



# **COMBINED HEAT AND POWER (CHP) STANDARD OFFER PROGRAM**

## **CHPSOP RULES** *Version 1.0*

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## **SECTION 1 – INTRODUCTION**

### **1.1 Background to the CHP Standard Offer Program**

The Ontario Power Authority has developed this CHP Standard Offer Program for the Province of Ontario to support the efficient use of gas-fired electricity generating facilities that utilize combined heat and power (CHP) technology. The fundamental objective of the CHPSOP Program is to facilitate the increased development of CHP Facilities that are up to a maximum capacity of 20 MW in size, connected to a Distribution System and in an area of the Province where such generation can effectively be accommodated. Some typical examples of facilities suitable for the application of such CHP technologies include greenhouses, institutional buildings (such as municipalities, universities, schools and hospitals) with high thermal energy demands, multi-unit residential buildings, industrial facilities and other district energy projects.

This document contains the rules with respect to the CHPSOP Program, which will be reviewed periodically and may be amended in accordance with Section 8.2.

The OPA will maintain an application package, including the application form, the CHPSOP Contract and detailed instructions on how to apply for a CHPSOP Contract, on the Website. Any conflict or inconsistency between the CHPSOP Contract and the CHPSOP Rules shall be resolved in favour of the CHPSOP Contract.

This CHP Standard Offer Program is complemented by a separate program, the Energy Recovery Standard Offer Program or ERSOP, to facilitate the development of generation from eligible clean sources of waste energy (e.g. energy recovery from pressure drops and bottom-cycle combined heat and power (i.e. otherwise wasted heat)) and underutilized fuel sources.

All capitalized terms in these CHPSOP Rules are defined in Appendix 1 – Standard Definitions attached to this document and available on the Website.

### **1.2 Participation in the CHPSOP Program**

To participate in the CHPSOP Program, Applicants must be willing to make necessary investments in their facilities, including the connection, metering and verification costs, bear certain ongoing costs and risks of operation and maintenance, and enter into a CHPSOP Contract with the OPA pursuant to which the OPA will provide the Supplier with the long-term financial benefit of a Monthly Payment, which is established based on the revenue requirements of a reference Virtual Power Plant (VPP) less imputed market revenues derived from the imputed operation of the Virtual Power Plant. Applicants must comply with Laws and Regulations, including for greater certainty the Distribution System Code, the Transmission System Code and the IESO Market Rules, as each may be applicable. Applicants must also acknowledge the important role that effective consultation with local communities plays in the successful planning, development and operation of generating facilities and must be prepared to undertake their appropriate role in such consultations and address the interests or concerns of such communities in good faith and in compliance with Laws and Regulations.

Although the CHPSOP Program is intended to promote and facilitate the connection of new generating facilities in an efficient manner, Applicants are cautioned that in certain areas of the Province it is not currently economically or technically feasible to connect additional generating facilities. As a result, during the Launch Period, a number of areas of the Province are ineligible to participate in the CHPSOP Program. The OPA has designated on the Website those areas of the Province for which Applications are eligible to be submitted during the Launch Period and will be reviewed. After the end of the Launch Period, Applications for Projects in all areas of the Province will be eligible to be submitted, subject to Section 2.3(e). Once an eligible Application for a Project has been received by the OPA, regardless of whether it was received during

or after the Launch Period, the OPA, in consultation with other agencies, will determine whether the applicable Distribution System and Transmission System resources are available to connect the Project. If a Project cannot be accommodated, the OPA will reject the Application.

## **SECTION 2 – PROJECT ELIGIBILITY REQUIREMENTS**

### **2.1 Basic Eligibility Requirements**

- (a) To be eligible to participate in the CHPSOP Program, a proposed generating facility must:
  - (i) constitute a CHP Facility that utilizes natural gas as its Primary Fuel, and may only supplement its Primary Fuel with Eligible Alternative Fuels;
  - (ii) not have a Gross Nameplate Capacity of more than 20 MW;
  - (iii) be capable of satisfying the Useful Heat Output requirements described in Section 3.2(a);
  - (iv) not have generated electricity prior to August 18, 2005;
  - (v) connect to a Distribution System or to an Electrical Host Facility that is connected to a Distribution System;
  - (vi) if it is the subject of an Application received during the Launch Period, be located in an area of the Province that has been designated on the Website as eligible for CHPSOP Projects, unless, subject to Section 2.1(a)(viii), any required Impact Assessments for such Project (regardless of whether such Project is a New CHP Facility or an Eligible Existing CHP Facility) have been completed, issued and are in good standing;
  - (vii) not be the subject of, or have been the subject of, a physical or financial power or capacity purchase contract relating to the generation of Electricity by such proposed facility (in whole or in part), or other form of contract relating to Electricity or Related Products relating to such proposed facility with the OPA, the Ontario Electricity Financial Corporation or the Government of Ontario or any other agency of the Government of Ontario (a “**Prior Contract**”). For greater certainty, a generating facility that is or has been the subject of a conservation or demand management contract shall not be eligible to participate in CHPSOP; and
  - (viii) not be the subject of an application for an Impact Assessment submitted prior to the execution of the CHPSOP Contract for such proposed generating facility, unless a completed application for such Impact Assessment was submitted and paid for prior to November 23, 2010 and the Applicant provides proof of this with its Application.
- (b) Upgrades or expansions to existing generating facilities are not eligible to participate in CHPSOP. Eligible Existing CHP Facilities are only permitted to participate in accordance with Section 3.3.

