

# Sector Based Energy Efficiency Program Draft Scope Document: IESO response to input received

The IESO sought feedback from stakeholders on the Sector Based Energy Efficiency Program Draft Scope Document for the Provincial Energy Managers Program. The IESO appreciates the written feedback that was submitted to [engagement@ieso.ca](mailto:engagement@ieso.ca). This document summarizes the submitted questions and comments in relation to the Draft Scope Document for the Sector Based Energy Efficiency Program, and presents the IESO's response.

There are five sections to the aggregated feedback, representing approximately 52 questions and comments received, which have been grouped into the following topics:

- I. [Targets and Capability Building](#)
- II. [Funding Models/Schedule A](#)
- III. [Clarifications on Next Steps](#)
- IV. [LDC/Utility Involvement](#)
- V. [Other](#)

Related materials, including the Sector Based Energy Efficiency Program Draft Scope Document, are available on the IESO website at <http://iesoprod.corp.int/sector-participants/engagement-initiatives/engagements/provincial-energy-manager-program-development>.

A list of the parties who have provided feedback, along with their questions and comments, can be found on the aforementioned webpage.

## I. Targets, Sectors and Capability Building

This section covers target sectors, savings targets, energy management plans and capability building.

Stakeholder Feedback		IESO Response
1.	Clarification requested on whether a proponent can apply to multiple sectors, with multiple geographic areas. If this is allowed does each sector applied for need a specific target and cost, or is the application for the total?	It is expected that proponents submit a separate proposal for each represented sector.
2.	Clarification requested on whether a sector that was not mentioned can be applied for, with the reasoning and potential behind the decision to pursue this target stated? For example in the case where multiple LDCs would like this sector worked?	Other sectors may be proposed.
3.	Clarification requested on whether a proponent will be allowed to pursue small-mid size manufacturing clients (500 kw-3000kw demands) using the "Commercial" sector? This seems to be a forgotten sector, but has major potential, especially in non-GTA areas.	Yes, small to mid-size manufacturing could be considered as a sector.
4.	Clarification requested on how the target sector requirement of being dispersed over a significant geographic area is being defined. Is the IESO going to provide a "region" map to signify specific areas?	One of the objectives of the provincial Sector Based Energy Efficiency Program funding is to support a broad base of customers within a sector. For the purposes of the RFP, the IESO will define the number of municipalities and/or LDCs required to represent a region.
5.	<p>Clarification requested on whether the target sector energy management plan will be based on the sector achievement potential.</p> <p>Is the energy management plan to be created, or does the IESO have a specific plan or template that can be used? Understanding exactly the work expected for creating this plan would be helpful before a cost response is submitted.</p> <p>When will the Energy Management Plan be made available to respondents?</p>	<p>The intent of the target sector energy management plan is to describe the selected supplier's annual strategy and approach to achieving the target savings and the proposed costs to achieve them. To avoid confusion, this deliverable will be renamed the Annual Sector Plan.</p> <p>A sample IESO expected Annual Sector Plan template will be available for proponents to review at the time of RFP posting.</p>
6.	Are there any case studies available of successful capability building projects that would exhibit the best process to implement such a plan? Does a PowerPoint presentation used in LDC presentations, webcasts or industry events that educate how to implement this plan qualify?	One of the objectives of this available funding is to provide a broad base of customers within a sector with information, tools and case examples that will help those customers beyond the end date of the funding contracts.

