to comply with terms identical to those set out in Article 14 (Environmental Attributes) of the ECA.
- (t) The Participant Agreement will include any other provision required to give effect to these Process & Systems Upgrades Program Rules.
- (u) Where the Third-Party Participant is an affiliate of the LDC, the Participant Agreement will include a representation and warranty that the execution and



delivery of the Participant Agreement and the consummation of the transactions contemplated therein are in compliance with all of the requirements under the Ontario Energy Board's Affiliate Relationships Code (the "ARC").

- (v) Where the Third-Party Participant is an affiliate of the LDC, Eligible Costs may consist only of costs on a fully-allocated cost basis.

## **5. QA/QC and Project M&V – Minimum Requirements**

The M&V Plan for each Project will be developed by the Technical Reviewer.

The M&V reporting period for any Project shall be for a period of one year following the In-Service Date provided that the Participant has fulfilled all of its obligations pursuant to the M&V Plan, unless extended by agreement between LDC and the IESO in order to appropriately verify the Electricity Savings for reporting and Participant Incentive payment purposes. The Participant is required to maintain relevant data for the longer of the Electricity Savings Period and two-year beyond the end date for the Program, to fulfill the LDC's right to audit. The M&V Plan shall include the data requirements for the LDC's right to audit.

The Participant will fulfil all of its obligations as required pursuant to the M&V Plan and provide the LDC and the Technical Reviewer with all reasonable access to the Facilities and other related buildings as the case maybe, in order for the Technical Reviewer to prepare the M&V Reports and/or to substantiate the installation of the equipment.

The Technical Reviewer will prepare an initial M&V Report after the first quarter following the In-Service Date, or sooner, if deemed appropriate, and the final M&V Report to be delivered soon after the first year following the In-Service Date, unless extended, as per the above described agreement between the LDC and the IESO, due to unplanned events preventing the proper verification of savings.

Additional M&V Reports may be required by the LDC and the IESO, from time to time, either for the purpose of an extended "final" M&V Report for reporting and payment purposes (in particular, to accommodate, at the LDC's discretion, potential first year savings shortfalls), or as an "additional" M&V Report for such other purposes as deemed necessary by the LDC.

## **6. Minimum Record-Keeping Requirements**

At a minimum, and subject to the Energy Conservation Agreement, the LDC shall retain the following records:

- (a) Executed copy of the Participant Agreement
- (b) an Invoice Reconciliation Form; and
- (c) M&V data required by the M&V Plan.

The LDC will submit to the IESO an annual report by March 31st of each year during those years that the LDC delivers this PSU Program in accordance with its CDM Plan. The annual report will summarize the PSU Program activities from the previous year.

## **7. Other**

### **7.1 LDC**

The LDC will:

- (a) arrange for appropriate communication between the Technical Reviewer and the potential Participant;
- (b) provide the M&V Plan to the Participant for review and comment;
- (c) ensure that each Participant Agreement includes the maximum amount of the Participant Incentive available to the Participant, as specified by the Technical Reviewer, as well as the corresponding estimated Eligible Costs and Electricity Savings;
- (d) subject to the Participant not being in default under the Participant Agreement and otherwise satisfying all of its obligations under the Participant Agreement, the LDC will pay the Participant Incentive, or a part thereof, as applicable;
- (e) not pay, and the Participant will not be entitled to, the applicable instalment of the Participant Incentive unless the applicable M&V Plan, or M&V Report in respect of such payment has been approved by the LDC; and
- (f) will confirm the In-Service Date, the process of which is set out in the M&V Plan and may involve one of the following options: (i) on-site review by the Technical Reviewer; (ii) on-site review by the LDC; or (iii) written confirmation by a registered professional engineer licensed to practice in Ontario.

