



FEBRUARY 23, 2022

Industrial Energy Efficiency Program Engagement Session #3

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Agenda

- Engagement Objective and Scope
- Recap of the Industrial Energy Efficiency Program
- Summary of Engagements
- Phase 3 (Today): Post Draft Final Program Documents
- Next Steps

Engagement Objective

- To present to stakeholders the core components of the Industrial Energy Efficiency Program (IEEP), a "call for proposals" style of energy efficiency incentive program for large industrial entities
- To prepare stakeholders for program launch and gather any final input before finalizing key program documents

Engagement Summary

Phase 1 – Develop (June 2021)

Phase 2 – Enhance (October 2021)

Phase 3 – Finalize (February 2022)

	Phase 1 – Develop (June 2021)	Phase 2 – Enhance (October 2021)	Phase 3 – Finalize (February 2022)
Goal	Directional feedback on support for program concept, input on key program parameters; identified key areas of concern	Provided a draft program framework for stakeholder review, based on feedback received in Phase 1	Present the draft final program documents to prepare stakeholders for program launch
Proposed Plan	Provided clarity on context and objectives, proposed key program elements for consideration	Presented key draft program requirements, eligibility, project selection framework and proposed timelines	Present draft final program parameters, participant contract terms, and application process
Engagement	Questions that informed key areas of program design	Targeted questions on areas of program design that were still subject to change or refinement	Post key program documents for final stakeholder comment before program launch

Engagement Summary – Cont'd

- Feedback generally supportive of proposed program framework
- Though recommendations were limited, some suggestions included:
 - Lowering eligible project sizes (MWh threshold and % savings)
 - Expanding eligible measures (measures that *support* processes)
 - Increasing contract timeline for project completion
 - More time between Stage 1 and Stage 2 proposal windows
- IESO has taken all feedback into consideration, with minor changes made to draft final program design



Program Recap

Program Description

- The IESO's 2021 – 2024 CDM Program Plan includes the launch of a new customer focused program in 2022 – an industrial call for proposals (Industrial Energy Efficiency Program, or IEEP)
- Envisioned as **two rounds** of an open-ended call for proposals from large industrial customers with an incentive budget approaching \$40M per round
- Focused on larger, complex projects that support electricity savings from industrial processes, with preference for proposals that cost effectively provide electricity system benefits
- Greater flexibility and streamlined administration compared to the past Industrial Accelerator/Process and Systems Upgrade Programs

Planned Program Schedule – First Program Round

- Q2 2022: Program launch, window opens for Stage 1 proposal submissions
 - *Launch will be communicated broadly, and a link to the application portal will be made available on Save on Energy*
- Later in 2022: IESO opens window for Stage 2 proposals, to be competitively evaluated
 - *Applicants who have submitted Stage 1 proposals will be informed of Stage 2 opening, and Stage 2 deadline will be communicated broadly*
- Late 2022/Early 2023: IESO offers successful Stage 2 applicants the opportunity to enter into a participant agreement within a prescribed timeline

Planned Program Schedule – Second Program Round

- *Stage 1 proposal window will remain open throughout 2022 and Q1 2023*
- Mid-2023: IESO opens window for Stage 2 proposals, which will be competitively evaluated
 - *Applicants who have submitted Stage 1 proposals will be informed of Stage 2 opening, and Stage 2 deadline will be communicated broadly*
- Late-2023: IESO offers successful Stage 2 applicants the opportunity to enter into a participant agreement within a prescribed timeline

Project Submission

- The IESO is implementing an IEEP submission portal to support the intake of project proposals
 - Both Stage 1 and Stage 2 applications will be submitted through the portal
 - Requires only key project and applicant information to be entered directly, with project details uploaded as a document
 - Information requests managed through the portal
 - Applicant can view status of application in real-time

Application Process – Stage 1 Application

- Window opens Spring 2022
- Stage 1 will serve as project registration and preliminary eligibility screening
- Basic applicant, facility, and project details required at Stage 1
- IESO will confirm project suitability and confirm permission to proceed to Stage 2
- *Stage 1 application approval does not guarantee incentive funding*