## 2.2 Behind-the-Meter Facilities

- (a) Projects that are in respect of Behind-the-Meter Facilities will only be permitted to participate in the CHPSOP Program if (i) the Applicant provides the OPA with written confirmation in the Prescribed Form from the applicable LDC, confirming that the LDC expects to be able to fulfill its obligations under the Retail Settlement Code and other Laws and Regulations with the Project connected as a Behind-the-Meter Facility, (ii) the Supplier accepts all costs and risks associated with complying with the LDC's metering and settlement requirements, (iii) the OPA is satisfied that there is a sufficient technical rationale to justify such configuration, and (iv) the Supplier agrees to enter into an amendment to the CHPSOP Contract such that any financial benefit to the Facility or the Electrical Host Facility that accrues by virtue of the Facility Delivering Electricity as a Behind-the-Meter Facility is returned to the OPA. For greater certainty, any such amendment will provide for a reduction in the Monthly Payment by the amount of "Global Adjustment" and other variable charges that are avoided as a result of the Behind-the-Meter Facility configuration. In all circumstances, the Supplier shall be solely responsible for ensuring compliance with the "Debt Retirement Charge" requirements under Regulations 493/01 and 494/01 made pursuant to the Electricity Act.
- (b) Without limiting the generality of the foregoing, the following information is provided to assist prospective Applicants considering Projects in respect of Behind-the-Meter Facilities:
  - (i) If the Project's Delivered Electricity is at any time in excess of the Electrical Host Facility's load, then settlement would normally require the subtraction of values as between the Electrical Host Facility's meter and the Facility's meter, which is referred to as "subtractive totalization of metering". It is expected that LDCs may not connect Projects which would require subtractive totalization of metering and therefore such Projects would not be capable of complying with the requirements of 2.2(a).
  - (ii) In order to avoid the need for subtractive totalization of metering, Projects that are intended to have the capability of "premises islanding" should establish connection and premises islanding arrangements with the applicable LDC such that premises islanding can take place on the LDC side of the load and generation metering installations, with appropriate arrangements for LDC settlement under islanded operations. Under this configuration, these Projects would not be Behind-the-Meter Facilities and therefore would not be subject to the restriction set out in Section 2.2(a).
  - (iii) Applicants are strongly cautioned that any challenges arising with the connection of a Project as a Behind-the-Meter Facility following submission of an Application or execution of a CHPSOP Contract is at the Applicant's sole risk and may result in forfeiture of the Application Security or Completion and Performance Security, as applicable. For greater certainty, the OPA will not provide any special consideration to Behind-the-Meter Facilities in its connection availability screen.
  - (iv) In the event that the OPA does not accept an Applicant's technical rationale to justify a connection configuration for a Behind-the-Meter Facility, the OPA shall advise the Applicant and shall provide the Applicant with the opportunity to revise its Connection Point such that its Project is no longer a

Behind-the-Meter Facility. If the Applicant declines to revise its Connection Point, the Application shall be considered incomplete and rejected in accordance with Section 4.2(e).

- (v) Upon receipt of an Application in respect of a Behind-the-Meter Facility which satisfies the requirements set out in Section 2.2(a), the OPA, in consultation with the applicable LDC, will develop a form of amendment to the CHPSOP Contract that will provide that any financial benefit to the Facility or the Electrical Host Facility that accrues by virtue of the Facility Delivering Electricity as a Behind-the-Meter Facility is returned to the OPA. In order to ensure that there is no need for subtractive totalization in any period when generation may exceed the load of the Electrical Host Facility, the Applicant may be required to forego any compensation for a net injection to the Distribution System.

## 2.3 Program Limits

- (a) In accordance with the limits set out in the CESOP Directive, 200 MW of capacity has been allocated for a combination of CHPSOP Projects and ERSOP Projects (the “**Available Capacity**”). For Launch Applications, the sub-limits set out in Section 9.3 shall apply. For greater certainty, the Available Capacity applies to both Eligible Existing CHP Facilities and New CHP Facilities.
- (b) Available Capacity shall only be allocated to a Project, based on its Annual Average Contract Capacity, at the time a CHPSOP Contract is offered in accordance with Section 6.1(a). Provided that the CHPSOP Contract is executed and returned in accordance with Section 6.1(b), the total Available Capacity shall be reduced by the amount of the Annual Average Contract Capacity corresponding to such CHPSOP Contract. If the Applicant fails to return the CHPSOP Contract in accordance with Section 6.1(b), then any capacity allocated in respect of such CHPSOP Contract shall be forfeited and such capacity shall become Available Capacity.
- (c) So long as there is sufficient Available Capacity to accommodate any part of a Project, the OPA shall consider there to be sufficient Available Capacity to accommodate the entire Project, provided that in no circumstances will the OPA permit the Available Capacity to be exceeded by more than 20 MW. Following the assessment of all Launch Applications, the OPA shall use its best efforts to regularly update the level of Available Capacity on the Website.
  - (i) If, for example, there is 3 MW of Available Capacity and the next Project to be processed has an Annual Average Contract Capacity of 8 MW, the OPA shall consider there to be enough Available Capacity to accommodate such Project, provided that following the execution of the CHPSOP Contract in respect of such Project, the level of Available Capacity shall be zero.
- (d) Once the level of Available Capacity reaches zero, and there are no outstanding offers of CHPSOP Contracts, then notwithstanding anything in the CHPSOP Rules to the contrary, all remaining Applications shall be rejected by the OPA, and any Application Security shall be returned within 20 Business Days, and no further Applications shall be considered. For greater certainty, the Application Fee is not refundable in these circumstances, provided that if, at such time, the OPA has not yet received or opened the hard copy materials (which include the Application Fee) in respect of an Application, it shall return these unopened.

- (e) To facilitate the procedure set out in Section 2.3(d), following the end of the Launch Period, the OPA will temporarily cease receiving new Applications until it has completed processing of the Launch Applications and has determined whether there is any remaining Available Capacity. The OPA will provide no less than five Business Days notice on the Website of the reopening of the CHPSOP Program for new Applications following the end of the Launch Period.

## SECTION 3 – APPLICATION REQUIREMENTS

### 3.1 Application Materials

- (a) An Applicant must provide with its Application a certified cheque, bank draft or money order payable to the Ontario Power Authority in the amount of \$1,000, which fee is inclusive of HST and shall be non-refundable (subject to Section 2.3(d)) regardless of whether the Application is accepted by the OPA (the “**Application Fee**”).
- (b) An Applicant must provide security with its Application, payable to and in favour of the “Ontario Power Authority” in the amount of \$20,000 per MW of Annual Average Contract Capacity in the form of a certified cheque, bank draft, money order or an irrevocable and unconditional standby letter of credit issued by a financial institution listed in either Schedule I or II of the *Bank Act* (Canada), or such other financial institution having a minimum credit rating of (i) A– with S&P, (ii) A3 with Moody’s, (iii) A low with DBRS, or (iv) A with Fitch IBCA, substantially in the form attached as Exhibit A (the “**Application Security**”). If the Application is accepted and the Applicant is offered to enter into a CHPSOP Contract, upon the OPA’s receipt of the Completion and Performance Security in accordance with Section 6.1(b), the Application Security will be returned to the Applicant. Any interest earned by the OPA on any Application Security provided to the OPA shall be for the sole account of the OPA and the Applicant shall not have any right to such interest.
- (c) All Applicants must provide consent in the Prescribed Form for the IESO and the applicable LDC to disclose information to the OPA. The consent must be addressed jointly to the OPA, the IESO and the applicable LDC, and signed by the Applicant and the Electrical Host Facility (if applicable). It authorizes the LDC and the IESO to provide to the OPA information relating to the Applicant or the Project, the Electrical Host Facility (if applicable) and each of their connections, meters, meter and billing data and accounts as the OPA may require for the purposes of evaluating the Application and/or offering or administering a CHPSOP Contract.
- (d) Where the Application is not in respect of a Host Developed Project, the Applicant must also provide an authorization letter in the Prescribed Form authorizing the owner of the Host Facility to provide the OPA information relating to the Applicant or the Project and the Host Facility, as the OPA may require for the purposes of evaluating the Application and/or offering or administering a CHPSOP Contract.
- (e) Prior to applying to the CHPSOP Program, Applicants must contact their LDC to discuss an appropriate Connection Point and discuss the availability of connection resources on the Distribution System for their Project. The Application will require Applicants to identify the time and date of such meeting, as well as the representative(s) from the LDC who participated.