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		<p>It is expected each sector will provide its own unique set of barriers to implementing energy efficiency measures, which proponents are expected to propose capability projects that are customized or relevant for their sector.</p> <p>If the PowerPoint presentation mentioned in this question was considered educational for the specific sector, then presentations of this deck at sector events/meetings and on sector association websites would be considered an approved Capability Building project.</p>
7.	<p>Disagreement with the need to have capability building targets:</p> <ul style="list-style-type: none"> <li>• The internet is full of information to help sector members be more energy efficient. But the current Save on Energy application processes are so cumbersome and take so much documentation that it is not worth it for most sector members to apply for incentives.</li> <li>• There is no reason to apply for \$1000 incentive when it takes \$2000 worth of time to complete a Save on Energy application.</li> </ul>	<p>Thank you for your feedback. To build the culture of conservation, it is important to not only provide incentives, but also to provide education to build capability.</p>
8.	<p>Clarification requested on the measurement and verification of capability building projects:</p> <ul style="list-style-type: none"> <li>• For the measures how are measurement and verification and documentation used to evaluate the persistence and energy savings attributed quantified?</li> <li>• Are all projects expected to be quantified or can savings be deemed as qualitative?</li> <li>• Are energy reductions arising from these projects to be excluded from the targets?</li> <li>• How does capability building relate to target achievement?</li> </ul>	<p>Capability Building initiatives will not contribute towards the proponent's energy savings target. They will be measured from the perspective of achieving what was indicated in the proponent's Annual Sector Plan for this deliverable.</p> <p>The IESO may choose to evaluate the success of the Capability Building initiatives, including any associated energy savings; however, as indicated above, any associated savings will not count towards the achievement of the proponent's energy savings target.</p>
9.	<p>The number of Save on Energy applications should not be the objective – it should be the total energy savings achieved. By having the total number of applications as the target you are applying a disincentive to a sector where the real savings come from more complex operations.</p>	<p>One of the objectives of the provincial Sector Based Energy Efficiency Program funding is to support a broad base of customers within a sector. To demonstrate this, it is anticipated that selected proponents will pursue a variety of projects within their chosen sector. The number of applications is simply a guideline to demonstrate breadth.</p>

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10.	Clarification requested on whether targets and costs are to be made for 4 years, and be pro-rated upon execution date of the contract?	Total Energy Targets will be defined as the proposed total energy savings expected to be in service by December 31, 2020.  It is expected that proponents will propose expected in-service energy savings for each year, from estimated contract start to December 31, 2020.
11.	Clarification requested on whether it is acceptable to deliver projects where geography and sector are awarded, and referrals from customers within that target take a proponent to other sites/clients outside that scope?	Where geography is specified in a proponent's proposal, eligible documented savings must come from this region. Projects outside the scope of the proponent's defined sector will not be allowed.

## II. Funding Models/Schedule A

Stakeholder Feedback		IESO Response
1.	As listed in the payment schedule, payment is only paid when over 50% of the target for MWhs is delivered. Are there bonus payments for over achieving the target since this is a pay for performance funding model?	At this time, the proposed payment schedule does not have bonus payments for achieving above 100% of the proponent's Total Energy Savings target. This initiative is not a pay-for-performance program.
2.	<p>A pay for performance funding model presents too much risk:</p> <ul style="list-style-type: none"> <li>• Not for profit organizations are typically risk averse and are motivated by bringing value to members in their industry instead of profit.</li> <li>• The IESO is at risk as bad press in relation to this program would create poor working relationships with the sector going forward.</li> <li>• The way the pay-for-performance draft RFP is written a proponent would have to increase their project cost by 30% for the last 2 years to ensure that their work is fully paid for in years 3 and 4 if they fall between 50-60% of total energy savings.</li> </ul> <p>By removing the risk of a pay for performance model the IESO would receive more cost effective responses to the RFP.</p>	This initiative is not a pay-for-performance program as the proponent will receive upfront funding for the first two years of operations based on the proponent's requested funding. This funding allows the proponent to begin implementing projects, and to achieve energy savings within the first two years. The remaining 50% is subject to performance and time to ensure prudent use of funding. For certainty, if a proponent achieves their target in the first two years, they will be eligible to receive up to 40% of the remaining funds immediately following year two. .
3.	Funding should be measured by the number of applications submitted from net new applicants. The IESO should have the analytics to measure the net new sector participation.	Thank you for your feedback.