Application Process – Stage 2 Application

- Window opens mid-2022
- Stage 2 requires a detailed project proposal
- **IESO will provide a Stage 2 proposal template (to be posted soon on [saveonenergy.ca](https://www.saveonenergy.ca))**
- Stage 2 proposals will be competitively evaluated by a third-party technical reviewer
- IESO will offer successful Stage 2 applicants the opportunity to enter into participant agreement within a prescribed timeline



Program Documents

Program Documents

- The IEEP program governing documents will be posted for stakeholder review following this webinar
 - **IEEP Program Requirements** – the document containing the key IEEP program parameters, including participant and project eligibility, project evaluation criteria, and project incentive conditions
 - **IEEP Participant Agreement** – the document containing IEEP participant contractual terms and conditions that will be signed by the applicant following approval of their submission
- This will serve as the final engagement session and comment period before these program documents are finalized, with a planned program launch in Spring 2022

Program Requirements – Key Elements

- Application & Proposal Requirements
- Available Incentive, Incentive Calculations, and Funding Schedule
- Participant, Facility, Project, Measure, and Cost Eligibility
- Project Measurement & Verification (M&V) Requirements
- Application Evaluation Criteria
- Program Definitions

Participant Agreement – Key Elements

- General Obligations of the Participant
- Participant Representations & Warranties
- Project Default Conditions & Remedies
- Incentive Payment Terms
- Other Terms & Conditions consistent with IESO Save on Energy Program Participant Agreements



Important Project & Participant Terms

Eligibility – Participants & Facilities

- Non-residential customers with ownership of, or operational authority over, facilities in which projects are implemented; or
- Third-parties who have authority to install and operate projects at facilities on behalf of the owners or operators of the facilities
- Facilities must be connected to, or behind the meter of another electricity consumer connected, either directly or indirectly, to the IESO controlled-grid or a distribution system

Eligibility – Electricity Saving Measures

- Must be applied to, or support, an industrial process and result in measureable and enduring electricity savings
- Industrial process means the "*extraction, growth, refinement, process, production, manufacture, or preparation of materials*"
- Proposed technologies should be commercially available according to [ISC Technology Readiness Level \(TRL\) 9](#), defined by Innovation, Science and Economic Development Canada as "actual technology proven through successful deployment in an operational setting"

Eligibility - Projects

- Projects must include measures which deliver a minimum electricity savings of 2,000 MWh, which must also result in a minimum 15% reduction of the electrical energy use within the project boundary defined by the applicant
- Projects may include multiple sub-projects, including sub-projects implemented at multiple facilities, where the overall project is bound by the minimum savings requirements described above
- Sub-projects must each produce a minimum savings of 500 MWh

Measurement and Verification (M&V) Plan

- Applicants must submit an M&V plan for their project describing how the electricity savings will be measured
- The M&V Plan must be adherent to the International Performance Measurement and Verification Protocol® EVO 10000 – 1: 2016 (or later)
- The Plan will require baseline measurements before the project is implemented
- The Plan must be approved by the IESO in advance and will form part of the Participant Agreement

Incentives Request

- The applicant will propose the incentive amount needed to implement the project, and will be expected to demonstrate the amount is necessary to meet internal financial requirements
- The applicant is expected to provide evidence to demonstrate the impact of the incentive on project approval (e.g. internal memos, corporate policy document extracts, email correspondence, internal business cases, etc.)