- (f) An Application must include the following connection details regarding the Project:
  - (i) Contract Capacity in respect of each Season (which, for greater certainty, shall not exceed 20 MW for any Season) and Gross Nameplate Capacity, (ii) proposed Connection Point, (iii) other information relating to the Connection Point, including distribution feeder designation and voltage and corresponding transformer station bus, and (iv) such other information as may be required by the CHPSOP Application form, as applicable.
- (g) An Application must include evidence that the Applicant has either title or rights of access to the Site, sufficient to build, operate and maintain the Project, enforceable by contract for the term of the CHPSOP Contract (“**Access Rights**”). Such Access Rights may include a lease, option, letter of intent, memorandum of understanding or other grant conditional only on the Applicant entering into the CHPSOP Contract.
- (h) An Applicant must provide the OPA with a valid e-mail address for purposes of correspondence related to the CHPSOP Program, which address the Applicant may amend from time to time by providing written notice to the OPA.

### 3.2 Useful Heat Output

- (a) All Applicants must provide in the Prescribed Form a plan that is satisfactory to the OPA, for their proposed Contract Facility to provide Useful Heat Output to a Host Facility (the “**Useful Heat Output Plan**”), such that:
  - (i) during the first 10 years of the CHPSOP Contract, the average amount of Useful Heat Output is no less than 15% of the total energy output of the Contract Facility during such period; and
  - (ii) by no later than the third Contract Year, the annual average amount of Useful Heat Output is no less than 15% of the total energy output of the Contract Facility during each remaining Contract Year until the end of the Term of the CHPSOP Contract.

For the purpose of determining in the Useful Heat Output Plan the percentage of total energy output of the Contract Facility that is Useful Heat Output, the OPA shall, notwithstanding what may be submitted in the Useful Heat Output Plan, assume that the total Electricity output of the Contract Facility for each year will, at a minimum, be equal to the Annual Average Contract Capacity multiplied by 2200 hours (which corresponds approximately to the average number of hours the Virtual Power Plant would have been imputed to operate in 2008, 2009 and 2010, based on the heat rates applicable to a Seasonal UHO Facility).

- (b) For Projects where the owner of one or more Host Facilities is at Arm’s Length to the Applicant, the Useful Heat Output Plan must include a copy of an executed, binding agreement with each such Host Facility (each such agreement, an “**Off-Take Agreement**”). Each Off-Take Agreement must have a term of no less than five years and all Off-Take Agreements collectively must demonstrate that, if the Applicant is issued a CHPSOP Contract, the Host Facility is (or Host Facilities collectively are) obligated to take Useful Heat Output in an amount that would satisfy the requirements of Section 3.2(a)(i).
- (i) For the purposes of demonstrating that a Project would satisfy the requirements of Section 3.2(a)(i), the OPA shall assume that any Host



Facility whose owner is at Arm's Length from the Applicant will not accept any Useful Heat Output for any year beyond the term of its Off-Take Agreement. If, for example, the term of all of the Off-Take Agreements is only five years, then the average Useful Heat Output over this five-year period must be at least 30% to satisfy the requirements of Section 3.2(a)(i).

- (ii) Applicants may redact any commercially sensitive pricing information from Off-Take Agreements prior to providing them to the OPA, provided that the Off-Take Agreements still provide sufficient information to demonstrate that they satisfy the requirements of Section 3.2(b).
- (c) A Host Facility that has ever accepted, or has contracted to accept, heat output from a generating facility that is or has been the subject of a Prior Contract, is not permitted to contribute to the Useful Heat Output requirements under the CHPSOP Contract, unless the Applicant can demonstrate to the OPA's satisfaction that any Useful Heat Output going to such Host Facility is incremental to (and not in substitution for) the existing or prior heat output arrangements.

### 3.3 Eligible Existing CHP Facilities

- (a) Where a Facility has previously generated Electricity while synchronized to the Distribution System, provided it did not generate electricity at any time prior to August 18, 2005 (an "**Eligible Existing CHP Facility**"), such Facility shall only be eligible for the CHPSOP Program in accordance with the terms and conditions of this Section 3.3.
- (b) In addition to the information required to be provided with an Application pursuant to Section 3.1, an Application in respect of an Eligible Existing CHP Facility must also include (i) a Metering Plan in the Prescribed Form, (ii) a single line electrical drawing bearing the stamp of a Professional Engineer licensed to practice in Ontario, which identifies the as-built Connection Point(s), clearly showing area transmission and distribution facilities, including the transmission station(s) that is electrically closest to the Facility and (iii) evidence satisfactory to the OPA, of the date on which the construction of the Facility was complete in all material respects and the Facility demonstrated the capability capable of producing and sustaining the applicable Contract Capacity (the "**In-Service Date**"). In determining whether the evidence of the In-Service Date is satisfactory, the OPA shall consider whether such evidence would have satisfied the requirements for achieving Commercial Operation under the CHPSOP Contract, had such requirements been applicable to the Facility.
- (c) Notwithstanding Section 6.4, the Term of a CHPSOP Contract offered in respect of an Eligible Existing CHP Facility shall be calculated as 20 years minus the number of days between the In-Service Date and the date of the electronic submission of the Application.

### 3.4 Responsibility for Project Viability

Despite anything contained in these CHPSOP Rules or in the CHPSOP Contract, Applicants are solely responsible for ensuring the technical, regulatory and financial viability of their Projects, and the OPA shall have no responsibility whatsoever to independently assess the viability of any Application or Project nor any liability whatsoever in the event that a Project turns out not to be viable in any respect. For greater certainty, Applicants are solely responsible for satisfying the Useful Heat Output requirements in the CHPSOP Contract and

for any financial consequences they may incur resulting from a shortfall in demand for Useful Heat Output, however caused.

