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# INDUSTRIAL ENERGY EFFICIENCY PROGRAM PROGRAM REQUIREMENTS

## 1. PROGRAM DESCRIPTION

The Save on Energy Industrial Energy Efficiency Program (the “**IIEEP**”) is a new program that is offered and administered in the Province of Ontario by the Independent Electricity System Operator under the 2021-2024 Conservation and Demand Management Framework.

The IIEEP provides a financial incentive for Participants to implement Projects (including any Sub-Projects) that involve upgrading one or more Industrial Processes in order to deliver Electricity Savings. The IIEEP is intended to be leveraged by large, complex Projects that result in verifiable system benefits. It targets the utilization of proven, Commercially Available technologies that are otherwise inaccessible to Applicants due to cost barriers.

These program requirements outline the process and participation requirements for the IIEEP (the “**Program Requirements**”).

## 2. APPLICATION PROCESS AND PARTICIPANT INCENTIVES

### 2.1 BACKGROUND

The IIEEP intends to distribute Actual Participant Incentives to accepted Participants through two open Application Windows in 2022 and 2023, respectively. As part of the Application process, Applicants will be required to propose the amount of the financial incentive necessary to implement their proposed Project (the “**Proposed Participant Incentive**”). The IESO will evaluate all Applications and make a determination as to which, if any, have been accepted and which Applicants should be offered the opportunity to enter into a Participant Agreement in order to receive an Actual Participant Incentive. The form of Participant Agreement should be made available by the IESO on the Save on Energy website.

### 2.2 APPLICATION PROCESS

- (a) An Application consists of two parts:
- (i) A Stage 1 Application, which contains the information required by the IEEP Portal including, but not limited to, the following:
    - (A) company information;
    - (B) a summary description of the Project;
    - (C) estimated cost of the Project;
    - (D) an estimate of Electricity Savings projected to be delivered by the Project with supporting calculations;
    - (E) the Proposed Participant Incentive; and
    - (F) a declaration, in the form provided by the IESO on the Save on Energy website, signed by an authorized signatory of the Applicant.

The Stage 1 Application will be reviewed by IESO as a preliminary screening for eligibility to participate in the IEEP.

- (ii) A Stage 2 Application, which contains the information required by the IEEP Portal including, but not limited to, the following:
  - (A) a detailed description of the Project;
  - (B) an estimate of Electricity Savings (as may have been updated since the Stage 1 Application) projected to be delivered by the Project with detailed supporting calculations and the Effective Useful Life;
  - (C) projected contribution to Summer Peak Demand Reduction;
  - (D) the Proposed Participant Incentive (as may have been updated since the Stage 1 Application);
  - (E) evidence which clearly demonstrates that the Proposed Participant Incentive is necessary to implement the Project from an internal financial perspective, which may be in the form of internal correspondence or other documentation including, but not limited to, internal memos, meeting notes, internal project approval forms, corporate policy document extracts, email correspondence or internal business cases;
  - (F) a Project budget;
  - (G) identification of any third-party sources of funding and contribution amounts;

- (H) credentials of the team responsible for implementing the Project;
  - (I) risk analysis;
  - (J) Baseline data and Baseline Model;
  - (K) proposed M&V Plan;
  - (L) a declaration, in the form provided by the IESO on the Save on Energy website, signed by an authorized signatory of the Applicant; and
  - (M) subject to Section 3.1(b)(iii), a release, waiver and consent, in the form provided by the IESO on the Save on Energy website, signed by an authorized signatory of the Applicant (the "**Release Waiver and Consent**").
- (b) Applicants must submit each Stage 1 Application and Stage 2 Application through the IEEP Portal during the applicable Application Window. All Applications should also include all supporting documents identified on the IEEP Portal and Save on Energy website.
- (c) If the IESO determines that a Stage 1 Application meets the eligibility requirements of the IEEP as a preliminary matter, the IESO will recommend that the Applicant submit a Stage 2 Application. For clarity, the IESO's recommendation to submit a Stage 2 Application has no bearing on the outcome or possibility of success of a Stage 2 Application.
- (d) The IESO will also notify any Applicants if the IESO determines that their Stage 1 Application does not meet the eligibility requirements of the IEEP as a preliminary matter. In such an event, it is recommended that an Applicant not submit a Stage 2 Application on the basis of its Stage 1 Application. For clarity, an Applicant is open to continue to submit a Stage 2 Application notwithstanding the particular determination received from the IESO on its Stage 1 Application. However, an Applicant must submit a Stage 1 Application in order to submit a Stage 2 Application.
- (e) Applicants who submit their Stage 1 Application early in the Stage 1 Application Window may be notified of the IESO's recommendation to submit a Stage 2 Application prior to the end of the Stage 1 Application Window. Any timelines and deadlines for submission of Stage 1 Applications and Stage 2 Applications may be communicated by the IESO prior to the opening of the Application Windows and should be identified on the Save on Energy website. If an Applicant has been recommended by the IESO to submit a Stage 2 Application in the 2022 Application Window and that Applicant is unable to submit the Stage 2 Application within the timeline required by the IESO for the 2022 Application Window, the Applicant will be entitled to submit its Stage 2