### **7.2 Technical Reviewer**

The Technical Reviewer will:

- (a) review and provide a recommendation to approve or reject an Application for a Project;
- (b) upon LDC approval of an Application for a Project, the Technical Reviewer will prepare the M&V Plan and the LDC will provide the M&V Plan to the potential Participant for review and comment;

- (c) review and verify the Invoice Reconciliation Form to determine actual Eligible Costs, including by reviewing receipts and invoices submitted by the Participant;
- (d) update the Master Payment Requisition to the LDC;
- (e) verify M&V data;
- (f) complete and provide to the LDC an M&V Report for each M&V reporting period specified in the M&V Plan to determine the actual Electricity Savings;
- (g) upon the request of the LDC, confirm the In-Service Date of a Project;
- (h) communicate with the Participant with regards to any of the above obligations, as arranged by the LDC; and
- (i) provide a copy of each M&V Report to the LDC and the LDC will provide a copy of the M&V Report to the Participant, within 10 business days of receipt of all necessary information.

## **8. Program Specific Definitions**

The following terms have the meaning stated below when used in these PSU Program Rules:

**“Advanced Payment Option”** means the Net Participant Incentive payment (if any) to be received by the Participant from the LDC in advance of the In-Service Date secured by the Performance Security (if any) as further described in Appendix 1

**“Anticipated Electricity Savings”** means, in each M&V reporting period specified in the M&V Plan, the estimated annualized Electricity Savings anticipated by the Technical Reviewer to be achieved during such period, as set out in the M&V Plan, as applicable.

**“Application”** means, in respect of the PSU Program, any form of request that must be completed by a person (including a natural person, firm, trust, partnership, company or corporation, joint venture, governmental authority or other entity of any kind) in order to participate in the PSU Program.

**“Approved Amount”** is the estimated Participant Incentive approved by the LDC and communicated to the Participant upon approval of the Application

**“Conservation Combined Heat and Power”** or “CCHP”, has the meaning given to it in the Behind-the-Meter Generation Project Rules.

**“Deferred Payment Option”** means the Net Participant Incentive payments (if any) to be received by the Participant from the LDC after the In-Service Date where the Participant elects, the deferred incentive payment option and paid to the Participant in accordance with Appendix 1.

“**Demand Response**” means a reduction in consumption of electricity as a result of the activation of Measures or protocols that are or were implemented in order to load shift or load shed in order to reduce the electricity demand.

“**Distribution Customer**” means a non-residential customer of the LDC who is an account holder in the LDC’s service area and is an owner or occupier of the Facility.

“**Distribution System**” means a system connected to the IESO-Controlled Grid for distributing electricity at voltages of 50 kV or less and includes any structures, equipment or other thing used for that purpose.

“**Electricity Savings**” means the annualized electricity consumption reduction, based on the anticipated normal operating conditions.

“**Electricity Savings Environmental Attributes**” has the meaning given to it in Section 4.

“**Electricity Savings Period**” means the period commencing on the In-service Date and ending on the 4<sup>th</sup> anniversary thereof or in the case of Generation Projects having a Participant Incentive greater than \$1 million, end on the 10<sup>th</sup> anniversary thereof.

“**Eligible Costs**” means those costs that satisfy the requirements of Section 3.4.

“**Energy Efficiency Project**” means a Project that produces Electricity Savings by means other than Generation, including but not limited to, upgrading equipment, optimizing the operation of a system.

“**Engineering Feasibility Study**” means a detailed study of the consumption of electricity of a System in order to assess and evaluate (i) Measures, or their implementation, that could give rise to Electricity Savings, or (ii) if approved by the IESO, electricity generation that could reduce the electricity consumption of a Facility and expected to meet the requirements of the Engineering Feasibility Study Minimum Requirements.

“**Facility**” or “**Facilities**” means the building, premises or lands, or part thereof, in which the System is located, and which is identified in the Participant Agreement as where the Project is located.

“**Generation Project**” means a project that generates energy in the form of electricity and where such project is in compliance with the Behind-the-Meter Generation Project Rules including Behind-the-Meter Generation as defined by the IESO for the purpose of the BMG Project Rules, and Embedded Generation or Embedded Load Displacement as defined by the Ontario Energy Board (OEB) Distribution System Code.

“**Good Engineering Practices**” means any of the practices, methods and activities adopted by a significant portion of North American industries as good practices applicable to the design, building, and operation of projects of similar type, size and capacity or any of the practices,

methods or activities which, in the exercise of skill, diligence, prudence, foresight and reasonable judgment by a prudent engineer in light of all the facts known at the time the decision was made, could reasonably have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, expedition and Applicable Law; Good Engineering Practices are not intended to be the optimum practices, methods or acts to the exclusion of all others, but rather are intended to delineate acceptable practices, methods or acts generally accepted in North American industries.