## **SECTION 4 – APPLICATION REVIEW**

### **4.1 Application**

- (a) Applicants who wish to participate in the CHPSOP Program must submit an Application to the OPA in accordance with instructions posted on the Website from time to time, together with all documents required to establish that the Applicant has satisfied all of the Project and Application eligibility criteria set out in Section 2 and Section 3, respectively. Applicants are required to submit Applications electronically, at which point they will be issued a Time Stamp and a reference number. A copy of the application form, the Application Fee, Application Security, schedules, attachments and other documents specified in the CHPSOP Application form must be delivered in hard copy format to the OPA at 120 Adelaide Street West, Suite 1600, Toronto ON, M5H 1T1, Attention: CHP Standard Offer Program, no later than five Business Days after the Applicant is sent an e-mail by the OPA confirming electronic submission of the Application, and in accordance with the specific details set out in the CHPSOP Application form. The reference number must be clearly marked on the envelope containing the hard copy materials and on all of the hard copy materials.
- (b) If the OPA does not receive all the required materials by 5:00 p.m. (EPT) on the fifth Business Day after the Applicant is sent an e-mail by the OPA confirming electronic submission of the Application, any hard copy materials will be returned to the Applicant and the Time Stamp and reference number on the electronic submission of the Application will be forfeited.

### **4.2 Review of Mandatory Requirements**

- (a) Each Application will be reviewed in detail by the OPA to confirm that the overall Application is complete and that all constituent elements of such Application confirm that the Project satisfies all of the eligibility requirements set out in Section 2 and that the Application satisfies all of the eligibility requirements set out in Section 3.
- (b) The OPA reserves the right, but is not obligated, to request clarification, additional information, documentation and statements in relation to any Application at any time. Any such requested clarification, additional information, documentation or statements must be submitted to the OPA by e-mail within 10 Business Days of the date of such request, or by such other means and within such other time frame as may be requested by the OPA, failing which the Application may be rejected as being incomplete.
- (c) The OPA reserves the right to reject any incomplete Application, any Application that does not satisfy all of the eligibility requirements set out in Section 2 and Section 3 or any Application in respect of which the included information is not satisfactory to the OPA or its advisers in any respect. The Application Fee will not be refunded in such circumstances.
- (d) Once the OPA has confirmed that an Application meets the requirements set out in Section 2 and Section 3, the OPA will assess, by order of Time Stamp, whether

connection resources are currently available to connect the Project in accordance with Section 5, except where, subject to Section 2.1(a)(viii), any required Impact Assessments for such Project (regardless of whether such Project is a New CHP Facility or an Eligible Existing CHP Facility) have been completed, issued and are in good standing, in which case the OPA will proceed to offer a CHPSOP Contract in accordance with Section 6.1(a). The OPA may, in its discretion, contact an Applicant to discuss amendments to a Project, but where an Applicant declines to make any such amendments, it shall be without prejudice to the unamended Application.

- (e) Where an Application has been rejected, the OPA shall give reasons for rejecting the Application and shall return the Application Security within 20 Business Days of providing such notice. Rejection of an Application shall be without prejudice to submitting a revised Application to the extent that an Applicant believes an Application can be improved and thereby accepted, provided that such revised Application shall be issued a new Time Stamp and reference number at the time of resubmission and shall be subject to the CHPSOP Rules and CHPSOP Contract in effect at the time of resubmission.
- (f) A decision by the OPA to accept or reject an Application shall be final and binding and not subject to appeal.

## SECTION 5 – CONNECTION AVAILABILITY MANAGEMENT

### 5.1 Connection Availability Screen

- (a) When the OPA determines that an Application is complete following receipt of any clarification, additional information, documentation and statements required by the OPA in accordance with Section 4.2(b), it will provide notice to the Applicant and will conduct a connection availability screen in accordance with Section 5.1(c). The OPA's target for processing Applications in accordance with Section 5.1(c) is 60 days following such notice.
- (b) All Applications will be assessed in order of Time Stamp such that, to the extent that multiple Projects require the same connection resource or allocation of remaining Available Capacity, Projects with an earlier Time Stamp will be assessed in priority to Projects with a later Time Stamp. All Applications received following the launch of the CHPSOP Program and prior to June 30, 2011 at 5:00 PM (EPT) (the “**Launch Period**”) shall be assessed in accordance with Section 9. For greater certainty, an Application is considered to be received at the time of the electronic submission of the Application, provided that the hard copy materials are received in accordance with Section 4.1(a).
- (c) Once the OPA has confirmed that an Application meets the requirements set out in Section 2 and Section 3, the OPA, along with the IESO and applicable Transmitters, will determine whether the Transmission System has sufficient connection resources to accommodate the connection of the Project and the OPA will coordinate with any applicable LDCs and confirm such LDCs' determination as to whether the applicable Distribution System has, or will have sufficient connection resources to accommodate the connection of the Project. In both cases such determination will take into account all prior Applications that have been processed; applications for projects under the CHPSOP Program submitted prior to the Application; contracts

for Feed-in Tariff projects; and any other generating facilities that are existing, committed or are the subject of a ministerial direction. Following the end of the Launch Period, this process will occur in coordination with other OPA connection availability processes, including the “Transmission Availability Test” and “Distribution Availability Test”, which are run pursuant to the Feed-in Tariff Program.

- (d) If the analysis in Section 5.1(c) determines that there are sufficient Transmission System and Distribution System resources necessary to accommodate the connection of the Project, the OPA will offer a CHPSOP Contract in accordance with Section 6.1(a).
- (e) If the analysis in Section 5.1(c) determines that there are insufficient Transmission System or Distribution System resources available to accommodate the connection of the Project, the OPA will reject the Application and will return the Application Security to the Applicant within 20 Business Days, and the Applicant may reapply to the CHPSOP Program in accordance with Section 5.2.

## 5.2 Reapplication

An Applicant may reapply to the CHPSOP Program at any time subject to the CHPSOP Rules in effect at such time. If, within six months after a rejection of its Application pursuant to Section 5.1(e), an Applicant reapplies to the CHPSOP Program for the same Project (a “**Reapplication**”), the Application Fee applicable to any Reapplication shall be \$200. For greater certainty, any Application that is the subject of a Reapplication will be issued a new Time Stamp in accordance with Section 4.1(a) and will be required to include the full Application Security set out in Section 3.1(b).

## SECTION 6 – CHPSOP CONTRACT FORM AND EXECUTION

### 6.1 Offer & Acceptance

- (a) Following the OPA’s confirmation that an Application meets the requirements set out in Section 2 and Section 3, if the OPA has determined that there are sufficient Distribution System and Transmission System resources necessary to accommodate the connection of the Project and there is sufficient Available Capacity for the Project, the OPA will accept the Application and provide notice to the Applicant in respect of such Project in which the OPA shall offer a CHPSOP Contract in its most recent standardized form on the basis of the information set out in the Application (the “**Offer Notice**”).
- (b) An Applicant will have 10 Business Days from the issuance of the Offer Notice to accept the offered CHPSOP Contract. An Applicant may accept and enter into the CHPSOP Contract by printing and executing the enclosed CHPSOP Contract documents and delivering the executed documents together with the required Completion and Performance Security to the OPA in accordance with the instructions in the Offer Notice.
- (c) Where an Offer Notice is provided in respect of an Application for which the Application Security was provided to the OPA in the form of certified cheque, bank draft or money order, an Applicant that intends to provide Completion and Performance Security in the same form as the Application Security may convert the Application Security into Completion and Performance Security to reduce the

amount of Completion and Performance Security outstanding, by enclosing the provided consent form with its response to the Offer Notice.