Application in the 2023 Application Window without resubmitting its Stage 1 Application in the 2023 Application Window.

- (f) Following its evaluation of all Stage 2 Applications in an applicable Application Window, the IESO will make a determination as to which, if any, Stage 2 Applications have been accepted. The IESO's determination will be based on a number of factors including, without limitation:
  - (i) its evaluation of each Application;
  - (ii) the total number of Applications received in each Application Window;
  - (iii) the IEEP budget assigned to each Application Window; and
  - (iv) a holistic assessment as to how its determination furthers the objectives of the 2021-2024 Conservation and Demand Management Framework.
- (g) If a Stage 2 Application has been accepted by the IESO, the Applicant will be offered the opportunity to enter into a Participant Agreement with the IESO. If the Applicant accepts the IESO's offer, the Applicant will be required to execute and deliver the Participant Agreement (in the form provided by the IESO) within the timeframe identified by the IESO. For clarity:
  - (i) no Applicant is obligated to enter into a Participant Agreement;
  - (ii) the form of Participant Agreement is not subject to negotiation with the selected Applicants.
- (h) Should an Applicant fail to execute and deliver the Participant Agreement in accordance with the requirements of Section 2.2(g), the Applicant may be deemed to have abandoned all rights and interests in the Participant Agreement and its Stage 2 Application and the IESO may rescind its offer.

## **2.3 PARTICIPANT INCENTIVES**

- (a) The amount of the Proposed Participant Incentive is proposed by the Applicant as part of their Stage 1 Application, provided that the amount proposed by the Applicant must not exceed \$5 million. The Proposed Participant Incentive is confirmed or updated by the Applicant in the Stage 2 Application and is subject to acceptance by the IESO as a part of its evaluation of a Stage 2 Application.
- (b) In order for the Proposed Participant Incentive to be accepted by the IESO as a part of its evaluation of a Stage 2 Application, the Proposed Participant Incentive must also be a cost effective investment for the ratepayer, as evidenced by a score of greater than 1

on Program Administrator Cost (PAC) Test. If the Proposed Participant Incentive results in a score of less than 1 on Program Administrator Cost (PAC) Test, as calculated by the IESO, the Applicant's Stage 2 Application will not be accepted by the IESO.

- (c) The Actual Participant Incentive is determined following the delivery and approval of a Participant's first annual M&V Report. The Actual Participant Incentive is calculated as the amount which is the lesser of:
  - (i) the Proposed Participant Incentive; and
  - (ii) 75% of the amount resulting from the total Eligible Costs minus any Third Party Contributions.
- (d) The Participant bears the risk of delivering the Electricity Savings for the Project. The Actual Participant Incentive is subject to adjustment on account of the actual Electricity Savings delivered by the Project as reflected in the first annual M&V Report approved by the IESO, as follows:
  - (i) **If the actual Electricity Savings are less than 50%** of the estimated Electricity Savings projected to be delivered by the Project in the M&V Plan accepted with the Stage 2 Application, the Actual Participant Incentive will be deemed to be zero dollars;
  - (ii) **If the actual Electricity Savings are equal to or greater than 50% but less than 75%** of the estimated Electricity Savings projected to be delivered by the Project in the M&V Plan accepted with the Stage 2 Application, the Actual Participant Incentive will be 50% of the Actual Participant Incentive calculated pursuant to Section 2.3(c); or
  - (iii) **If the actual Electricity Savings are equal to or greater than 75%** of the estimated Electricity Savings projected to be delivered by the Project in the accepted Stage 2 Application, the Actual Participant Incentive will be 100% of the Actual Participant Incentive calculated pursuant to Section 2.3(c).

