

Draft Scope Document for Comment – “Sector Based Energy Efficiency Program”

1. Introduction

This document is issued by the Independent Electricity System Operator (the “IESO”) for the purposes of gathering information about the marketplace in order to assist in the determination of potential future purchasing options or requirements. This is an open invitation by the IESO to organisations to submit feedback on the draft scope as outlined in Appendix A, pertaining to participation in the Sector based Energy Efficiency Program.

Respondents are asked to provide any feedback to the IESO by emailing to stakeholder.engagement@ieso.ca by December 14, 2016 with reference to the Seeking Feedback Provincial Energy Manager Program in the email subject line.

The IESO works at the heart of Ontario's power system – ensuring there is enough power to meet the province's energy needs in real time while also planning and securing energy for the future. It does this by:

- balancing the supply of and demand for electricity in Ontario and directing its flow across the province's transmission lines;
- planning for the province's medium- and long-term energy needs and securing clean sources of supply to meet those needs;
- overseeing the electricity wholesale market where the market price of electricity is set; and
- fostering the development of a conservation culture in the province through programs such as saveONenergy.

2. Information Gathering Process

This document is issued for information-gathering purposes only. The information and feedback gathered: (a) will not be used to pre-qualify any Respondent for any future procurement process that the IESO may conduct; (b) will not necessarily result in any subsequent negotiations, direct contract award, invitational tendering process or open tendering process; and, (c) does not constitute a commitment by the IESO to procure any goods or services. Any applicable criteria set out in any subsequent procurement process will be determined by the relevant IESO documents for that procurement, and nothing contained herein or in any response hereto will oblige the IESO otherwise.

3. No Limit on the IESO's Pre-existing Rights

This document shall not limit any of the IESO's pre-existing rights. The IESO expressly reserves the right, at its sole discretion,

- (i) to seek subsequent information or initiate discussions with any firm, including respondents that did not provide feedback to this document;
- (ii) to contact a limited number of respondents, which may be limited to those that

responded to this document, or may include respondents that did not respond to this document, for the purpose of a competitive procurement for the procurement of any good or service;

- (iii) to elect to proceed by way of an open procurement process where all potential respondents, including those that did not respond to this document, are eligible to compete for the award of a contract for the supply of any good or service; and
- (iv) to elect not to procure the good or service that is the subject of this document.

These expressly reserved rights are in addition to any and all other rights of the IESO that existed prior to the issuance of this document.

4. Request for Feedback timetable: All times noted in [EST]:

Issue Date of document	● November 25, 2016
Deadline for Feedback	● December 14, 2016
Posting of Feedback responses	● January

5. Submission Instructions

Respondents are asked to submit their response by the feedback Submission Deadline to the following email address and to the attention of the following IESO Contact:

Email: stakeholder.engagement@ieso.ca

Subject Title: Seeking Feedback - Provincial Energy Manager Program

Appendix A – Draft Scope Sector Based Energy Efficiency Program

1.1 Background

The Sector Based Energy Efficiency Program is an important component of the focus on energy management in Ontario from 2015-2020. The sector based service providers would complement both Ontario's Local Distribution Companies (LDCs) and IESO efforts in promoting and supporting energy management and energy efficiency in Ontario through interactions with both LDCs and customers in specific sectors and/or groups. By 2020, it is expected that the aggregated performance of sector based service providers will have delivered a minimum of 120,000 MWh of savings and will have increased the information, knowledge and culture of energy efficiency in their respective sectors.

The IESO is looking for a maximum of eight (8) sector based service providers that will deliver the greatest total energy savings by December 31, 2020 at the lowest cost, while implementing a legacy of capability building projects in their respective sectors over a term of approximately four years.

The IESO would ask sector based service providers to demonstrate how their unique knowledge, capabilities and relationships with their chosen target sectors are critical to driving the most savings and awareness within their target sectors. The IESO would seek proposals from sector based service providers describing how they could cost effectively employ IESO funding to deliver total energy savings by December 31, 2020 and to engage, influence, support and succeed in driving energy efficiency decisions with target sectors' ongoing, and future, capital, operational, maintenance and other projects.