- (d) Upon receipt of the executed CHPSOP Contract and the Completion and Performance Security, the OPA will return the Application Security (if applicable) to the Supplier within 15 Business Days. If the OPA does not receive the executed CHPSOP Contract and Completion and Performance Security from the Applicant within 10 Business Days of the Offer Notice, the Application shall be deemed to have been withdrawn, the offer of a CHPSOP Contract shall be revoked, and the OPA shall be entitled to draw on the full amount of the Application Security as liquidated damages and not as a penalty.

## 6.2 Overview of the Net Revenue Support Level

- (a) The CHPSOP Contract is a primarily financial agreement that is intended to provide Suppliers with the benefit of a financial contract based on a monthly Net Revenue Support Level (NRSL) in \$/MW-month, for the 20-year Term of the CHPSOP Contract. In each Settlement Month, the Monthly Payment will be equal to the Net Revenue Support Level multiplied by the Annual Average Contract Capacity, less the Imputed Net Revenue resulting from the imputed operation of a hypothetical reference power plant referred to as the “Virtual Power Plant”. When the Net Revenue Support Level multiplied by the Annual Average Contract Capacity is greater than the Imputed Net Revenue, the Monthly Payment shall be payable from the OPA to the Supplier, subject to Section 6.4(b). In the event that the Imputed Net Revenue is greater than the Net Revenue Support Level multiplied by the Annual Average Contract Capacity, the Monthly Payment shall be payable from the Supplier to the OPA.
- (b) The Net Revenue Support Level (NRSL) is equal to \$28,900/MW-month. Commencing on the first day of January following the Term Commencement Date, 30% of the NRSL will be escalated annually each year on the basis of increases in CPI. Imputed Net Revenue (INR) calculations per MW of Contract Capacity are independent of each particular Facility and depend only on the classification of the facility as a Seasonal UHO Facility or a Non-Seasonal UHO Facility, and on the imputed dispatch basis set out below. The Virtual Power Plant Parameters for each type of facility are intended to reflect equivalent overall economics, with recognition of different seasonal UHO demand patterns for two main types of facility. Applicants will be required to elect on their Application whether their Project is to constitute a Seasonal UHO Facility or a Non-Seasonal UHO Facility for purposes of the CHPSOP Contract. Applicants may make this election in their sole discretion; however the heat rates for Seasonal UHO Facilities have been designed for district heating applications, whereas the heat rates for Non-Seasonal UHO Facilities are designed for applications with relatively consistent year-round Useful Heat Output demands.

The Virtual Power Plant Parameters for each type of Facility are as set out in Table 1, below.

Parameter	Units	Seasonal UHO Facilities	Non-Seasonal UHO Facilities
Net Revenue Support Level	\$/MW-month	28,900	
Heat Rate	MMBtu/MWh	Season 1 <sup>1</sup> : 4.98 Season 2 <sup>2</sup> : 6.18 Season 3 <sup>3</sup> : 7.38 Season 4 <sup>4</sup> : 6.18	6.00
Variable Operation and Maintenance and Gas Distribution Charge	\$/MWh	6.0	
Start Fuel	MMBtu/MW/Start	0.5	

Table 1: Virtual Power Plant Parameters

### 6.3 Principles for Determination of Imputed Net Revenue (INR)

- (a) The INR calculation for each Facility will be based on its imputed dispatch for the month, which is set out in the Exhibit J to the CHPSOP Contract and summarised below.
  - (i) For each Facility with Annual Average Contract Capacity less than one MW, the Facility will be subject to Prescribed Dispatch. In accordance with Prescribed Dispatch, the Facility shall be imputed to operate during those hours between and including the hours of 7 AM and 11 PM EPT on Business Days that are specified by the OPA in a Prescribed Dispatch Order, in accordance with Exhibit G.
  - (ii) For each Facility with Annual Average Contract Capacity greater than or equal to one MW, the Facility shall be imputed to operate during certain hours between 7 AM and 11 PM EPT on Business Days, as set out in Exhibit J.

<sup>1</sup> **Season 1:** (Dec. 1 – Feb. 28/29)

<sup>2</sup> **Season 2:** (Mar. 1 – May 31)

<sup>3</sup> **Season 3:** (June 1 – Aug. 31)

<sup>4</sup> **Season 4:** (Sep. 1 – Nov. 30)

- (b) For greater certainty, there is no obligation for the Supplier to operate the Facility in accordance with the imputed dispatch model set out in Exhibit J to the CHPSOP Contract.

#### 6.4 Overview of Contractual Provisions

- (a) The CHPSOP Contract requires the Supplier to own the Facility (or lease the Facility for the Term) and to design, build, operate and maintain the Facility as it is outlined in the Application using Good Engineering and Operating Practices and in compliance with Laws and Regulations, including for greater certainty the Distribution System Code, the Transmission System Code and the IESO Market Rules, as each may be applicable. For New CHP Facilities, the Milestone Date for Commercial Operation will be the date that is three years after the Contract Date.
- (b) The Contract Facility (which excludes auxiliary boilers, etc.) shall be required by the CHPSOP Contract to provide an amount of Useful Heat Output during each year of the Term that is consistent with the Useful Heat Output Plan, or that is otherwise, on an annual average basis, no less than 15% of the total energy output of the Facility, subject to Section 6.5 and Section 9. If the Facility fails to meet this requirement, the Supplier must provide the OPA with a UHO Remediation Plan to restore the Useful Heat Output to the required level and use Commercially Reasonable Efforts to implement such plan. If, starting in the third Contract Year, the Actual UHO Percentage in any Contract Year is less than the Minimum UHO Requirement, for the next year the NRSL will be scaled down by 1.33% for each 1.0% by which the Actual UHO Percentage is below the Minimum UHO Requirement, based on the rolling 5-year average of such shortfall in the level of Useful Heat Output.
- (c) The CHPSOP Contract sets out the metering requirements for the Facility, and the Supplier must provide a Metering Plan (for both electrical and thermal metering) to the OPA for approval. The Supplier must also provide the OPA and its designated agents all rights necessary to receive, retain, audit and use the meter data for the purposes of settling the CHPSOP Contract and any other purpose consistent with the objectives of the CHPSOP Program, and must also provide read only access to the Facility's meters and the Electrical Host Facility's meters, as applicable.
- (d) Prior to or commensurate with the execution of the CHPSOP Contract, Suppliers developing New CHP Facilities will be required to provide the OPA with Completion and Performance Security in an amount of \$30,000/MW of Annual Average Contract Capacity. Suppliers developing Eligible Existing CHP Facilities will be required to provide the OPA with Completion and Performance Security in an amount of \$15,000/MW of Annual Average Contract Capacity.
- (e) On no more than two occasions per Contract Year, the OPA may require the Supplier to perform a Capacity Check Test, in which the Contract Facility must demonstrate the ability to achieve and sustain the Contract Capacity for each of four consecutive hours. The Measured Electricity during a Capacity Check Test shall be adjusted downwards to account for any incremental Electricity produced as a result of either (i) the Facility not operating under normal operating conditions during the test or (ii) the Contract Facility producing less than the Minimum UHO Requirement during the test. The Measured Electricity shall not be adjusted for ambient weather conditions, provided that if the ambient air temperature exceeds the thresholds set out in the CHPSOP Contract, the Supplier may re-perform the Capacity Check Test.