“**HST**” means any tax payable under Part IX of the *Excise Tax Act* (Canada).

“**IESO-Controlled Grid**” means the transmission systems with respect to which, pursuant to operating agreements, the IESO has authority to direct operations.

“**In-Service Date**” means the first day that a Project is fully installed in accordance with the M&V Plan and delivers Electricity Savings.

“**Invoice Reconciliation Form**” means the invoice reconciliation form in the form made available by the LDC specifically itemizing Eligible Costs and describing all (a) eligible equipment, systems, parts and other products, and the related prices paid for same (b) services in respect thereof, the level of detail and sufficiency of the services shall be at the sole discretion of the LDC and (c) the anticipated In-Service Date.

“**Lighting**” means equipment and controls used to provide illumination through the use of electricity resulting in a load.

“**Master Payment Requisition**” means an invoice to be completed by the Technical Reviewer or LDC in respect of a Participant and a particular Project, in the form made available by the IESO, as updated from time to time.

“**MWh**” means megawatt hour.

“**M&V**” means measurement and verification.

“**M&V Plan**” means the measurement and verification plan prepared by the Technical Reviewer, and agreed to by the LDC and the Participant, outlining the methodology and activities to be undertaken to quantify and verify Electricity Savings from a Project.

“**M&V Report**” means a measurement and verification document containing the analysis by the Technical Reviewer of the quantified Electricity Savings delivered by the Measure or Measures included in a Project, as the case may be, during the M&V reporting period specified by the M&V Plan.

“**Participant Incentive**” means the dollar amount paid or to be paid to a Participant for a Project per the calculations provided in Section 2.

**“Performance Security”** means the security provided by the Participant, as accepted by the Technical Reviewer, or the guarantee provided by the Participant’s affiliate (if applicable), to the LDC as further described in Appendix 1.

**“Project”** means one or more Measures, which, when implemented in respect of a System or Systems, are expected to deliver Electricity Savings and “Project”, where appropriate in accordance with the terms hereof, includes a Third Party Project.

**“Project Benefits”** means the dollar amount which is the sum of all benefits to be generated from the implementation of the Project during the Electricity Savings Period including Electricity Savings and benefits not related directly to Electricity Savings, including from reducing other energy consumption, use of alternative fuels, positive and negative differences in operating and maintenance costs and other avoided costs.

**“Project Payback”** means the number of years it will take a Project to recover the Eligible Costs of such Project through the receipt of Project Benefits, and is calculated by: (a) subtracting from the lower of the estimated Eligible Costs and the actual Eligible Costs the Participant Incentive and (b) dividing the difference thereof by the annualized Project Benefits, such amounts to be actual or estimated, as the case may be, at such time of determination.

**“System”** will be defined broadly and means an integrated or interdependent combination of installed equipment and processes that: (a) may be used for (i) manufacturing or other industrial or commercial processes, or (ii) circulating or distributing inside, outside or between Facility commodities, goods or utilities (including heating, cooling, air or other gases, water or other liquids); and (b) consumes electricity.

**“Technical Reviewer”** means a person (including a natural person, firm, trust, partnership, company or corporation, joint venture, governmental authority or other entity of any kind) retained by the IESO having on its staff individuals who have professional experience and qualifications as approved by the IESO.

**“Third Party Participant”** has the meaning given to it in Section 3.1 of these Program Rules.

**“Third Party Project”** means a Project that is installed and operated by a Third Party Participant.

**“Third Party Contributions”** means any financial or other contribution (including the value of contributions in kind) towards the Eligible Costs of a Project from or by any Person, such as federal initiatives or gas incentives.

**“Total System Efficiency”** has the meaning given to it in the Behind-the-Meter Generation Project Rules.

**“Waste Energy Recovery”** has the meaning given to it in the Behind-the-Meter Generation Project Rules.

**9. Pay-for-Performance**

The pay-for-performance rate for this PSU Program is \$0.