It is expected sector based service providers would demonstrate a strong understanding of the Save on Energy incentive programs, program rules, application process and required compliance documentation. Existing relationships with local distribution companies would be considered an asset.

Priority would be given to sector based service providers servicing one or more of the following preferred target sectors:

- Small Business
- Commercial
- Institutional (municipalities, universities, colleges, schools, hospitals, etc.)
- Affordable housing

Sector based service providers that identify other target sectors may be considered after sector based service providers representing preferred sectors have been contracted or are not represented by submitted proposals.

Sector based service providers ought to be aware of other funding opportunities that may be more suitable for their proposed target sector. The following programs with a focus on energy management and/or performance based incentives are available, among others:

- Industrial Accelerator Program – Energy Manager incentive
- Multi-site Customer Energy Manager Program
- Save on Energy - Energy Manager Program (delivered by local distribution companies)
- Whole Building Pay for Performance initiative (to be available 2017)

Target sectors should be dispersed over a significant geographic area of Ontario, and span five or more LDC territories. Exception to the condition to span five or more LDC territories may be considered under limited circumstances. For example, the region of Northern Ontario may only have target sector facilities in three or more LDC territories. Sector based service providers total savings targets should be broad across the target sector and represent savings from many projects and different energy efficiency major end use measures.

Although this is not an eligibility constraint, the target sector ideally should have member facilities with an accumulated electricity consumption of over 250,000 MWh, or show total energy savings minimum of 20,000 MWh (e.g. 4 x 5,000 MWh for each year of contract).

Sector based service providers would be expected to deliver:

1. Achievement of proposed highest total energy savings (MWh) at the lowest cost (\$/MWh)
2. Implementation of proposed annual capability building projects as described in section 2.

It is the IESO's intention to select more than one sector based service provider to deliver this initiative. It is expected that selected sector based service providers would deploy additional, incremental resources to meet their deliverables to their target sectors.

The IESO may consider contracting with one or more sector based service providers serving the same target sector, or serving more than one target sector and/or geographic area/ region.

Sector based service providers may propose the use of sub-contractors to support their deliverables; however, the sector based service providers would be responsible for all contract obligations.

The IESO expects that the number of sector based service providers funded would be dependent upon the number of successful sector based service providers servicing preferred target sectors, proposed total energy savings target, proposed costs to achieve total savings target (\$/MWh), and quality of capability building targets, determined at the IESO's sole discretion.

SCOPE OF WORK

2.0 Description of Deliverables

The sector based service provider deliverables are categorized below, but not limited to the following:

- Total energy savings target (MWh); deliver the proposed total energy savings target by December 31, 2020
- Capability building projects; deliver each calendar year of contract term the proposed list of projects meeting the objectives described below

Notwithstanding these deliverable categories, the sections below describe further the expected deliverables from sector based service providers.

2.1 Target Sector Energy Management Plan

Within three (3) months of any awarded contract, and two (2) months before the beginning of each subsequent calendar year, the sector based service providers would produce and/or update the target sector energy management plan for their target sector/s, and covering all remaining years of the contract term.

The target sector energy management plan will describe the objectives, tasks and expected milestone dates associated to raising target sector awareness of supporting services offered by sector based service providers, achieving the highest total energy savings target (MWh) at the lowest cost (\$/MWh), and progress towards of capability building target, specific to the identified target sector(s).

The target sector energy management plan will be drafted and submitted using an IESO energy management plan template that will be provided to sector based service providers.

2.2 Realization of Savings

Each sector based service providers would have a total energy savings target for delivery of total energy savings to be in-service by December 31, 2020.

It is expected sector based service providers will source capital projects, and/or operations & maintenance projects, and/or other projects as well as key decision makers and vendors associated to their target sector/s where the sector based service providers can influence the specification, and/or purchase, and/or implementation of energy efficiency measures above and beyond the intended base case equipment. It is expected the sector based service providers will have subject matter knowledge of Save on Energy incentive programs which they will persuasively employ to overcome financial and other target sector barriers to implementing energy efficiency measures.

The sector based service providers will provide quarterly reports for each contract year, where completed projects with total energy savings, as verified by the IESO technical reviewer and approved by

the IESO, will be used to calculate any performance based fee (See draft Payment Schedule Table A) for Year three and four of contract.