- (f) Prior to achieving Commercial Operation, the Supplier may only terminate the CHPSOP Contract with a full return of Completion and Performance Security if the Supplier's Connection Costs are estimated to be substantially more than what would have been reasonably foreseeable by a prudent Supplier taking Commercially Reasonable Efforts to estimate such costs.
- (g) After achieving Commercial Operation, the Supplier may only terminate the CHPSOP Contract with a full return of Completion and Performance Security if there is a drop in demand for Useful Heat Output from the Host Facility below the threshold described in the CHPSOP Contract, in which case the Contract Facility must be shut down for the balance of what would have been the remaining Term.

## 6.5 Application for Expansion Amendment

- (a) Provided that there is sufficient Available Capacity, from and after start of the third Contract Year, if the Actual UHO Percentage in respect of a Contract Facility for the immediately preceding Contract Year is equal to or greater than 50%, the Supplier may apply to the OPA for a Contract Facility Amendment to increase the Contract Capacity in respect of each Season up to an amount that is equal to a maximum of two times the original Contract Capacity in respect of such Season, as specified on the CHPSOP Contract Cover Page as of the Contract Date and subject to a Contract Facility maximum of 20 MW (a "**Contract Facility Amendment Application**"). For greater certainty, it shall not be unreasonable for the OPA to reject any such Contract Facility Amendment Application if it does not meet the requirements of this Section 6.5, including if there is insufficient Available Capacity.
- (b) A Contract Facility Amendment Application as contemplated in Section 6.5(a) must include proposed amendments to the Useful Heat Output Plan which demonstrate to the satisfaction of the OPA, acting reasonably, that for the remainder of the Term starting in the Contract Year after the Contract Year in which the Contract Facility Amendment is to be completed, the Contract Facility will be capable of producing an Actual UHO Percentage that is at least equal to the greater of the Minimum UHO Requirement for that Contract Facility taking into account any Increased UHO Commitment pursuant to Section 9.1(c), and 25%.
- (c) Any increase in Contract Capacity resulting from an approved Contract Facility Amendment Application shall take effect on the date that:
  - (i) all of the requirements to achieve Commercial Operation set out in Section 2.5(a) of the CHPSOP Contract are satisfied in relation to the expanded Contract Facility; and
  - (ii) the Supplier has increased the amount of Completion and Performance Security provided to the OPA pursuant to Section 5.1 of the CHPSOP Contract, to the amount required by the increased Annual Average Contract Capacity,

provided that if such requirements have not been satisfied by the date that is the day before the second anniversary of the date the OPA approved the Contract Facility Amendment Application, such approval shall no longer be valid, and, in order to effect an increase in Contract Capacity, the Eligible Existing CHP Facility shall be required to submit a new application for a Contract Facility Amendment pursuant to Section 6.5(a), provided that the Supplier may only do so if it meets the



requirements of Section 6.5(a) at such time. For greater certainty, for the purpose of this Section 6.5(c), each reference in Section 2.5(a) of the CHPSOP Contract to the Contract Facility or Contract Capacity shall mean the Contract Facility or Contract Capacity as amended by the Contract Facility Amendment that is the subject of the approved Contract Facility Amendment Application.

- (d) Effective the first Contract Year after the Contract Year in which the requirements set out in Section 6.5(c) are satisfied, the Minimum UHO Requirement shall be revised to reflect any increased commitment to provide Useful Heat Output in accordance with Section 6.5(b), for the remainder of the Term and the Useful Heat Output Plan shall be amended to incorporate the proposed amendments included as part of the Contract Facility Amendment Application. For greater certainty any such increase(s) in Contract Capacity in accordance with this Section 6.5 shall not extend the Term.

#### **6.6 Resolving Inconsistencies**

Sections 6.2, 6.3 and 6.4 are for descriptive purposes only. For greater certainty, to the extent that there is any inconsistency between Sections 6.2, 6.3 and 6.4 and the CHPSOP Contract, the CHPSOP Contract shall prevail.

### **SECTION 7 – CONFIDENTIALITY**

- (a) All information provided by or obtained from the OPA in any form in connection with the CHPSOP Program, either before or after the execution of a CHPSOP Contract, that is not otherwise publicly available is the sole property of the OPA and must be treated as confidential, and
  - (i) is not to be used for any purpose other than applying to participate in the CHPSOP Program and the performance by the Supplier of its obligations under the CHPSOP Contract;
  - (ii) must not be disclosed without the prior written authorization of the OPA, other than to the Applicant's or Supplier's partners, advisors, applicable LDC, IESO, OEB, contractors, and Secured Lenders, provided the disclosing party obtains similar confidentiality commitments from such third parties; and
  - (iii) shall be returned by the Applicant, Supplier or third party (as applicable) to the OPA immediately upon request of the OPA.
- (b) Information provided by an Applicant or a Supplier is subject to, and may be released in accordance with, the provisions of the FIPPA. Notwithstanding any confidentiality statement provided by the Applicant or Supplier, the OPA may be required to disclose information which is provided to the OPA by an Applicant or Supplier and is otherwise not protected from disclosure through an exemption in FIPPA or any other applicable legislation, regulation or policy. Applicants should not assume that such an exemption is available.
- (c) Information provided by an Applicant in relation to a Project, including technology, capacity, location, date, status within the CHPSOP Program and name of and contact information for an Applicant may be disclosed by the OPA on the Website or

otherwise, and such disclosure may be made on an individual basis, or on aggregated with information provided by other Applicants.

- (d) Applicants are advised that their Applications will, as necessary, be disclosed on a confidential basis to the OPA's counsel, consultants, the IESO, Transmitters, LDCs, the Government of Ontario, and other advisers retained for the purpose administration of the CHPSOP Program.