**10. Behind-the-Meter Generation Projects**

Any behind-the-meter generation Project under this PSU Program is subject to the Behind-the-Meter Generation Project Rules.

## APPENDIX 1

### Advanced and Deferred Payment Options

Participants may receive payment of their Participant Incentive by way of either the Deferred Participant Incentive Payment Option or the Advanced Participant Incentive Payment Option and is subject to the discretion and prior approval of the LDC.

#### 1. Advanced Payment Option

Subject to Appendix 2, if the Advance Payment Option is elected, the following payment schedule is as follows:

**Advanced Payment Schedule**

Incentive Payment Amount	Condition to be Satisfied
First Payment: 50% of the Approved Amount	<ul style="list-style-type: none"> <li>• The Participant and the LDC have agreed to the M&amp;V Plan as provided by the Technical Reviewer; and</li> <li>• LDC is in receipt of the Participant's Performance Security</li> </ul>
Second Payment: The amount that is 90% of the Participant Incentive less the First Payment noted above.	<ul style="list-style-type: none"> <li>• The Technical Reviewer has confirmed the In-Service Date &amp; the Eligible Costs;</li> <li>• The Technical Reviewer has issued the initial M&amp;V Report</li> <li>• The second payment towards the Participant Incentive is calculated based on the initial M&amp;V Report</li> </ul>
Third/Final Payment: Balance	<ul style="list-style-type: none"> <li>• The Technical Reviewer has issued the final M&amp;V Report</li> <li>• The balance of the Participant Incentive due and payable to the Participant, if any.</li> <li>• The balance payment is the difference between the actual Participant Incentive, calculated on the basis of the final M&amp;V Report, and the total payments made to date.</li> </ul>

#### 1.1 Performance Security

If the Participant has elected to proceed by way of the Advanced Payment Option, it will deliver to the LDC as soon as practicable following the execution of the Participant Agreement and prior to any payment milestone from the LDC, a letter of credit substantially in the form required by the IESO, as determined by the LDC, as may be updated from time to time (the "**Performance Security**"). The Performance Security will be provided in the amount of 50% of the Approved Amount upon approval by the LDC and the Technical Reviewer of the M&V Plan.

The Performance Security shall be drawn on for the circumstances and in the amounts as follows:



- In the event of a failure to complete the Project per the terms of the Participant Agreement, the full amount of the Performance Security (provided the First Payment amount has not already been returned by the Participant);
- In the event of a savings shortfall, the difference between the total Participant Incentive amounts paid and the recalculated Participant Incentive per Section 2, based on the final M&V Report.

Without limiting the foregoing, and provided that the Participant has met its obligations, the Performance Security shall be returned to the Participant at the time of the final incentive payment, in the full or remaining amount

## **1.2 Replacement Performance Security**

The Participant shall ensure that the Performance Security is at all times current, valid and enforceable and will provide replacement security for any Performance Security that:

- (a) expires, terminates or fails, or ceases to be in full force and effect for the purposes hereof;
- (b) is realized by the LDC—replacement made by increasing the remaining amount of posted Performance Security by an amount equal to that realized by the LDC.
- (c) All costs associated with the posting or replacement of Performance Security shall be borne by the Participant.
- (d) If the existing Performance Security is replaced with new Performance Security and provided the new Performance Security meets the requirements herein, the LDC shall return the existing Performance Security held by the LDC to the Participant, within 5 Business Days of the LDC's receipt of such new Performance Security.

## **2. Deferred Payment Option**

If the Deferred Payment Option is elected, the payment schedule is as follows:

---

<b>Incentive Payment Amount</b>	<b>Condition to be Satisfied</b>
First Payment: 50% Participant Incentive	<ul style="list-style-type: none"><li>• LDC is in receipt of Participant's initial M&amp;V Report</li><li>• The first payment towards the Participant Incentive is calculated based on Electricity Savings in the first quarter M&amp;V Report.</li></ul>
Second / Final Payment: Balance	The balance payment is the difference between the actual Participant Incentive, calculated on the basis of the final M&V Report, and the total payments made to date.