## 2.4 PARTICIPANT INCENTIVE PAYMENTS

- (a) Incentive amounts will only be paid following achievement of the In-Service Date and will be paid in accordance with the following schedule:
  - (i) **Initial payment:** 50% of the Proposed Participant Incentive will be paid following the IESO's approval of the Participant's first quarterly M&V Report, provided that the actual Electricity Savings delivered by the Project as reflected in the first quarter M&V Report approved by the IESO **are equal to or greater than 25%** of the estimated Electricity Savings projected to be delivered by the

Project in the M&V Plan accepted with the Stage 2 Application. If the actual Electricity Savings are less than 25% of the estimated Electricity Savings, no initial payment is payable by the IESO.

- (ii) **Final payment:** The difference between the Actual Participant Incentive calculated pursuant to Section 2.3(c) (and as adjusted pursuant to Section 2.3(d)), and the initial payment made pursuant to Section 2.4(a)(i), if any, will be paid following the IESO's approval of the Participant's first annual M&V Report. If the difference results in an overpayment by the IESO, the Participant will be required to repay to the IESO the amount of such overpayment in accordance with the terms and conditions of the Participant Agreement.
- (b) The IESO will not pay, and the Participant will not be entitled to, any incentive payments unless the applicable M&V Report in respect of such payment has been approved by the IESO.

### 3. PROGRAM ELIGIBILITY CRITERIA

#### 3.1 PARTICIPANT ELIGIBILITY

- (a) To be eligible to participate in the IEEP as a Participant, an Applicant must:
  - (i) be either:
    - (A) a Non-Residential Customer with ownership of, or operational authority over, the Facility in which the Project is expected to be implemented; or
    - (B) a Person who will install and operate a Project at the Facility on behalf of the Non-Residential Customer described in Section 3.1(a)(i)(A) (a "**Third Party Applicant**"); and
  - (ii) not be insolvent.
- (b) If an Applicant is a Third Party Applicant:
  - (i) the Application must provide sufficient information to enable the IESO to determine the Third Party Applicant's managerial and technical capabilities to provide the services it intends to offer to the participating Facility over the Electricity Savings Period;
  - (ii) the Application must outline the roles and responsibilities of the participating Facility and the Third Party Applicant in order to demonstrate co-operation and commitment; and

- (iii) the Release Waiver and Consent must be signed by an authorized signatory of the Third Party Applicant as well as an authorized signatory of the participating Facility.

## **3.2 PROJECT ELIGIBILITY**

### **3.2.1 Project Eligibility**

To be eligible to participate in the IEEP, a Project must:

- (a) be located in one or more Facilities;
- (b) be comprised of one or more Eligible Measures;
- (c) not consist of any project where prior to submitting a Stage 1 Application to participate in the IEEP, the Participant has approved the undertaking of a project in respect of an Application for the Project, entered into an agreement with a contractor or consultant (except to prepare a feasibility study in respect of a Project), or ordered or purchased any equipment for use in relation to the Project;
- (d) deliver the following minimum Electricity Savings:
  - (i) 2,000 MWh per year; and
  - (ii) at least 15% of the electrical energy use in the Baseline Model within the Project Boundary;
- (e) have a Baseline Model for the Project Boundary that produces a Coefficient of Variation of the Root Mean Square Error equal to or less than 15%; and
- (f) have an In-Service Date that is no later than (i) the third anniversary of the effective date of the Participant Agreement, or (ii) December 31, 2026, whichever is earlier.

### **3.2.2 Sub-Project Eligibility**

- (a) A Project may be comprised of multiple Sub-Projects.
- (b) To be eligible to qualify as part of a Project, each sub-Project must:
  - (i) conform to the requirements for a Project as described in Sections 3.2.1(a) through (c) above;
  - (ii) be expected to deliver a minimum Electricity Savings of 500 MWh per year; and

- (iii) conform to the In-Service Date requirements described in Section 3.2.1(f), provided that the Project's In-Service Date will be deemed to be the date by which all Sub-Projects are fully implemented in accordance with the M&V Plan and delivering Electricity Savings.