Incentives Conditions

- The maximum incentive per project is \$5 million
- The incentive is capped at 75% of final eligible project costs, after subtracting any third-party contributions

Incentive Payments

- No advance payments (before project is in-service)
- Payments will be made based on approval of M&V reports, as follows:
 - 50% of the project incentive based on achieving at least 25% of the projected annual savings following the Q1 M&V Report
 - Final payment based on Y1 M&V Report

Incentive Payment

Category	Electricity Savings relative to submission, as demonstrated by M&V results*	Resulting Payment
1	Lower than 50%	Non-compliance, no incentive
2	Equal to 50% but lower than 75%	50% of the approved incentive
3	75% and above	100% of the approved incentive

*For aggregated projects, percentage requirements apply to the total portfolio

Project Verification

- **Project In-service Date:** the earlier of 3 years from the contract start date OR December 31, 2026
- **Electricity Savings Period:** projects must continue to deliver savings for a minimum of 48 months after the end of the 1-year M&V Reporting Period, for a total of 5 years
 - The Participant is required to collect relevant M&V data for the Electricity Savings Period and maintain data for 7 years following the Electricity Savings Period to fulfill the IESO's right to audit

Competitive Evaluation of Proposals

- Projects will be ranked for consideration for funding based on the following categories:
 - Project Proposal (35 Points)
 - Proposed Savings (25 Points)
 - Ratepayer Investment (40 Points)

Evaluation Criteria & Scoring

<i>Project Proposal & Support</i>	<i>35</i>	<i>Point Allocation</i>
Strength of written proposal, including clear outline of project, demonstrated need for the incentive, project plan, and timeline	15	Clear outline of project (up to 5 Points) Demonstrated incentive need (up to 5 Points) Suitable Project Plan and Timeline (up to 5 Points)
Thorough risk analysis and proposed mitigation strategies	10	Relevant risks identified: project execution, timeline, savings, team (up to 5 Points) Appropriate mitigation strategies proposed (up to 5 Points)
Strength of project team	10	Evidence of applicant commitment and project champion (up to 5 Points) Project implementer experience & expertise (up to 5 Points)

Evaluation Criteria & Scoring (2)

<i>Proposed Savings</i>	<i>25</i>	<i>Point Allocation</i>
Project Size (First Year Annual Energy Savings)	10	2,000 - 5,000 MWh = 2.5 Points > 5,000 - 10,000 MWh = 5 Points > 10,000 - 15,000 MWh = 7.5 Points > 15,000 MWh = 10 Points
Project Effective Useful Life	10	0 - 4 Years = 2.5 Points 5-9 Years = 5 Points 10 - 19 Years = 7.5 Points > 20 Years = 10 Points
Contribution to Summer Peak Demand Reduction	5	kW/MWh ratio > 0.01 - 0.1 = 2 Points kW/MWh ratio > 0.1 - 0.15 = 3 Points kW/MWh ratio > 0.15 - 0.25 = 4 Points kW/MWh ratio > 0.25 = 5 Points

Evaluation Criteria & Scoring (3)

<i>Ratepayer Investment</i>	<i>40</i>	<i>Point Allocation</i>
First Year Savings Acquisition Cost (\$/kWh)	20	> \$0.30/kWh = 5 Points > \$0.20 - \$0.30/kWh = 10 Points > \$0.10 - \$0.20/kWh = 15 Points \$0.01 - \$0.10/kWh = 20 Points
PAC Score	15	1.00 - 1.50 = 5 Points > 1.50 - 2.00 = 10 Points > 2.00 = 15 Points
Aligned with identified area of local or regional grid constraint (Revised point allocation from Engagement #2)	5	75-100% of project savings in IESO constrained area: 5 points 50-74% of project savings in IESO constrained area: 3 points >0% but <50% of project savings in IESO constrained area: 1 point



Stakeholder Input

Request for Stakeholder Input

- The IESO will consider input on today's materials and the program documents posted on the engagement page
- A stakeholder feedback form is posted on the [engagement webpage](#)
- Stakeholder feedback is due by March 10, 2022
- The IESO response to stakeholder feedback document will be posted on March 23, 2022

Next Steps

Timing

Engagement Activity

February 23, 2022

Engagement materials posted on IESO website

March 10, 2022

Stakeholder feedback due

March 23, 2022

Responses to feedback posted on IESO website

Spring 2022

IEEP Round 1 Launch

Thank You

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