The IESO approved total energy savings will be assigned to the sector based service provider's total energy savings target.

Please note, upon exceptional circumstances the IESO, at its discretion, may reduce the sector based service provider's total energy savings target and/or total funding request, as acceptable by both the sector based service providers and the IESO.

2.3 Capability Building Projects

Sector based service providers would propose and describe a list of annual capability building projects deliverables, not to exceed a total budget of \$60,000 per year/term, tailored for their target sector/s, which will remain available to the target sector during and after the contract term date.

The projects may be wide ranging in form and substance that may include the following, but not limited to :

- presentations on energy efficiency related topics at association annual events ;
- organizing facility competitions;
- sourcing and delivering helpful guides on how to set up 'energy teams';
- sourcing and sharing energy efficiency procurement policies, web content dedicated to promoting Save on Energy and other energy incentive programs, etc..

The objectives of capability building projects are to strengthen the skills, competencies and abilities of target sector members to overcome barriers, and understand the business case value to implementing energy efficiency electricity savings projects.

The sector based service providers would be expected to describe how their projects will be custom tailored for the target sector in order to meet the above objectives.

The sector based service providers list of annual capability building project deliverables, as approved by the IESO, will be considered the sector based service provider's capability building targets.

There will be an annual review of completed capability building targets that would occur during the three (3) months after the end of each calendar year. The sector based service providers will have been submitting progress reports on capability building projects at each quarterly report submission. The report will list the status of each capability building target and will provide support documentation to track market impact.

For clarity, the costs to produce and deliver capability building projects would be included in the sector based service provider's total funding request and used to calculate the sector based service provider's costs (\$/MWh).

An annual review of the capability building projects will be undertaken by the IESO and any payment after the first payment at contract signing will require IESO verification of project progress before payment would be made.

2.4 Reporting Requirements

The sector based service providers will ensure that they prepare and deliver to the IESO, for its approval, the following reports:

- (a) energy management plan, with the first one due no later than three (3) months after the Sector based service provider's contract start date. The Sector based service providers shall deliver subsequent and updated energy management plan within (3) months before the beginning of the Calendar Year.
- (b) quarterly reports according to a template to be established by the IESO will be delivered within 30 days after the end of each quarter for each Calendar Year beginning as of the Sector based service provider's contract start date and any anniversary thereof. For any funding period that is less than one Calendar Year, the Sector based service providers shall deliver a report within 30 days after the end of the subsequent calendar quarter which will include any information to be included in the last Quarterly Report to the extent that such information is available.
- (c) capability building target reports according to a template to be established by the IESO will be delivered with Quarterly Reports. The report may require measurement and verification data fields, or support documentation that would be used by a program evaluator to evaluate the persistence and energy savings attributed to Capability Building Target measures.
- (d) the IESO will review the reports to ensure timely filing and completeness and to evaluate Energy Savings and progress from the previous Reports and will provide its approval or comments on the Reports to the Sector based service providers within a reasonable time. If the IESO does not approve the Reports, such documents will be revised by the Sector based service providers in order to address the noted deficiencies and obtain the IESO's approval of such revised Reports.
- (e) the IESO will not make payment until it approves each report required to be submitted by the Participant.

Report data, such as listed project information and other data, will be shared with individual LDCs identified in the reports. For example, a lighting Retrofit project in an LDC's territory, as listed in the quarterly report, will be shared with that LDC. The intention of sharing project information to relevant LDCs is to facilitate LDC awareness and support for any Save on Energy incentive application.

3.0 Proposed Evaluation Criteria

Sector based service providers would be encouraged to describe the following experience, skills and qualifications required to meet their deliverables, with respect to servicing their target sector/s:

- 1) Identify The target sector/s and provide a brief and compelling description of the sector based service provider's information, knowledge, relationship and/or experience of the target sector/s being proposed, including a description of the target sector's unique barriers to applying for Save on Energy incentives when investing in capital and/or operations & maintenance projects and/or other projects. Be specific to describe target sector's members, approximate estimated number of member facilities and/or estimated square footage, and identify the type of member roles you plan to engage.