## APPENDIX 2

### Savings Shortfall and Default

#### 1. Savings Shortfalls

In the event that the Electricity Savings in the final M&V Report is less than the anticipated Electricity Savings, the Participant Incentive will be recalculated (the “Adjusted Participant Incentive”). If the recalculation results in an overpayment of the Participant Incentive by the LDC, the LDC shall be entitled to repayment from the Participant of an amount equal to the difference between the Participant Incentive and the Adjusted Participant Incentive.

#### 2. Default

Without limiting any other rights of the LDC or the IESO under this Agreement, if the Project is in a “Default Condition”, as contemplated in section 3 of this Appendix 2, or otherwise fails to meet Participant Agreement terms at any time during the Electricity Savings Period, and the Participant cannot or will not remedy the situation within a time period agreed upon by the LDC and IESO, the IESO and LDC shall each or together be entitled to recover a total amount from the Participant equal to a portion of the Participant Incentive, calculated as follows:

$(\text{Amount of the Participant Incentive paid by the LDC to the Participant}) \times (\text{months in Default Condition}) \div (\text{total months in the Electricity Savings Period}).$

#### 3. Default Conditions

Any of the following events will be considered as triggering a Default Condition for the purposes of this Appendix 2:

- Project closure or equipment, removal or shut down at any point during the Electricity Savings Period, other than for regularly scheduled maintenance procedures.
- Operating a Project in any way other than with the intent of achieving the Anticipated Electricity Savings throughout the Electricity Savings Period.
- Any other failure agreed to as between the IESO and LDC and where the IESO has requested that the LDC provide written notice to the Participant prior to the completion of the M&V Plan.

## APPENDIX 3

### Engineering Feasibility Study

#### 1. Description –Engineering Feasibility Study

Under the PSU Program, Participants, other than Third Party Participants, may be eligible to obtain incentives to conduct an Engineering Feasibility Study of potential energy savings which may identify opportunities that could be implemented under the PSU Program. For clarity, a Third-Party Participant is not eligible to receive funding for an Engineering Feasibility Study for a Project.

An Engineering Feasibility Study for a Project is required at the discretion of the LDC, and if the Engineering Feasibility Study is required, it must be approved by the LDC and Technical Reviewer.

#### 2. Rules

##### 2.1 Standard (Provincially-Consistent) Incentives

The Participant Incentive per Project is:

- (i) 50% of the cost of the Engineering Feasibility Study actually incurred by the Participant to complete the Engineering Feasibility Study (as evidenced by appropriate invoices) and approved by the LDC based on its review of the Engineering Feasibility Study Application (the “**EFS Initial Funding Amount**”). The EFS Initial Funding Amount is payable by the LDC upon Engineering Feasibility Study completion; and
- (ii) the balance of the cost of the Engineering Feasibility Study up to a total funding amount of \$50,000, for Projects submitted for implementation within 12 months of the study report approval, payable upon confirmation of the Project In-Service Date (the “**EFS Balance Funding Amount**”).

For certainty, the Participant is not entitled to the EFS Balance Funding Amount unless the Project proceeds to be implemented. LDCs may adjust the EFS Initial Funding Amount and EFS Balance Funding Amount at their discretion. The maximum payments indicated above are recommended based on average cost of an Engineering Feasibility Study, but actual funding may vary at the LDCs discretion depending on project complexity.

Upon approval of an Engineering Feasibility Study Application, the LDC shall provide a letter to the Participant indicating:

- The EFS Initial Funding Amount, including the applicable milestone for payment of the EFS Balance Funding Amount which milestone payment shall be at the LDC’s discretion

- the approved Engineering Feasibility Study scope of work from the Technical Reviewer's Engineering Feasibility Study Application review report
- the applicable EFS Balance Funding Amount

## **2.2 Exceptions**

Not applicable.

## **3. Eligibility Criteria**

### **3.1 Participant Eligibility**

The Participant must meet the criteria under Section 3 of the Program Rules for the PSU Program. For clarity, a Third Party Participant is not eligible to receive funding for an Engineering Feasibility Study for a Project under this Appendix 3.

### **3.2 Facility Eligibility**

The Facility must meet the criteria under Section 3.2 of the Program Rules for the PSU Program.

