

IESO Response to Stakeholder Feedback

Industrial Energy Efficiency Program – June 23, 2021

Following the June 23, 2021 Industrial Energy Efficiency Program stakeholder engagement webinar, the IESO invited stakeholders to provide comments and feedback on the materials presented by July 14, 2021.

The IESO received written feedback submissions from:

1. Canadian Renewable Energy Association (CanREA)
2. CLEARresult
3. Electricity Distributors Association
4. Energy Storage Canada
5. Enwave Energy Corporation
6. Pathchoice Energy Consulting Inc.
7. Rayonier A.M. Canada G.P. – Kapuskasing Newsprint Operations

The presentation materials and stakeholder feedback submissions have been posted on the IESO stakeholder [engagement webpage](#) for this engagement. Please reference the material for specific feedback as the below information provides excerpts and/or a summary only.

For context, the topics below are taken from slides 22 to 25 from the June 23, 2021 [presentation](#) posted on the [engagement webpage](#).

Topic 1 – General

Are there any key areas of interest and/or concern on the draft program proposal and framework presented today?

Feedback

- Stakeholders expressed general support for the program concept and requirements and provided some items for consideration, while raising some specific concerns and questions, which are summarized below

Considerations

- Renewable behind-the-meter generation and energy storage should be considered as allowable industrial energy efficiency measures
- Develop a large prescriptive track to enable more projects to participate

Concerns

- The minimum project size threshold is too high and will limit participation to very large organizations

Questions

- How will the program recruit and support participants?
- How will the application process be administered?
- Clarity on eligibility of resources and technologies

IESO Response

The new Industrial Energy Efficiency Program is being offered within the framework and under the authority of IESO's conservation and demand management (CDM) activities. The IESO has had a long history of delivering such programs that deliver measureable and verifiable electricity savings. These electricity savings are factored into the IESO's Annual Planning Outlook.

Accordingly, as part of the new 2021-2024 CDM Framework, the IESO will be supporting energy efficiency projects that conserve electricity, meaning they will offer reductions in overall electricity use in the province. In particular, in this program for large industrial consumers, it is expected that the participant will be able to demonstrate how their proposed project delivers on this commitment to reduce electricity use.

Projects that solely involve the installation of electricity generation and/or storage resources, even if behind-the-meter, will not be eligible, as they are not conservation projects since they are not reducing the amount of electricity produced in the province. However, waste energy recovery projects, where by-products of industrial processes (such as off-gases or waste heat) are used to generate electricity, in order to substitute for electricity from the grid, would be acceptable.

The IESO is seeking to support energy efficiency projects that address large, systemic process improvements through this program, not simple equipment replacements that are better served through a prescriptive program such as the Retrofit program.

The detailed program design, which is under development, will be presented in a follow-on engagement session scheduled for October, 2021. A final engagement session planned for winter 2022 will include final program documents.

Although not yet finalized, IESO is considering that it would directly administer the application process, and rely on a third party technical reviewer to assess technical project details and associated electricity savings projections as well as completeness of customers' measurement and verification plans. The process for customer outreach and support will be developed as part of the program design.

A large industrial prescriptive track is not currently under consideration in this program as it is anticipated that this type of activity is better suited to the Retrofit Program. Should stakeholders believe there are additional opportunities for prescriptive measures that are not currently available in the Retrofit program, they are encouraged to submit these suggestions via the new measure intake process on the [Save on Energy website](#).

The concern regarding the minimum threshold has been addressed as part of the response to item 3.2 below.

Topic 2 – Participant Eligibility

2.1: Should the program allow for aggregation of projects at different sites by the same participant?

Feedback

- Stakeholders support aggregation since it may help participants to meet minimum requirements and allow more projects to participate

Considerations

- Benefits to the grid should be assessed at individual project sites
- Customers should be allowed to modify the project if necessary to eliminate individual sites

Concerns

- Only a few customers will be able to manage the aggregation process

IESO Response

The IESO understands there is strong support for allowing aggregation of facilities and will proceed with investigating this opportunity. Any assessment of benefits to the grid will need to take into account the location of each facility in the aggregation. The IESO recognizes the need for individual project flexibility within the aggregation model and will define this more clearly in the draft requirements.

2.2: Should third parties be allowed to submit projects if they have the necessary authorization to deliver?

Feedback

- Stakeholders support this concept as it would enable financial and technical support and risk mitigation

Considerations

- Third parties should be able to submit projects on behalf of customers
- Third party compensation should be considered an eligible cost provided it contributes towards the project

IESO Response

For the IESO to contract with a third party for the delivery of a project, the party will have to be able to clearly demonstrate that they have the ability and authority to deliver and maintain the projected energy or demand savings at the project site over the lifetime of the savings.

As a general principle, the IESO considers an eligible project cost to include those that would be included in a capital project according to generally accepted project management practice.

Topic 3 – Project Eligibility

3.1: What questions do you have about technologies or projects that would be eligible under this program, given the definition of CDM?

Feedback

- Stakeholders raised the specific questions and considerations below, and in general, sought more clarity on what would be considered as ineligible within the context of *"those measures promoted through a different program or initiative undertaken by the Government of Ontario or the IESO"*

Considerations

- Renewable behind the meter generation, energy storage and district energy, should be considered as industrial energy efficiency measures

Questions

- In the context of the program not favouring "one for one" equipment replacement, would replacement of process modules that perform the same function more efficiently be considered eligible?
- Are all measures covered under the Retrofit program considered ineligible, or only certain types of technology?