## **SECTION 8 – ADDITIONAL RULES**

### **8.1 Assignment and Change of Control**

- (a) An Applicant shall not assign its Application to another Person other than an Applicant Related Person, except with the prior written consent of the OPA, which consent may not be unreasonably withheld.
- (b) An Applicant shall not permit or allow a change of Control of such Applicant, except with the prior written consent of the OPA, which consent may not be unreasonably withheld.
- (c) If an Applicant violates any provision of this Section 8.1, the OPA shall be entitled to reject the Application and draw on the full amount of the Application Security as liquidated damages and not as a penalty.

### **8.2 Program Review**

Provided that there is any remaining Available Capacity, the OPA intends to review and amend as necessary the CHPSOP Program, the CHPSOP Rules and the form of CHPSOP Contract (which, for greater certainty, shall not affect any executed CHPSOP Contracts) two years after the launch of the CHPSOP Program. The OPA may make amendments prior to this date in response to ministerial directions, changes in Laws and Regulations, significant changes in market conditions or other circumstances as required.

### **8.3 General**

- (a) Each Application will be prepared at the sole cost and expense of the Applicant.
- (b) The OPA shall not be liable to pay any Applicant's costs or expenses under any circumstances. In particular, the OPA will not reimburse the Applicant in any manner whatsoever in the event of rejection of any or all Applications or in the event of the cancellation or suspension of the CHPSOP Program at any time. By submitting an Application, the Applicant irrevocably and unconditionally waives any claims against the OPA relating to the Applicant's costs and expenses including without limitation, costs in relation to satisfying the Project eligibility criteria described in Section 2 and the Application eligibility criteria described in Section 3, the Application Fee and any costs associated with delivering the Application Security.
- (c) Notwithstanding anything contained in these CHPSOP Rules, the OPA reserves the right, in its sole discretion, to reject any Application in whole or part whether or not completed properly and whether or not it contains all necessary information and reserves the right to discuss different or additional proposals to those included in any Application.

- (d) The OPA reserves the right to cancel all or any part of the CHPSOP Program at any time and for any reason or to suspend the CHPSOP Program in whole or in part for any reason for such period of time as the OPA shall determine in its sole discretion, in each case without any obligation or any reimbursement to the Applicants. In the event that all or any part of the CHPSOP Program is cancelled, the OPA shall return the full Application Security to all affected Applicants.
- (e) Each Applicant shall be solely responsible for its own costs and expenses relating to the preparation and submission of its Application and the development of the Facility, whether or not an Application is rejected or the CHPSOP Program is suspended, cancelled, revoked or revised. Under no circumstances whatsoever shall the OPA be liable for any indirect, punitive or consequential damages associated with the Applicant's participation in the CHPSOP Program.
- (f) The OPA may verify with any Applicant or with any third party any information set out in an Application.
- (g) The OPA may at any time make changes to these CHPSOP Rules, the form of CHPSOP Contract, or the CHPSOP Program (including substantial changes or a suspension or termination of the CHPSOP Program), without any liability whatsoever to Applicants or prospective Applicants, except for the return of Application Security.
- (h) The OPA reserves the right to waive any informality or irregularity at its discretion or to otherwise exercise administrative discretion with respect to an Application or an Applicant's compliance with these CHPSOP Rules.

#### 8.4 **Reserved Rights**

- (a) The rights reserved to the OPA in these CHPSOP Rules are in addition to any other express rights or any other rights which may be implied in the circumstances, and the OPA shall not be liable for any expenses, costs, losses or any direct or indirect damages incurred or suffered by any Applicant or any third party resulting from the OPA exercising any of its express or implied rights under the CHPSOP Program.
- (b) By submitting an Application, the Applicant authorizes the collection by the OPA of the information set out in the Application and otherwise collected in accordance with the terms hereof, and the use of such information for the purposes set out in or incidental to these CHPSOP Rules and the CHPSOP Contract, and for the purpose of offering, managing and directing the CHPSOP Program generally.

#### 8.5 **Interpretation**

- (a) **Consent.** Whenever a provision requires an approval or consent and the approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.
- (b) **Currency.** Unless otherwise specified, all references to money amounts are to Dollars and Cents, and shall be rounded to the nearest Cent.

- (c) **Discretion.** Where the OPA may take an action or make a determination under these CHPSOP Rules, the decision to take such action or make such determination shall be at the OPA's sole and absolute discretion.
- (d) **Governing Law.** These CHPSOP Rules are made under and shall be governed by and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.
- (e) **Headings.** Headings of Sections are inserted for convenience of reference only and do not affect the construction or interpretation of these CHPSOP Rules. References to Sections means Sections of these CHPSOP Rules, unless otherwise specified.
- (f) **Liquidated Damages.** By submitting an Application, Applicants acknowledge and agree that it would be extremely difficult and impracticable to determine precisely the amount of actual damages that would be suffered by the OPA and Ontario rate-payers as result of an Applicant failing to execute a CHPSOP Contract in response to an Offer Notice. Applicants submitting Applications further acknowledge and agree that the liquidated damages set forth in these CHPSOP Rules are a fair and reasonable approximation of the amount of actual damages that would be suffered by the OPA and Ontario rate-payers as a result of a failure to execute a CHPSOP Contract in response to an Offer Notice, and does not constitute a penalty.
- (g) **No Strict Construction.** Despite the fact that these CHPSOP Rules were drafted by the OPA's legal and other professional advisors, Applicants submitting Applications acknowledge and agree that any doubt or ambiguity in the meaning, application or enforceability of any term or provision in these CHPSOP Rules shall not be construed against the OPA in favour of the Applicant when interpreting such term or provision, by virtue of such fact.
- (h) **Number and Gender.** Unless the context otherwise requires, words importing the singular include the plural and *vice versa* and words importing gender include all genders.
- (i) **Severability.** If any provision of these CHPSOP Rules or its application to any Party or circumstance is restricted, prohibited or unenforceable, the provision shall be ineffective only to the extent of the restriction, prohibition or unenforceability without invalidating the remaining provisions of these CHPSOP Rules and without affecting its application to the other Party or circumstances.
- (j) **Statutory References.** A reference to a statute includes all regulations and rules made pursuant to the statute and, unless otherwise specified, the provisions of any statute, regulation or rule which amends, supplements or supersedes any such statute, regulation or rule.
- (k) **Time.** Time is of the essence in the performance of the Parties' respective obligations.
- (l) **Time Periods.** Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

## SECTION 9 – PROGRAM LAUNCH

### 9.1 Application Requirements

- (a) Notwithstanding anything to the contrary in Section 4.1(a) or otherwise in these CHPSOP Rules, all Applications that meet all of the Project and Application eligibility requirements set out in Section 2 and Section 3 and are received by the OPA by June 30, 2011 at 5:00 PM (EPT) (the “**Launch Applications**”) shall be assigned a Time Stamp in accordance with the procedure set out in Section 9.2. For greater certainty, an Application is considered to be received at the time of the electronic submission of the Application, provided that the hard copy materials are received in accordance with Section 4.1(a).
- (b) Any Launch Application that does not meet all of the Project and Application eligibility requirements set out in Section 2 and Section 3 will be rejected in accordance with Section 4.2.
- (c) All Applicants submitting a Launch Application must include, along with the other materials required pursuant to Section 3.1, a Minimum UHO Requirement (to one decimal place) of no less than 15.0%. Any Applicant that submits a Minimum UHO Requirement greater than 15.0% (an “**Increased UHO Commitment**”) must provide a Useful Heat Output Plan that demonstrates to the satisfaction of the OPA that the Project will be capable of satisfying such Increased UHO Commitment, otherwise the Launch Application will be rejected in accordance with Section 4.2.

