

IESO Response to Stakeholder Feedback

Industrial Energy Efficiency Program (IEEP) Phase 2 Engagement – October 19, 2021

Following the [October 19, 2021 Industrial Energy Efficiency Program \(IEEP\) engagement webinar](#), the IESO invited stakeholders to provide comments and feedback on the materials presented by November 10, 2021.

The IESO received written feedback submissions from:

1. CLEAResult
2. Electricity Distributors Association (EDA)
3. Newmont
4. Toyota Manufacturing Canada

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.

Topic 1 - Participant or Project Eligibility Criteria

1.1 Are there additional participant or project eligibility criteria that the IESO should consider?

Feedback

Stakeholders expressed general support for the participant and project eligibility while providing the considerations summarized below.

Considerations

The program should allow flexibility with respect to eligible measures, including projects which support industrial processes such as ventilation or process cooling upgrades.

The requirement for projects to be completed within 3 years will be difficult in some cases, especially when considering new construction.

Third parties should be eligible to act as applicant representatives for organizations. LDCs are ideal third parties, who should be able to submit projects on behalf of their customers.

The requirement that the baseline model must meet a Coefficient of Variation (COV) of 15% is not necessarily an issue, however it is recommended that the IESO be more specific in market available documents about how COV is expected to be determined.

IESO Response

The IESO is seeking to support energy efficiency projects that address large, capital intensive process improvements through this program, rather than simple equipment replacements which qualify for other incentives, such as those offered under the prescriptive Retrofit program. In addition to industrial process upgrades, the IEEP may approve projects which are considered to directly support industrial processes. All submissions will be reviewed on a case-by-case basis during the Stage 1 project and technology screen to ensure program eligibility. It is also recommended that interested applicants contact the IESO at engagement@ieso.ca with any related questions at their earliest convenience.

The IESO expects that project implementation timelines will be in the order of 12 to 24 months after the awarding of incentives. Projects which are expected to take longer than 3 years to complete would not be considered suitable for this program.

New construction is eligible provided it can meet all other eligibility requirements, including the requirement that the savings be in-service within 3 years.

In order for the IESO to contract with a third party for the delivery of a project, the party must be able to clearly demonstrate that they have the ability and authority to deliver and maintain the projected savings at the project site over the lifetime of the savings. Where LDCs are able to satisfy this responsibility, they may participate as third-parties.

The IESO is currently developing program documents that will equip participants with the information necessary to submit applications, including Measurement & Verification (M&V) guidance. Regarding the coefficient of variation, the IESO intends to use the coefficient of variation of the root-mean-squared error CV(RMSE) of the baseline model, as defined in Equation 21 of "Uncertainty Assessment for IPMVP", April 2018, EVO 10100 – 1:2018.

1.2 Are the project size thresholds sufficient to allow for meaningful projects to be developed?

Feedback

Stakeholders also expressed general support for the project size thresholds and acknowledged that they will appropriately target large projects as intended. However, two stakeholder considerations are shared below.

Considerations

The proposed project thresholds are too high and would limit participation in the program.

The 15% savings minimum would be prohibitive based on the magnitude of savings that would require for the largest industrial facilities.

IESO Response

As noted, the IESO is seeking to support energy efficiency projects that address large, systemic process improvements through this program. The IESO may revisit the program eligibility requirements prior to the second call for proposals in 2023, if the outcomes of the first call in 2022 suggest a need or opportunity to expand the IEEP.

The 15% savings requirement applies to the specific project boundary and not necessarily to the entire facility and is driven by the need to ensure that the savings observed are statistically valid. A project boundary may isolate a single targeted process/system, or multiple processes/systems, or perhaps a whole building. Where the project boundary is defined appropriately, the IESO believes the 15% savings requirement will be an achievable threshold for most projects, and consistent with historical data from industrial process and systems projects that produced statistically significant verified savings.

Topic 2 – Project Approval Timeline

2.1 Are the project approval timelines sufficient for customers to develop and implement their project proposals?

Feedback

Stakeholders were supportive of the proposed project approval timelines, with the only additional consideration being the amount of time between Stage 1 and Stage 2 proposal windows.