### 3.3 FACILITY ELIGIBILITY

To be eligible to qualify as part of a Project, the Facility 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.

### 3.4 MEASURE ELIGIBILITY

#### 3.4.1 Eligible Measures

To be eligible to qualify as part of a Project or sub-Project, a Measure must:

- (a) be applied to, or in support of, an Industrial Process and result in Electricity Savings;
- (b) be a technology that is Commercially Available;
- (c) deliver Electricity Savings for a minimum of 48 months after the end of the M&V Reporting Period (the "**Electricity Savings Period**");
- (d) comply with Applicable Law in relation to the installation or operation of any equipment or system; and
- (e) not be described in Section 3.4.2.

#### 3.4.2 Ineligible Measures

Eligible Measures exclude any of the following:

- (a) generation, except for in the case of Waste Energy Recovery where the waste energy is created on site, except where the project is used directly or indirectly to assign, transfer, sell or supply the electricity it generates into a Distribution System or the IESO-Controlled Grid; or use purchased fuel, natural gas or propane, for more than 10% of the annual fuel energy input;
- (b) behind the meter storage, except for in the case where the storage is a component of the project configuration and any energy losses that result from storing and retrieving energy, are offset by improved energy efficiency of other components in the project configuration, resulting in net overall project Electricity Savings;

- (c) any Lighting Measure;
- (d) fuel switching, unless approved by the IESO; or
- (e) any measure related to an LDC's investment in new infrastructure or replacement of existing infrastructure, or any measures an LDC uses to maximize the efficiency of its new or existing infrastructure.

## **3.5 PROJECT COST ELIGIBILITY**

### **3.5.1 Eligible Costs**

Eligible Costs must:

- (a) be directly related to procurement and implementation of the Project;
- (b) in the case of new construction Projects, be limited to the incremental costs incurred over the cost of the equipment that would have been purchased by the Participant but for the payment of the Proposed Participant Incentive. For these Projects, the Applicant is required to provide documented evidence of the baseline equipment or process(es) that would have been implemented in the absence of IESO funding under the IEEP;
- (c) in all other cases, be limited to:
  - (i) capital expenses;
  - (ii) equipment and products, including without limitation, diagnostic and testing tools and instruments, and associated software;
  - (iii) data collection services, including without limitation, processing, analysis and data management;
  - (iv) meter purchase, installation and configuration costs associated with developing and implementing the M&V Plan;
  - (v) professional, engineering, scientific, technical, management and contracting services, including without limitation, any training required for employees in the proper operation of the Project equipment;
  - (vi) travel, including without limitation, accommodation, but excluding meals;
  - (vii) printing services;
  - (viii) permits and license fees;
  - (ix) costs associated with environmental assessments;

- (x) technical audits and studies associated with the Project; and
- (xi) additional categories of costs as may be approved by the IESO in writing in advance of such expenses being incurred.

### **3.5.2 Ineligible Costs**

- (a) Eligible Costs must not include any costs that are not directly related to design, selection, procurement and installation of the Project. Without limitation, the following costs are not considered Eligible Costs:
  - (i) any portion of the total costs already covered, or that will be covered, by funding or grants funded by a Governmental Authority, whether administered by the IESO, a local electricity or gas distributor or any other Person, or rebates from manufacturers, wholesalers or other supply chain participants;
  - (ii) HST;
  - (iii) any costs related to financing, including without limitation, costs associated with leasing and lease-to-own procurement arrangements and such other financing costs associated with leasing or borrowing capital as demonstrated by delivery of the lease agreement to the IESO. For certainty the term of the lease should be equal to or longer than the Electricity Savings Period;
  - (iv) costs arising from or relating to a local electricity distributor's investment in new infrastructure or replacement of existing infrastructure in an electricity distributor's service territory, or a Project that an electricity distributor uses to maximize the efficiency of its new or existing infrastructure, including without limitation, capacitor banks or reactive power compensation; and
  - (v) any other costs that are not deemed to be Eligible Costs by the IESO.
- (b) Where the Third Party Applicant is an affiliate of a LDC, Eligible Costs may consist only of costs on a fully-allocated costs basis in accordance with the Ontario Energy Board's Affiliate Relationship Code.