### 9.2 Time Stamp Assignment

- (a) All Launch Applications will be assigned a Time Stamp in relative priority to one another such that Launch Applications with a higher Minimum UHO Requirement as a result of any Increased UHO Commitment shall be assigned earlier Time Stamps than those Launch Applications with lower Minimum UHO Requirement. The Time Stamps assigned to all Launch Applications shall be earlier in time than the Time Stamps assigned to Applications received after the end of the Launch Period. For the purpose of coordinating the connection availability screen set out in Section 5.1(c) during the Launch Period, such screen shall alternate between CHPSOP Applications and ERSOP applications, starting with a CHPSOP Application.
- (b) Where two or more Launch Applications propose the same Minimum UHO Requirement, their Time Stamps will be assigned in relative priority to one another by random draw.
- (c) Notwithstanding Sections 4.2(d) or 5.1(d), no CHPSOP Contracts shall be offered in respect of Launch Applications until all Launch Applications have been reviewed and prioritized by the OPA.

### 9.3 Program Sub-limits for Launch

- (a) In order to ensure an equitable allocation of Available Capacity between CHPSOP Projects and ERSOP Projects, during the Launch Period a minimum of 150 MW of the Available Capacity will be available to CHPSOP Projects and a minimum of 50 MW of Available Capacity will be available to ERSOP Projects.

- (b) If either CHPSOP or ERSOP does not use its entire allocation of Available Capacity pursuant to Section 9.3(a), then the remaining Available Capacity shall become available to either CHPSOP Projects or ERSOP Projects. If there are sufficient CHPSOP Projects and ERSOP Projects to utilize their entire respective sub-limits of Available Capacity pursuant to Section 9.3(a), then if necessary to comply with the absolute limit of 220 MW set out in Section 2.3(c), the final Available Capacity shall be allocated to an ERSOP Project.

**EXHIBIT A – APPLICATION SECURITY (LETTER OF CREDIT FORM)**

DATE OF ISSUE:	[●]
APPLICANT:	[●]
BENEFICIARY:	Ontario Power Authority and its permitted assigns (“ <b>Beneficiary</b> ”)
AMOUNT:	[●]
EXPIRY DATE:	[●]
EXPIRY PLACE:	Counters of the issuing financial institution in Toronto, Ontario
CREDIT RATING:	<b>[Insert credit rating only if the issuer is not a financial institution listed in either Schedule I or II of the <i>Bank Act</i>]</b>
TYPE:	Irrevocable and Unconditional Standby Letter of Credit Number: [●] (the “ <b>Credit</b> ”)

The Credit is issued in connection with the CHP Standard Offer Program Rules issued by the Ontario Power Authority dated ●, as amended (the “**CHPSOP Rules**”) and the Application dated **[Insert Date of Application]** submitted by **[insert name of CHPSOP Program Applicant]** in response thereto (the “**Application**”).

We hereby authorize the Beneficiary to draw on **[Issuing Bank Name/Address]**, in respect of the Credit, for the account of the Applicant, up to an aggregate amount of \$[●] ([●] Canadian Dollars) available by the Beneficiary’s draft at sight accompanied by the Beneficiary’s signed certificate stating that:

“The Applicant, as such term is defined in the CHPSOP Rules, whose Application has been received by the Beneficiary, **[has failed to deliver the Completion and Performance Security within 10 Business Days of being notified by the Beneficiary that it has been selected to enter into a CHPSOP Contract,]** or **[has failed to sign the CHPSOP Contract within 10 Business Days of the date on which the Applicant was given the CHPSOP Contract to sign,]** or **[has made a material misrepresentation in the Application,]****[has violated the CHPSOP Rules]** and therefore the Beneficiary is entitled to draw upon the Credit in the amount of the draft attached hereto. All capitalized terms used in this certificate that have not been defined herein have the meanings ascribed to them in the definitions appendix of the CHPSOP Rules, effective as of the date of the Date of Issue stated above.” **[as applicable]**

Drafts drawn hereunder must bear the clause “Drawn under irrevocable and unconditional Standby Letter of Credit No. [●] issued by **[Issuing Bank Name]** dated **[Issue Date]**.”

Partial drawings are permitted.

This Credit will automatically extend for additional, successive terms of one year each (each an “**Additional Term**”), unless the undersigned provides the Beneficiary with written notice, at least 60 days prior to the expiration date of the then current term, that it does not wish to extend this Credit for an Additional Term.

We engage with you that all drafts drawn under and in compliance with the terms of the Credit will be duly honoured, if presented at the counters of **[Issuing Bank Name/Address]** at or before **[Expiry Time]** (EST) on **[Expiry Date]**, as extended.

The Credit is subject to the International Standby Practices ISP 98, International Chamber of Commerce publication No. 590 and, as to matters not addressed by the ISP 98, shall be governed by the laws of the Province of Ontario and applicable Canadian federal law, and the parties hereby irrevocably agree to attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

This Credit is transferable at the written request of the Beneficiary, without the consent of the Applicant, but subject to consent of the issuing financial institution, acting reasonably. All fees incurred by the issuing financial institution in relation to such transfer shall be at the Applicant's expense, but failure of the Applicant to pay such fees shall not restrict the ability of the Beneficiary to transfer the Credit.

In the event of a transfer of this Credit as provided for above, the above name of the Beneficiary will be amended to another entity by way of an amendment hereto, without the consent of the Applicant, and upon receipt by **[Issuing Bank Name]** of the Beneficiary's dated and signed letter addressed to **[Issuing Bank Name]** and completed as follows:

“We, the undersigned Beneficiary to **[Issuing Bank Name]** Letter of Credit No. [●], hereby waive all our rights under the Letter of Credit and request that the current name and address of the Beneficiary thereunder be amended to read **[insert name and address of new Beneficiary]**. We have enclosed the original Letter of Credit and all amendments (if any) thereto. Please forward the original Letter of Credit and all amendments (if any), including the current amendment to the **[new Beneficiary]**, care of the Applicant.”

**[Issuing Bank Name]**

**By:** \_\_\_\_\_

**By:** \_\_\_\_\_