### **3.3 Project and Measures Eligibility**

The proposed study must relate to a Project that meets the Project and Measures Eligibility referred to in Section 3.3 of the Program Rules for the PSU Program, with the exception that a study may also investigate an opportunity with the potential for a Project Payback of less than one-year.

The Engineering Feasibility Study must be signed by a professional engineer licensed to practice in the province of Ontario, who is not an employee of the Participant.

### **3.4 Eligible Cost**

The eligible costs are the actual costs incurred by the Participant to complete the Engineering Feasibility Study up to the amount approved by the LDC in its discretion. Costs must be directly related to the investigation, assessment, analysis, conceptualization, design, specification, estimation and reporting required for the development of a Project and the completion of an Engineering Feasibility Study. For clarity, any costs incurred before the approval of the Engineering Feasibility Study are not eligible, unless otherwise approved by the LDC. The following costs may be eligible:

- Applicable labour costs billed at reasonable hourly rates by the approved engineering consultant(s) and their subcontractors, as identified in the Technical Reviewer's Engineering Feasibility Study Application review report, including, but not limited to, time for:

- Communications with the Participant, facility personnel, the LDC and the Technical Reviewer following the approval of the Engineering Feasibility Study Application
- Site visits to obtain information, conduct meetings and interviews, present results
- Investigation, assessment, analysis, conceptualization, design, specification, estimation and reporting
- The costs of performing a Connection Impact Assessment, if applicable, to develop the cost estimate of a Generation project to sufficient accuracy
- Non-labour costs incurred by the approved engineering consultant(s) and their subcontractors, including, but not limited to:
  - Administrative costs for printing, presenting, etc.
  - Reasonable travel expenses
- Expenses for measurement and data collection, including contractors, temporary meter rentals, or other purchases approved by the LDC based on the Technical Reviewer's recommendation

#### **4. Participant Agreements**

The Participant Agreement will include the terms and conditions specified in the Energy Conservation Agreement. In addition, it must include the following:

- (a) The Participant must complete the Engineering Feasibility Study as specified in the Engineering Feasibility Study Application, in accordance with the Engineering Feasibility Study Minimum Requirements and the approved scope of work provided in the Technical Reviewer's Engineering Feasibility Study Application review report, by the end of the term of this Engineering Feasibility Study program, or a date specified by the LDC.
- (b) The Participant Incentive will be payable in accordance with Section 2.1 of this Exhibit .
- (c) The term of the Participant Agreement will terminate on the earlier of (i) December 31, 2020 and (ii) the last day the LDC delivers the PSU Program per the LDC's approved CDM Plan, unless otherwise terminated by the LDC or Participant.
- (d) The Participant will cooperate and provide on a timely basis any information requested by the LDC or the Technical Reviewer. The Participant will provide a copy of any requested information to the LDC at the same time that it provides information to the Technical Reviewer.
- (e) The Participant Agreement must include or incorporate by reference the relevant minimum requirements for the study, the maximum approved amount specified by the LDC and the scope of work approved by the LDC.

## 5. QA/QC and Project M&V - Minimum Requirements

The Technical Reviewer will:

- (a) review and approve or reject the Engineering Feasibility Study Application for the Engineering Feasibility Study and will specify the approved funding, if any;
- (b) review and approve or reject the Engineering Feasibility Study report, including by determining if the report meets the Engineering Feasibility Study Minimum Requirements, reflects the scope of the Project in sufficient detail to allow the Technical Reviewer to make a recommendation to proceed with the Project.

If the Engineering Feasibility Study is not approved by the LDC or Technical Reviewer, acting reasonably, the LDC will not pay any remaining balance of the Participant Incentive to the Participant.

Prior to the Technical Reviewer commencing any review and approval or rejection of (i) an Engineering Feasibility Study Application for the Engineering Feasibility Study, or (ii) an Engineering Feasibility Study report, the Technical Reviewer will provide the LDC with a non-binding, estimate of the number of days it will require to review and approve or reject the such document.

## 6. Minimum Record-Keeping Requirements

Subject to the Energy Conservation Agreement.