## **4. PROJECT M&V – MINIMUM REQUIREMENTS**

- (a) An M&V Plan details how Project performance will be measured and analyzed, including without limitation, both prior to and following Project implementation, to determine Electricity Savings. The M&V Plan for each Project must be adherent to the Efficiency Valuation Organization's International Performance Measurement and Verification Protocol (IPMVP) Core Concepts, October 2016, EVO 10000 – 1:2016 (or later), and is

required to be submitted as part of the Stage 2 Application for review and approval by the IESO or its Technical Reviewer.

- (b) Provided that the Participant has fulfilled all of its obligations pursuant to the M&V Plan, and unless extended by the IESO in order to appropriately verify the Electricity Savings for reporting and payment of the Actual Participant Incentive, the M&V reporting period for any Project shall be for a period of one year following the In-Service Date (the "**M&V Reporting Period**").
- (c) The Participant will fulfil all of its obligations as required pursuant to the M&V Plan and provide the IESO and the Technical Reviewer with all reasonable access to the Facilities and other related buildings as the case may be, in order for the Technical Reviewer to confirm the information provided in the M&V Reports and/or to substantiate the installation of eligible Measures.
- (d) Once the In-Service Date have been achieved, the Participant will deliver M&V Reports, in accordance with the M&V Plan, to the IESO and the Technical Reviewer. The first quarterly M&V Report will be delivered within a reasonable timeframe following the end of the first quarter after the In-Service Date and the first annual M&V Report will be delivered within a reasonable timeframe following the first anniversary of the In-Service Date.
- (e) The IESO may require additional M&V Reports for the Project and extend the applicable M&V Reporting Period in its sole discretion.

## **5. APPLICATION EVALUATION AND IESO RIGHTS**

### **5.1 EVALUATION CRITERIA**

#### **5.1.1 Stage 1 Application Review**

For the evaluation of Stage 1 Applications the IESO will conduct a preliminary screening on each Stage 1 Application. This screening will be to provide a preliminary assessment as to if the Applicant and Project meet the eligibility criteria set out in these Program Requirements.

#### **5.1.2 Stage 2 Application Review**

The Technical Reviewer will evaluate each Stage 2 Application and assign a Project Score to each Stage 2 Application. The Project Score will be calculated by applying the following point and sub-point categories:

(a) Project Details (35 points):

<b><i>Evaluation</i></b>	<b><i>Points</i></b>	<b><i>Description</i></b>
Strength of written proposal, including, without limitation, clear outline of Project, Project plan and timeline, and evidence demonstrating the necessity of the Proposed Participant Incentive	15	Clear outline of Project (up to 5 Points)
		Demonstrated funding requirement (up to 5 Points)
		Suitable Project plan and timeline (up to 5 Points)
Strength of 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 implementation experience & expertise (up to 5 Points)

(b) Project Savings (25 points):

<b><i>Evaluation</i></b>	<b><i>Points</i></b>	<b><i>Allocation</i></b>
Project Size (First Year Annual 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
Effective Useful Life (for the Project)	10	0 - 4 Years = 2.5 Points
		5-9 Years = 5 Points
		10 - 19 Years = 7.5 Points
		> 20 Years = 10 Points

<b><i>Evaluation</i></b>	<b><i>Points</i></b>	<b><i>Allocation</i></b>
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

(c) Ratepayer Investment (40 points):

<b><i>Evaluation</i></b>	<b><i>Points</i></b>	<b><i>Allocation</i></b>
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
Program Administrator Cost (PAC) Test score as calculated by the IESO	15	1.00 - 1.50 = 5 Points
		1.51 - 2.00 = 10 Points
		>2.00 = 15 Points
Alignment with Identified Local Need Areas (see program web page for list of areas)	5	>0% but <50% of project savings in Identified Local Need Areas: 1 point
		50-74% of project savings in Identified Local Need Areas: 3 points
		75-100% of Project savings in Identified Local Need Areas: 5 points