Documented letters or emails of support from key target sector members, ensuring their roles are identified in the documentation should be provided.

- 2) Briefly describe the information, knowledge and/or experience of sector based service provider's proposed personnel, as it relates to the following;
 - target sector project savings opportunities,
 - target sector typical major end-use measures opportunities,
 - target sector common base cases technologies that could be replaced with energy efficient measures,
 - target sector energy and non-energy benefits associated to major end use measures,
 - target sector capital project planning cycles ,financial metrics and procurement policies
- 3) Briefly describe the information, knowledge and/or experience of sector based service provider's proposed personnel, as it relates to the following:
 - Save on Energy incentive programs, with an emphasis on Retrofit,
 - role of LDCs with Save On Energy programs
 - relationship with LDCs in the proposed target areas
 - application compliance including how to draft both basic and enhanced measurement & verification project plans,
 - role of LDC project evaluators
 - role of Save on Energy program evaluation, measurement & verification program evaluators
- 4) Briefly describe the sector based service providers value-add, not covered above, as it relates to the following:
 - contribution of existing or future resources, or leveraged support, or other funding from various sources which would offer additional value to the IESO and for the Target Sectors they propose to service.

- examples of leveraged resources may include, but are not limited to, auditable in-kind support, co-funding, or pre-existing supporting or enabling resources such as access to sector-wide energy performance monitoring data, systems, and/ or infrastructure.
- Other additional valuable attributes

Please note, any proposed IESO funding is for additional resource support for the Sector based service providers, and is not intended to fund existing resources covered by other funding and/or current initiatives.

3.1 Understanding of the Deliverables

3.1.1 Understanding the Target Sector(s)

Sector based service providers would be asked to describe target sector/s they propose to serve. To demonstrate understanding, the following should be included:

1. Identify and describe target sector(s);
2. Identify if target sector is, or is not, a preferred target sector, provide rationale if identified as preferred target sector;
3. Estimated number of member facilities of the target sector;
4. List of proposed energy savings target for each Year;
5. Proposed total energy savings target.
6. Identify target sector barriers to understanding and implementing electricity saving measures which the proposed list of capability building deliverables are to address;
7. Estimated number of Save on Energy project applications submitted per year to achieve proposed annual savings target.

Please note, the weighted average kW savings per project from current historical Energy Manager quarterly reports, from all sectors, are approximately 180 MWh per project. The average of Retrofit project applications with pre-project approval is approximately 80 MWh. Therefore, approximately 30 to 60 completed projects per year as listed in the Sector based service providers quarterly reports would be required to demonstrate over 5000 MWh/yr in Energy Savings per year.

Please note, this is for guidance only and the IESO does not guarantee these results for sector based service providers.

Preference would be given to sector based service providers that demonstrate current or past experience in providing Save on Energy incentive application support to their target sector members.

3.1.2 Strategy to Achieve Total energy savings target

Sector based service providers would be asked to describe their persuasive, go-to sector strategy, providing rationale based on analysis, of how they plan to engage, influence, support and succeed in driving energy efficiency decisions with target sector's ongoing and future capital and operation & maintenance projects. Sector based service providers would be asked to describe how their funding will achieve their proposed total energy savings targets. The proposed plan to build awareness with their

target sector, who the targeted audience members are (role descriptions, not names), what steps will be taken to identify capital and operations & maintenance projects, what steps will be required to influence decisions to implement electricity saving measures, and the level of support required to leverage Save on Energy incentives towards the identified projects should be included.

3.1.3 Relationship with Target Sector

It is expected sector based service providers would be asked to describe why they are in the best position to serve their target sector/s while also describing the quality of their relationships with target sector/s and their approach with key decision makers.

For clarity, it is very important for sector based service providers to demonstrate they have line-of-site to key decision makers involved with the procurement and implementation of electricity savings measures.

3.1.4 Strategy into Action Example

Sector based service providers would be asked to provide an example describing how they would source and influence the successful change of a typical target sector in-progress capital project where the equipment specifications have already been prepared, and a contractor has been selected, where the change involves a change order to replace less efficient specified equipment to more electricity efficient equipment, and how they would overcome the resistance to purchasing the more expensive electricity saving equipment. It should be assumed that the base case equipment specification has been confirmed and yet a purchase order for the specified base case equipment has not been issued yet. The Proponent should describe the steps they would undertake that would lead to a successful change of the base case to the purchase and installation of the energy efficient measure.