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4.	<p>Funding should be only for support staff that can help sector members with their incentive applications. This should be a fixed funding amount for 2-4 years.</p> <p>Have quarterly reports and annual meetings to manage performance of service providers. If service providers are not demonstrating progress then that should trigger a process to end the contract and wind down activities within a specified period.</p> <p>BOMA has an excellent track record for delivering incentive programs in the CRE industry but would need additional funding to hire more resources and for marketing and communication.</p>	<p>The IESO will not be prescriptive on how selected proponents use their awarded funds. It is expected that proponents will achieve their energy savings and Capability Building projects as indicated.</p>
5.	<p>Suggestion for a program funding model that clearly outlines the requirements of delivering the program that the delivery agent outlines (i.e. must complete X assessments and deliver reports/business cases to the clients to represent at least the total savings the delivery agent has indicated can be achieved).</p> <p>This approach is similar to what the IESO has outlined for the Capability Building Projects where a max of \$60K is provided for the sector.</p>	<p>As each sector varies in their needs and the required approach to achieve the prescribed targets, the IESO will not be prescriptive on how selected proponents use their awarded funds. It is expected that proponents will achieve their energy savings and Capability Building projects as indicated.</p>
6.	<p>It is suggested that there should be an incentive for Energy Managers to help Small Business of Low Income/Social Housing.</p>	<p>Small Business and Low Income/Social Housing (also referred to as Affordable Housing) are identified as target sectors in the Minister's Direction.</p> <p>Proponents may submit proposals for these sectors as such.</p>
7.	<p>It is suggested that it is a requirement that energy service providers are paid for non-incented savings.</p>	<p>Thank you for your feedback.</p> <p>It is expected both incented and non-incented electricity saving measures would be eligible and counted towards the Energy Savings Target.</p> <p>If projects are listed with non-incented savings then proponents will have to supply supporting documentation as per the non-incented guideline that will be included in the appendices of a future RFP. Non-incented projects in the Quarterly Reports</p>

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		may require further documentation for the Technical Reviewer to approve savings. Non-incented project savings will require re-project baseline and post project energy efficient case calculated savings which may involve CUSUM analysis of facility interval data demonstrating the base case and energy efficient case of in-service savings attributed to the non-incented projects.

### III. RFP Clarifications

Stakeholder Feedback		IESO Response
1.	Clarification requested on when the RFP is expected to be posted, submitted, awarded and when the program will start.	It is expected that the RFP will be posted in Spring 2017.
2.	Clarification requested on whether a proposal can be submitted for two sectors which are related but different. Would IESO like to see a single submission that includes total energy savings and costing individually for each sector, followed by a final project cost that combines the costing of each individual sector, with a cost reduction due to the amalgamation of the 2 sectors?	It is expected that each proposal would be for one represented sector. Proponents can submit more than one proposal as long as the identified represented sectors are unique to each proposal.
3.	It is suggested that LDCs should play a role in the RFP evaluation process.	The IESO will take this under consideration.
4.	The vendor chosen needs to focus on the whole province not just the GTA and large LDCs. There needs to be content in the RFP to ensure this is covered.	It is expected that selected proponents will be servicing a broad base of customers across Ontario.
5.	Concern that comments may be self-serving in trying to influence the RFP and where Energy Managers are assigned.	Stakeholder and community engagement is integral to the IESO's decision-making process. The goal is to provide individuals and organizations with the opportunity to provide input and feedback about proposed decisions or changes that affect them. The IESO supports transparency, efficiency and consistency in its stakeholder engagement efforts.
6.	The following RFP evaluation criteria are recommended: <ul style="list-style-type: none"> <li>• favour those who may be perceived as neutral by customer e.g. association and LDC</li> <li>• proponents must submit letter of support from LDCs</li> </ul>	Thank you for the recommendations. Although not mandatory, having a letter of support from sector members and/or LDCs would validate a proponent's claim to understanding the current Save on Energy programs and their existing relationships.