Considerations

More time may be required between Stage 1 submission and Stage 2 submission.

IESO Response

Applicants who submit and receive a Stage 1 approval in 2022 may choose to wait and submit their Stage 2 proposal under the Stage 2 window planned for 2023 should they require more time. In addition, the Stage 1 window will remain open through 2022-2023 so that applicants interested in submitting projects under the 2023 window may submit their Stage 1 application at their earliest convenience.

Topic 3 – Project Selection Criteria?

3.1 Are the project selection criteria sufficiently transparent and rigorous?

Feedback

Feedback was limited but supportive on this topic, with only one stakeholder offering proposed additions to the project selection criteria as summarized below.

Considerations

Stage 2 project selection criteria should take into account participant and project attributes such as past project performance, project technical details, detailed project methodology, detailed M&V plan, ongoing maintenance strategy to maintain the savings, detailed budget, detailed project timeline that includes contingencies for issues, and aggregation abilities.

IESO Response

The Stage 2 project selection criteria were presented during the October stakeholder engagement and are currently being finalized without anticipated change. The IESO considers the current criteria well-aligned with the criteria proposed in the stakeholder feedback, and has confidence that the selection process will provide a competitive, fair, and transparent evaluation of proposals.

3.2 Are there other factors that should be considered?

Feedback

Feedback was limited and supportive on this topic, with only one stakeholder offering a proposed alternative to the staged application process.

Considerations

The IESO should consider a single-stage application process with a deadline of September 2022.

IESO Response

The IESO has proposed the preliminary Stage 1 in order to provide an early indication to the applicant whether or not the project is likely to meet program eligibility. Stage 1 is not expected to require significant investment in terms of time, effort, or cost on the part of the applicant. The IESO believes this preliminary screen will benefit the participant by discouraging further investment in projects which are unlikely to be awarded funding.

Topic 4 – Additional Input

4.1 Will participants be comfortable with taking on the risk of savings delivery?

Feedback

Stakeholder feedback expressed no issue with the potential risk of savings delivery and provided no further questions or considerations related to this matter.

4.2 Should the contract build in mitigation options beyond simple reduction of incentive?

Feedback

Stakeholder feedback suggested the currently proposed contract mitigations were acceptable and indicated no additional questions or considerations related to this matter.

Topic 5 – General Comments/Feedback

Feedback

In terms of general comments, stakeholders reiterated their general support of the proposed IEEP while also sharing certain considerations with respect to participant and project eligibility as described in the feedback provided below.

Considerations

This is a great initiative that will support efficient and innovative projects within the industrial sector.

The prescriptive incentive program provides a relatively simple process to quickly submit, and have evaluated, small energy conservation projects. The IEEP provides a reasonable process to address large capital projects with high savings potential. However, a significant number of “continuous improvement” energy conservation projects, both consumption and peak demand reducing, are not addressed with these two programs.

The proposed project requirements will limit participation to the very large businesses/companies/organizations in the province and further penalize the smaller businesses that only have access to the prescriptive retrofit program.

IESO Response

The IESO is pleased to receive the general support for the proposed program. Based on the stakeholder feedback, the IESO is confident that the IEEP will meet the needs and expectations of large industrial consumers. With respect to concerns regarding the limited nature of participant and project eligibility, the IESO encourages stakeholders to consider the portfolio of programs being offered under the 2021-2024 CDM Framework, which has been carefully developed to ensure the broad availability of incentives for a variety of customer segments and energy efficiency project approaches.

Concluding Remarks

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

Please note that the information and responses provided by the IESO herein are for information and discussion purposes only and are not binding on the IESO. This document does not constitute, nor should it be construed to constitute, legal advice or a guarantee, representation or warranty on behalf of the IESO. In the event that there is any conflict or inconsistency between this document and the Market Rules, Market Manuals or any IESO contract, including any amendments thereto, the terms in the Market Rules, Market Manuals or contract, as applicable, govern.