## 7. Other

## 8. Specific Definitions

In addition to terms that are defined in the PSU Program, the following terms are used in this Appendix 3:

**“Engineer Feasibility Study Application”** means an application by the Participant for a Participant Incentive from the LDC for a Engineering Feasibility Study.

**“Engineering Feasibility Study Report Minimum Requirements”** means the minimum requirements to be met with respect to the preparation and content of Engineering Feasibility Study reports as set out in this Appendix 3.

## **Exhibit 1 - Engineering Feasibility Study Minimum Requirements**

### **Purpose:**

This Exhibit contains the minimum requirements for an Engineering Feasibility Study Application and Engineering Feasibility Study report (in this Exhibit, the “**Report**”). Such Reports must meet the technical, financial and economic analysis, and overall quality and completeness requirements as outlined below.

It is expected that the Engineering Feasibility Study includes realistic assumptions based on accurate data with a clear and concise guide to Project implementation in a timely manner.

The Report must be prepared or reviewed by, and signed by a Professional Engineer, licensed to practice in the province of Ontario.

### **Application Inclusions:**

Depending on the scope of the Engineering Feasibility Study, the Participant’s internal processes and investment criteria, there may be a need for additional work and deliverables, before an Application for a Project can be submitted. The following declarations are intended to provide transparency to all parties on the expected outcomes at the completion of the Engineering Feasibility Study and must be addressed in the Application:

- (i) A statement indicating the expected level of project definition from the final deliverables: feasibility, budget authorization, or bid/tender-ready
  - a. An according estimate accuracy range for the level of project definition
  - b. An indication of the additional work required for budget authorization and/or PSU Project Application, after completion of the Engineering Feasibility Study
- (ii) Confirmation of agreement with the Technical Reviewer on the proposed baseline data collection plan, or acknowledgement that additional data collection may be required
- (iii) In the case of a Generation Project, an indication that the Engineering Feasibility Study will include a completed Connection Impact Assessment report, or acknowledge the risk of not being able to connect the Project to the Distribution System as well as connection cost uncertainty, or explain that a Connection Impact Assessment is not required.

### **Report Form and Content:**

The following are the required components of a Report:

- (i) Base Case and System Studied -  
Provide a detailed description of the existing System studied, including:
  - existing equipment details (e.g. make, model, # of units, rated power, rated capacity, year installed, run hours)



- an assessment of the condition of the existing and the expected remaining life.
  - an overview of existing equipment operating modes or cycles (e.g. production vs. non-production), identify high-use periods and seasonal variances (if applicable), an estimate of the true operating demands (often different than what is currently supplied by the system) based on available operating parameters (e.g. flow, pressure, temperature, production).
  - identify how the system is currently operating/controlled (e.g. automated vs. manual)
  - description of any planned changes to the System or Facility (e.g. expansions) that would occur in the absence of the Project that would impact the ‘base case’.
- (ii) Provide an estimation of the baseline electricity consumption of the System, based on power/load measurements for an appropriate period (e.g. two weeks minimum with no correlating data, or one week with longer duration operating data, for relatively constant operation systems).
- collaborate with the Technical Reviewer to develop or confirm agreement on the baseline data collection plan and share baseline data once available to confirm adherence to plan
  - calculate the annual consumption according to (or cross-referenced with) operating data, such as equipment operating logs (run-times, on/off), or other operating data (e.g. flow), if available for a longer duration than power/load measurements.
- (iii) Measure Analysis
- Provide a Project description, including: scope of modifications and future operating logic (e.g. modulating speed to match flow demand, based on feedback signal).
  - Calculate Annual Electricity Savings, provide a sample of the calculation with an explanation of the methodology, and justification for any assumptions.
  - Estimate Other Benefits or Costs associated with implementing the project. This can include O&M savings or costs. If there are no additional benefits (or costs), this should be stated along with a brief justification.
- (iv) Provide a detailed description of Project cost and installation, including:
- a breakdown of costs by equipment, installation and other capital costs (design and engineering, project management, commissioning). Where applicable, provide budgetary quotes for equipment, installation and other related costs.
  - Include a high-level installation schedule and a realistic In-Service Date.