3.1.5 Leaving a legacy

Sector based service providers would be asked to provide a list of proposed capability building projects planned for delivery each calendar year of contract term so as to leave a legacy of enduring capability building over the course of the four years and beyond.

It is expected sector based service providers would briefly describe the projects as well as provide an estimated budget for each project.

The sector based service providers may change or enhance their annual capability building targets in their energy management plan, after the first energy management plan has been approved, at the time of annual review of capability building targets, and adjusted capability building targets may be approved at the discretion of the IESO.

4.0 Proposed Funding Schedule:

Each proponent would be asked to provide:

- Pricing table in the form as prescribed in Pricing Form A per Target Sector

Pricing Form A	
Target Sector Name	
Preferred Target Sector (Y/N)	
Total energy savings target (MWh)	
Total Funding Request (\$)	
Total Energy Savings Costs (\$/MWh)	

The IESO will not pay or reimburse any hospitality, incidental or food expenses; such items should not be included in pricing submissions. The IESO will not be responsible for any travel or accommodation expenses incurred by the Sector based service providers that are not pre-approved in writing by the IESO and charged in accordance with *Management Board of Cabinet's Travel, Meal and Hospitality Expenses Directive*, as may be amended or replaced from time to time. Accommodation arrangements may only be made with those facilities listed in the *Ontario government's Travel, Meal and Hospitality Expenses Directive*, as may be amended or replaced from time to time.

Funding Schedule Table A:

Contract Year of Quarterly Report Submissions	Variable Performance based on Total Energy Savings Tiers	Percentage of Total Energy Savings (MWh) achieved (Total Energy Savings/ Total energy savings target)	Sector based service providers expected Invoice Date	Payment Schedule* (% of Total Funding Request)	Payment Percentage Accumulated Total
Year 1	Fixed Fee	n/a	upon Contract signing*	30%	30%
Year 2	Fixed Fee	n/a	30 days after Year 1 approved 3 rd Quarterly Report**	20%	50%
Year 3 & Year 4	Tier 1 @>50% and <60%	Where Total Energy Savings are greater than 50% and less than 60% of Total energy savings target	30 days after any approved Quarterly Report occurring after Year 2 **	20%	70%
Year 3 & Year 4	Tier 2 @>60% and <75%	Where Total Energy Savings are greater than 60% and less than 75% of Total energy savings target	30 days after any approved Quarterly Report occurring after Year 2**	10%	80%
Year 3 & Year 4	Tier 3 @>75% and <90%	Where Total Energy Savings are greater than 75% and less than 90% of Total energy savings target	30 days after any approved Quarterly Report occurring after Year 2**	10%	90%
Year 4	Tier 4 @>90%	Where Total Energy Savings are greater than 90% of Total energy savings target	Dec 31, 2020**	10%	100%

* IESO reserves the right to claw back 30% of total funding request in the first year if sector based service provider is deemed to have not provided commercial reasonable efforts to use funding to meet the deliverables, at the IESO discretion.

**Please note any release of payments beyond Year 1 will be contingent on sector based service provider's implementation of capability building project deliverables as reported by the Sector based service providers, and approved by the IESO

In the case where any Year 3 or Year 4 approved quarterly report demonstrates total energy savings exceeds more than one tier of the payment schedule, then the previous tiers percentages will be used to calculate the payment schedule invoice amount.

For example, if the 1st approved quarterly report in Year 3 has total energy savings of 30% less than 50% of total energy savings target and 2nd quarterly report of Year 3 exceeds Tier 3 where the total energy savings of 75% of total energy savings target, then the invoice amount may be calculated as 40% (Tier1 20% + Tier 2 10% + Tier 3 10%) of total funding request.

Sector based service providers and the target sectors they serve would have to be impartial, and without any commercial interests that would create the potential for a conflict of interest with the objectives of this initiative. The IESO may make this determination at its sole discretion.

End of Appendix A Draft Scope Document for Comment