## 5.2 RIGHTS OF THE IESO

- (a) The highest scoring Stage 2 Applications may not necessarily be accepted or offered the opportunity by the IESO to enter into a Participant Agreement. Notwithstanding the Project Score assigned to a Stage 2 Application, the IESO may elect not to accept such Application if the IESO believes that the Proposed Participant Incentive is not a critical element for the implementation of the Project from the Applicant's internal financial perspective.
- (b) Without limiting any other section in these Program Requirements, the IESO may, in its sole discretion administer the IEEP as it determines to be in the best interests of achieving the objectives of the 2021-2024 Conservation and Demand Management Framework. The IESO may, in its sole discretion, exercise any or all of the following rights and options with respect to the IEEP:
  - (i) reject or accept any and all Applications or elect not to offer any Applicants the opportunity to enter into a Participant Agreement;
  - (ii) at any time or times amend, supplement or change all or part of these Program Requirements;
  - (iii) require one, some or all of the Applicants to submit supplementary documentation clarifying or changing any matters contained in their applicable Application or submit other additional information (within such time as set by the IESO), provided, however, that the IESO is not obliged to seek clarification of any aspect of any Application and may, in its sole discretion, request clarification from some but not all Applicants;
  - (iv) negotiate an Application with an Applicant (including without limitation, technical, commercial or legal matters), which negotiations may result in amendments to an Application without entering into similar negotiations with any or all of the other Applications. Negotiations may include negotiating changes, amendments or revisions to a Stage 2 Application or new matters identified by the IESO that were not previously included in the Program Requirements, provided that any changes, amendments or revisions to an Application shall not be made without the direction and approval of the IESO;
  - (v) choose to meet with some or all of the Applicants in connection with their Application or the matters provided for in the Program Requirements. The IESO may, in its sole discretion, visit the existing place or places of business of some or all Applicants for purposes of clarification or verification;
  - (vi) not offer the opportunity to enter into a Participant Agreement to any Applicant, whether or not the IESO has entered into any negotiation with the Applicant; and

- (vii) provide one, some or all of the Applicants with a modified form of Participant Agreement.

## 6. PROGRAM SPECIFIC DEFINITIONS

The following terms have the meaning stated below when used in these Program Requirements:

**“2020 Ministerial Directive”** refers to the direction given to the IESO by the Minister of Energy, Northern Development and Mines on September 30, 2020 to design, coordinate, deliver and/or fund the delivery of certain electricity conservation and demand management programs under the Save on Energy brand through the 2021-2024 Conservation and Demand Management Framework beginning on January 1, 2021.

**“2021-2024 Conservation and Demand Management Framework”** means the framework established by the 2020 Ministerial Directive.

**“Actual Participant Incentive”** in respect of the IEEP, means the actual financial incentive paid or payable to a Participant in respect of a Project.

**“Applicable Law”** means any applicable law, including without limitation, any statute, legislation, treaty, regulation and any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority and any applicable Governmental Approvals.

**“Applicant”** means, in respect of the IEEP, any Person who has submitted an Application.

**“Application”** means, collectively, a Stage 1 Application and Stage 2 Application that must be completed and submitted by an Applicant in order to participate in and be eligible to receive an Actual Participant Incentive under the IEEP.

**“Application Window”** means the period of time during which the IESO is receiving Applications for the IEEP as part of the Stage 1 Application Window or Stage 2 Application Window, as may be applicable.

**“Baseline Model”** means the Project-specific model which predicts the energy consumption of the Project Boundary over a set period of time in the absence of the proposed Measures.

**“Coefficient of Variation of the Root Mean Square Error”** means the standard error of the estimate, normalized by the average y value, as defined in the Efficiency Valuation Organization’s International Performance Measurement and Verification Protocol (IPMVP) Uncertainty Assessment for IPMVP, April 2018, EVO 10100 – 1:2018.

**“Commercially Available”** means the actual technology proven through successful deployment in an operational setting, as defined in the Innovation, Science and Economic Development Canada ISC Technology Readiness Level (TRL) 9.

**“Distribution System”** means a system connected to the IESO-Controlled Grid for distributing electricity at voltages of 50 kV or less and includes any structures, equipment or other thing used for that purpose.