IESO Response

As discussed above, the IESO does not consider renewable generation or energy storage on their own to be conservation measures suitable for inclusion in CDM programs.

In general, the intent of the program is to be as open as possible to all types of technology and systems, provided that they are commercially available, have a track record of reliably delivering electrical energy and/or demand savings, and savings are able to be measured and verified post installation. The IESO incentive contribution to the project will need to be cost effective relative to the Ontario electricity system avoided costs as published in the [2020 Annual Planning Outlook](#).

The IESO developed its CDM Program Plan for this framework with the intent of having minimal overlap between program offerings. It is expected that like-for-like equipment replacement is more appropriately addressed through a standard prescriptive offering like the Retrofit Program.

3.2: Are the minimum size and maximum incentive award thresholds reasonable?

Feedback

- Some stakeholders expressed concerns that the proposed thresholds are too high and would limit participation in the program. Specific suggestions were made for a 100kW peak demand reduction limit, and 500-1000 MWh energy reduction limit.
- No comments on the maximum incentive were received

IESO Response

The IESO will take this feedback into consideration when developing the final thresholds.

3.3: What should be considered when enabling stacking of incentives?

Feedback

- Stakeholders expressed general support for incentive stacking as this will enable customers and projects to benefit from multiple funding sources. Some stakeholders indicated that there should be no limit to incentive stacking.

IESO Response

The IESO will consider whether there should be some limitation on the total percentage of incentive stacking on a project. The specific limit, if appropriate, will be determined as part of the detailed design process.

Topic 4 – Project Selection Framework

4.1: Does the two-stage project selection framework presented today support or challenge your internal business processes?

Feedback

- Stakeholders expressed general support for the two-stage process as it would allow companies to test the suitability of projects before incurring significant proposal development costs. This two-stage approach aligns, in general, with customer business processes.

Considerations

- The first stage should provide assurance to the customer that the project has met eligibility requirements prior to investing in the detailed proposal
- The response time for the first stage should be as short as possible in order to align with customers' business processes

Concerns

- A one-year project implementation timeline will be challenging; IESO should allow at least 18 to 24 months to implement projects after award of funding

IESO Response

The IESO intends to ensure that project eligibility criteria are dealt with during the first stage proposal.

The IESO expects that project implementation timelines will be in the order of 12 to 24 months after the awarding of incentives.

4.2: Are there any related key considerations that the IESO should consider in developing the two stages? Any required timing?

Considerations

- Turnaround time for response to stage one applications should be short, ideally within two weeks
- Time between program launch and submission deadline for stage one should allow sufficient time for customers to identify projects, suggested to be at least two months
- Sufficient time should be allocated after stage one approval for a customer to develop a complete stage 2 proposal
- Program should consider having an open window for applications throughout the year with quarterly or bi-annual reviews
- The program should allow for projects already under development to be considered, including costs incurred prior to proposal submission

IESO Response

The IESO will ensure that there is sufficient time between program launch and closure of the first submission window to allow first stage proposals to be developed. The IESO will carefully consider stage two proposal and project development timelines in the final program schedule in order to allow for sufficient time for participants to develop stage two proposals.

Given the competitive nature of the program, the fixed program budget, and the two stage application model, the IESO does not expect to be able to implement an “open window” approach.

4.3: What are some key outputs from a stage 1 approval that would help facilitate your business processes?

Considerations

- Customers should be reasonably assured that if the project is accepted into stage two, the project will not be disqualified solely due to oversubscription in stage one
- Customers should receive a conditional comfort letter once the project has passed stage one
- The process should allow for incurring of project related costs in development of proposals, prior to approval
- The application process should provide certainty around timing and expectations

IESO Response

The IESO will give careful consideration to the amount of information required at each stage, in order to find a good balance between the level of effort required and the risk of the proposal not being successful. The program is, by design, a competitive process, so the IESO will not be able to guarantee that a second stage project will be funded at the first stage.

The IESO will consider some flexibility in program funding between program years – for example, if a proponent is not successful under stage two in year one, the IESO may allow that project to be re-submitted for consideration in the following year.

Application timelines will be considered as part of the detailed program design.

The IESO does not intend to provide compensation for costs to develop unsuccessful proposals, although these would be likely be considered as eligible costs for successful proposals when considering any funding limits.

4.4: What are considerations that should be applied to the weighting of selection criteria? Are there additional criteria IESO should consider?

Considerations

- The program requirements should detail the competitive project evaluation criteria and weighting
- The selection approach should allow for the maximum number of participants and projects
- The specific technology, reliability of savings and grid impact should be considered

IESO Response

Specific project evaluation criteria will be developed and shared with stakeholders at the next stakeholder session for consideration.

General Comments/Feedback

Considerations

- Depending on the uptake of the first two rounds, a third round, with smaller projects, should be considered
- A Letter of Credit or other collateral should not be requested
- The program should not be focused only on very large users
- The program should include behind the meter storage, renewable generation and district energy as eligible measures
- The program should consider more review stages through the project lifecycle, to improve the confidence in savings and incentive estimates
- The program should consider including account managers to help support customers and consultants and cost-shared funding for feasibility studies
- The program design should include streamlining and simplifying the application review process and contracts, as compared to past programs

IESO Response

As it develops the detailed program design, the IESO will consider this feedback in establishing the program parameters and administration process.

Concluding Remarks

The IESO would like to thank all stakeholders who submitted comments.

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