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	<ul style="list-style-type: none"> <li>proponents must identify how they will tackle the hard to reach marketplace.</li> </ul>	It is expected that proponents will describe how they will engage the customers in their identified sector to achieve both the energy savings target and Capability Building targets.
7.	<p>Interested sector based service providers proposals should describe how:</p> <ul style="list-style-type: none"> <li>they could cost effectively employ IESO funding to deliver total energy savings by December 31, 2020</li> <li>they plan to engage, influence, support and succeed in driving energy efficiency decisions with target sectors' ongoing, and future, capital, operational, maintenance and other projects.</li> </ul>	It will be expected that proponents describe how they plan to achieve their Total Energy Savings Target in the most cost effective way for their represented sector whilst providing sector based educational projects.

#### IV. LDC/Utility Involvement

Stakeholder Feedback		IESO Response
1.	Suggestion to engage LDCs to see whether they need specific help in specific regions and/or specific sectors in order to pinpoint where Energy Managers might be spread out.	Thank you for your feedback. The IESO has and will continue to engage LDCs in the design of the initiative both through the LDC Business Working Group and the open engagement.
2.	Suggestion to survey utilities in advance to determine where LDCs and utilities really need help.	Thank you for your feedback. The IESO has and will continue to engage LDCs in the design of the initiative both through the LDC Business Working Group and the open engagement.
3.	Clarification requested on what the solution would be if one LDC wants an Energy Manager but another LDC in that territory does not.	<p>For clarity, this initiative is not providing funding for energy managers to be embedded on a full time basis in sector facilities.</p> <p>The funding for sector based energy service providers is intended for service providers who will work with their identified sector across LDC territories based upon the facility locations of their identified sector members.</p> <p>It will be incumbent upon the selected proponents to coordinate their efforts with facility LDCs, and it is expected that facility LDCs will also support selected proponents' work with their sector customers.</p>
4.	Clarification requested on whether an LDC can opt out of the program?	LDCs will not have to include this funded initiative in their CDM Plans as initiative will be delivered and funded by the IESO directly. Therefore, LDCs will

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		<p>not have the ability to opt in or opt out as they would a province-wide program. However, additional in-service savings will be reconciled to the facility LDCs savings target.</p> <p>Successful proponents will have contracted obligations to engage and work with sector member facility LDCs.</p>
5.	Clarification requested on how the IESO Evaluation team will handle the allocation of projects to LDCs or Energy Managers. What will the impact on Net to Gross be?	All confirmed documented energy savings will be verified by the IESO Technical Reviewer and allocated to the appropriate LDC.
6.	<p>Clarification requested on whether there has been consideration of gas collaboration in the program design and development recognizing that the CFF and DSM gas utilities frameworks call for collaboration.</p> <p>As the IESO develops the scope of work for program delivery there is an opportunity to promote an integrated and holistic energy management program that will enrich customers experience in energy efficiency programs and garner optimal energy (electricity and natural gas) savings results.</p> <p>The gas utilities have invested in significant information and program resources that promote dual savings measures such as demand controlled ventilation; and holistic energy management programs for business customers. Consideration for customized collaboration initiatives can also be explored.</p>	<p>The IESO values collaboration and agrees energy management can be fuel comprehensive.</p> <p>The IESO will pursue and welcomes feedback from the gas utilities on collaboration opportunities.</p>