**“Effective Useful Life”** means the length of time over which a Measure will provide Electricity Savings. For technology-based Measures the EUL is typically based on an estimate of the number of years the equipment will operate to a certain standard. For non-technology or behaviour-based Measures, the EUL may be defined differently as specified in the Stage 2 Application.

**“Electricity Savings”** means the annualized electricity consumption reduction, based on the normal operating conditions in relation to a Project.

**“Electricity Savings Period”** has the meaning given to it in Section 3.4.1(c).

**“Eligible Costs”** means the Project costs that are eligible to be included in the calculation of the Actual Participant Incentive payable to a Participant under these Program Requirements in accordance with Section 3.5.1.

**“Eligible Measures”** means the Measures that are eligible to be included in the Project under these Program Requirements pursuant to Section 3.2.1.

**“Facility”** means the building(s), premises or lands, or part thereof, over which the Participant has all required authorization and approvals to carry out the Project and which meets the eligibility requirements set out in Section 3.3.

**“First Year Savings Acquisition Cost”** means the Proposed Participant Incentive (in \$CAD) divided by the Electricity Savings (in kWh).

**“Generation”** means a process used to produce energy in the form of electricity.

**“Good Engineering Practices”** means any of the practices, methods and activities adopted by a significant portion of North American industries as good practices applicable to the design, building, and operation of projects of similar type, size and capacity or any of the practices, methods or activities which, in the exercise of skill, diligence, prudence, foresight and reasonable judgment by a prudent engineer in light of all the facts known at the time the decision was made, could reasonably have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, expedition and Applicable Law; Good Engineering Practices are not intended to be the optimum practices, methods or acts to the exclusion of all others, but rather are intended to

delineate acceptable practices, methods or acts generally accepted in North American industries.

**“Governmental Approvals”** means any declaration, filing or registration with, notice to or license, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority pertaining to a Project.

**“Governmental Authority”** means any federal, provincial, or municipal government, parliament or legislature, or any regulatory authority, agency, tribunal, commission, board or department of any such government, parliament or legislature, or any court or other law, regulation or rule-making entity, having jurisdiction in the relevant circumstances, including, without limitation, the IESO in its capacity as the operator of the IESO-Controlled Grid, the Ontario Energy Board, the Electrical Safety Authority, the Office of the Auditor General of Ontario, and any Person acting under the authority of any of the foregoing, but excluding the IESO.

**“HST”** means any tax payable under Part IX of the Excise Tax Act (Canada).

**“Identified Local Need Areas”** mean areas that represent local needs identified by the IESO through review of regional planning outcomes, where there is potential to benefit from further energy efficiency above and beyond the level accounted for in the regional planning forecast (to either manage system conditions until infrastructure can come into service or help defer long-term local transmission investments).

**“IEEP”** has the meaning given to it in Section 1.

**“IEEP Portal”** means the online Application and contract management system for the IEEP, which is accessible through the Save on Energy website.

**“IESO”** means the Independent Electricity System Operator established under Part II of the *Electricity Act, 1998* (Ontario), and any successor thereto.

**“IESO-Controlled Grid”** has the meaning ascribed to it by the IESO Market Rules.

**“IESO Market Rules”** means the rules made under Section 32 of the *Electricity Act, 1998* (Ontario), together with all market manuals, policies, guidelines and interpretation bulletins issued by the IESO.

**“Industrial Process”** means any process: (a) of extraction, growth, refining, processing, production, manufacture or preparation of materials, and (b) which consumes electricity.

**“In-Service Date”** means the first day that a Project is fully implemented in accordance with the M&V Plan and starts delivering Electricity Savings.

**“Lighting Measure”** means light bulbs, lighting fixtures, exit signs and other illuminated signage, LED strips, lighting controls, and any other system with the primary purpose of producing or controlling light.

**“Measure”** means any activity undertaken for the primary purpose of obtaining or effecting, directly or indirectly, conservation demand management, including without limitation, the installation, retrofit, replacement, modification or commissioning of equipment, systems, processes or behaviours that consume or result in the consumption of electricity, or any equipment, system or product related to the foregoing.

**“M&V”** means measurement and verification.

**“M&V Plan”** means the measurement and verification plan, adherent to the International Performance Measurement and Verification Protocol (IPMVP) Core Concepts, October 2016, EVO 10000 – 1:2016 (or later) submitted by the Participant, reviewed by the Technical Reviewer and agreed to by the IESO, outlining the methodology and activities to be undertaken to quantify and verify Electricity Savings achieved by a Project.

**“M&V Report”** means a measurement and verification document submitted by the Participant, in accordance with the M&V Plan, that contains an analysis of the quantified Electricity Savings delivered by the Measure or Measures included in a Project, as the case may be.

**“M&V Reporting Period”** has the meaning given to it in Section 4(b).

**“Non-Residential Customer”** means electricity customers in Ontario that: (a) are not classified as residential in the most recent Yearbook of Electricity Distributors published by the Ontario Energy Board, and (b) are connected to the IESO-Controlled Grid.

**“Participant”** means, in respect of the IEEP, a Person: (a) who meets the eligibility requirements set out in Section 3.1; (b) whose Stage 1 Application and Stage 2 Application have been accepted by the IESO; and (c) who has signed the Participant Agreement and who is eligible to receive an Actual Participant Incentive.

**“Participant Agreement”** means, in respect of the IEEP, the agreement between the IESO and the Participant setting out the terms and conditions of the Participant’s participation in the IEEP that a Participant must enter into or agree to be bound by in order to participate in the IEEP or to receive an Actual Participant Incentive.

**“Person”** means a natural person, firm, trust, partnership, association, unincorporated organization, limited partnership, company or corporation (with or without share capital), joint venture, sole proprietorship, Governmental Authority or other entity of any kind.

**“Program Administrator Cost (PAC) Test”** is a cost-benefit ratio that compares the costs incurred to design and deliver programs by the program administrator with avoided electricity supply-side resource costs.

**“Program Requirements”** has the meaning given to it in Section 1.

**“Project”** means one or more Measures that are expected to be undertaken, within one or more Facilities in accordance with the eligibility requirements in Section 3.2, and deliver Electricity Savings.

**“Project Boundary”** means the boundary: (a) within which one or more Industrial Processes that are targeted by a Project; (b) on which one or more Measures is applied to achieve Electricity Savings; and (c) which is used to calculate the Baseline Model.

**“Project Score”** means a numerical score assigned to each Project by a Technical Reviewer in accordance with the criteria set out in Section 5 following review of a Stage 2 Application.

**“Proposed Participant Incentive”** has the meaning given to it in Section 2.1.

**“Release Waiver and Consent”** has the meaning given to it in Section 2.2(a)(ii)(M).

**“Stage 1 Application”** means, in respect of the IEEP, a complete application for a proposed Project submitted by an Applicant via the IEEP Portal to the IESO for review and approval in accordance with the requirements set out in Section 2.2(a)(i).

**“Stage 1 Application Window”** means the period of time during which the IESO is receiving Stage 1 Applications through the IEEP Portal.

**“Stage 2 Application”** means, in respect of the IEEP, a complete application for a proposed Project submitted by an Applicant via the IEEP Portal to the IESO for review and approval in accordance with the requirements set out in Section 2.2(a)(ii).

**“Stage 2 Application Window”** means the period of time during which the IESO is receiving Stage 2 Applications through the IEEP Portal.

**“Summer Peak Demand Reduction”** means the average load reduction in electricity demand between the base case and the energy efficient case occurring between 1 p.m. to 7 p.m. on business days, June 1 through August 31. For Measures that are weather dependent, Summer Peak Demand Reduction shall be considered as occurring at peak design load conditions.

**“Technical Reviewer”** means the personnel of a Person retained by the IESO, with the necessary experience and qualifications to carry out certain functions under the IEEP.

**“Third Party Applicant”** has the meaning given to it in Section 3.1(a)(i)(a)(i)(B).

**“Third Party Contribution”** means any financial or other contribution (including without limitation, the value of contributions in kind) towards the costs of a Project (which qualify as Eligible Costs under the IEEP) from or by any Person other than the Participant or the IESO, including but not limited to federal initiatives or gas incentives.

**“Waste Energy Recovery”** means the Generation of electricity primarily from heat or fuel that is waste by-product of the Facility and/or fuel from another source in the Facility that is otherwise a form of waste energy, the impact of which is measured in accordance with the M&V Plan.

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