## V. Other

Stakeholder Feedback		IESO Response
1.	<p>There is work to be done in order to leverage the conservation potential within the Commercial Real Estate (CRE) industry. Current programs offerings are generally utilized by Class A buildings whose owners and managers are driven by corporate sustainability objectives and whose knowledge in conservation and energy efficiency are quite advanced and they have access to resources that could help achieve their objectives. These buildings constitute only a small fraction of the total CRE building stock in Ontario. The vast majority of the buildings are classified as Class B and C whose management are generally resource constrained, lack motivation, and their rate of participation in the conservation program is estimated to be less than 2 percent.</p>	<p>Thank you for your feedback. The commercial building sector in its entirety can be considered a sector for the purposes of this initiative. However, Class B and Class C buildings alone could also be identified as a sector.</p>
2.	<p>LDCs are seen as a barrier for sector members. Few LDCs are excellent at providing support and facilitating the process, and need help to reach out to Class B and C segment of the sector. Many LDCs have no time to support participants or they have a very poor customer service.</p>	<p>Thank you for your comment. LDCs are a key partner in the achievement of the Conservation First Framework energy savings targets. Selected proponents will be expected to establish a collaborative relationship with LDCs in the service territory(ies) where they are operating.</p>
3.	<p>Service providers have no authority on approving sector members' capital projects. However, they can provide support to help sector members choose the right measures and complete incentive applications for on-going capital projects.</p>	<p>A key objective of the initiative is for selected proponents to help sector members overcome barriers to participation in energy efficiency activities. This will be accomplished in part as selected proponents provide support to help sector members choose the appropriate measures for their facilities and complete incentive applications.</p>
4.	<p>The introduction of the draft scope document could be clearer, outlining the exact benefits to the winning proposals.</p>	<p>Thank you for the feedback. We will review the document for opportunities to improve its clarity.</p>
5.	<p>Clarification requested surrounding the 250 million kWh accumulated electricity consumption lower limit and the requirement for target sectors to span across multiple LDC territories.</p> <ol style="list-style-type: none"> <li>1. Is the 250 million kWh consumption required per annum?</li> <li>2. Are they must have requirements or a factor among others with some scoring? If they aren't a requirement or a factor in scoring it is suggested that they be</li> </ol>	<p>The figure was offered as an example to demonstrate the intended scope of the initiative when proponents are considering sectors.</p>

Stakeholder Feedback		IESO Response
	removed from the document.	
6.	Clarification requested on whether the scope includes energy use reductions of various forms of energy (electricity, natural gas, diesel etc.).	As this is an electricity rate payer funded initiative, the objective is for electricity efficiency. While other energy use reductions will not be discouraged, the Total Energy Target will be documented electricity consumption savings (kWh).
7.	There are several programs targeting low income. There is a concern that if Energy Managers provide assistance under other funded programs that this would add to free ridership.	It will be incumbent on proponents to demonstrate how their proposed sectors would benefit from additional support in the form of this initiative.
8.	Sector based service providers should not be overlapping with Energy Managers as they aren't the engineers doing the audits.	It is expected that those proponents selected as part of this initiative will not duplicate efforts of any embedded energy managers within any facility.
9.	Clarification requested on how sector based energy managers are going to support underserved markets. It is recommended that they should be given a list of customers that don't have energy managers or LDC dedicated key account representatives.	One of the objectives of the provincial Sector Based Energy Efficiency Program funding is to support a broad base of customers within a sector. For the purposes of the RFP, the IESO will define the number of municipalities and/or LDCs required to represent a region. Further, it will be incumbent on proponents to demonstrate how their proposed sectors would benefit from additional support in the form of this initiative. It will be incumbent upon the selected proponents to coordinate their efforts with facility LDCs.
10.	There is concern that the Sector Based Energy Manager Program may run into similar issues that the Energy Efficiency Service Provider did. The business working group does not consider these issues that harmful and believe they are manageable given the scope of contract and limited number of sector based energy managers.	Thank you for your feedback.
11.	There are situations where a client has buildings/facilities that are situated in different geographic areas. If the respondent has completed or is working on projects with the Client in the respondent's selected "Energy Efficiency Program" area and wants to continue to engage with the respondent on projects that are outside of the selected area, is this permitted under the program?	Only represented sector facility confirmed documented energy savings will be eligible for counting towards the Total Energy Savings Target.  Service providers documented energy savings from non-represented sector facilities will not be eligible to be counted towards the service provider's target.