

Program Name: Save on Energy Retrofit

1. Program Description

This Save on Energy Retrofit program provides Participant Incentives to upgrade Facilities with Measures to reduce electricity consumption (the “**Retrofit Program**”).

The Participants in the Retrofit Program are owners and operators of industrial, commercial, institutional and multi-family residential buildings, or persons with the rights and authority to have the Measures installed. Notwithstanding the foregoing, certain Participant Incentives are specific to Social Housing Providers.

This Retrofit Program is offered and administered by the Independent Electricity System Operator (the “**IESO**”) and its service provider(s).

These Program Requirements are effective as of April 17, 2020.

2. Participant Incentives

These Participant Incentives and Advance Incentives will apply only to those Projects for which the Measures have a project completion date no later than December 31, 2021.

If a Participant’s Application receives a Pre-Approval, the Participant must submit a Post-Project Submission within six months of receipt of the Pre-Approval to be eligible for a Participant Incentive. The IESO, acting in its sole and absolute discretion, may declare the Pre-Approval and the underlying Application null and void if a Post-Project Submission is not received within this six-month time period.

Any Participant Incentive payable under the Retrofit Program will be paid by the IESO to the Participant as a lump sum within 90 days of the Participant submitting an invoice to the IESO for the Participant Incentive after the approval of the Post-Project Submission by the IESO.

2.1 Participant Incentives

Subject to the eligibility requirements set out in Section 3, the following Participant Incentives are offered:

- (a) Custom Incentives;
- (b) Prescriptive Incentives;
- (c) Combination Incentives; and
- (d) Social Housing Adder.

2.1.1 Custom Incentive

The Custom Incentive will be calculated as the lesser of:

- (a) Either:
 - (i) for Lighting Systems and Occupancy Lighting Control Systems, the greater of \$400/kW of Demand Savings or \$0.05 / kWh of Energy Savings; or
 - (ii) for Non-Lighting Systems and Non-Occupancy Lighting Control Systems the greater of \$800/kW of Demand Savings or \$0.10 / kWh of Energy Savings; and
- (b) 50% of the Eligible Costs for a Project with Custom Measures, up to a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO.

2.1.2 Prescriptive Incentive

The Prescriptive Incentive will be calculated as the lesser of:

- (a) The Prescriptive Incentive calculated in accordance with the Prescriptive Worksheet(s); and
- (b) 50% of the Eligible Costs for a Project with Prescriptive Measures, up to a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO.

2.1.3 Combination Incentive

The Combination Incentive will be calculated as the lesser of:

- (a) the Custom Incentives calculated as specified in Section 2.1.1 plus the Prescriptive Incentives calculated as specified in Section 2.1.2; and
- (b) 50% of the Eligible Costs for the Project, up to a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO.

2.1.4 Social Housing Adder

The Social Housing Adder will be calculated as the positive difference, if any, of:

- (a) the Participant Incentive that would otherwise be payable for such Project had the applicant not been a Social Housing Provider, multiplied by two (2), up to a

maximum of 50% of the Eligible Costs for such Project or a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO; and

- (b) the Participant Incentive that would otherwise be payable for such Project had the applicant not been a Social Housing Provider.

The Social Housing Adder will be payable subject to available IESO funds.

2.2 Advance Incentives

As detailed below, the following Advance Incentives are offered:

- (a) M&T Advance Incentive; and
- (b) SHP Advance Incentive.

2.2.1 M&T Advance Incentive

The IESO may, at its discretion, provide an M&T Advance Incentive. The amount of the M&T Advance Incentive will be determined by the IESO at its discretion up to a maximum of 35% of the estimated Custom Incentive payable for the M&T Measure upon request.

The total Participant Incentive payable upon completion of the Project pursuant to Section 2.1.1 or 2.1.3, as applicable, will be reduced by the amount of the M&T Advance Incentive paid by the IESO prior to the completion of the Project. Any Demand Savings or Energy Savings attributed to other Measures that are recorded by the M&T Measure during the period of 48 months after the Project is complete or until December 31, 2021, whichever is longer, will be subtracted from the Demand Savings or Energy Savings attributable to the Project.

2.2.2 SHP Advance Incentive

The IESO may, at its discretion, provide a SHP Advance Incentive. The amount of the SHP Advance Incentive will be determined by the IESO at its discretion up to a maximum of 50% of the total estimated Custom Incentive, Prescriptive Incentive, or Combination Incentive (plus the Social Housing Adder, if any) payable to the Social Housing Provider upon request.

The total Participant Incentive payable upon completion of the Project pursuant to Section 2.1.1, 2.1.2 or 2.1.3, as applicable, plus the Participant Incentive payable upon completion of the Project pursuant to Section 2.1.4, if any, will be reduced by the amount of the SHP Advance Incentive paid by the IESO prior to the completion of the Project.

3. Program Eligibility Criteria

3.1 Participant Eligibility

A Participant must be a Non-Residential Customer or Recognized Farm Operation that has not previously entered into a binding commitment to acquire the Measures or services required to install the Measures, provided that the IESO may waive this requirement where (A) the circumstances in Section 3.3(b)(ii) apply, or (B) where the Participant can demonstrate to the IESO's satisfaction, at the IESO's sole discretion, that the Participant intended to apply to the Retrofit Program prior to entering into a binding commitment.

To qualify for the Social Housing Adder or SHP Advance Incentive, the Participant must be a Social Housing Provider.

The IESO may approve a Micro Project under the Fast Track Application Process in its sole discretion.

3.2 Facility Eligibility

A Facility must be a single facility, connected to, or behind the meter of, an electricity consumer connected to the IESO-Controlled Grid or a Distribution System, provided that a Facility may be located within or upon a building, but may also be a structure other than a building, such as a freestanding billboard.

3.3 Project Eligibility

A Project must:

- (a) be comprised of one or more Measures;
- (b) for Prescriptive Measures only:
 - (i) result in a minimum Participant Incentive of \$500; and
 - (ii) for the unplanned replacement of recently failed existing equipment with a Prescriptive Measure listed on the Unitary AC Eligible Measures Worksheet or the VFD or VD Compressor Eligible Measures Worksheet that, have the following:
 - A. an Estimated Participant Incentive less than \$10,000; and
 - B. an Application submitted within 45 days following the completion of such Project;
- (c) for Custom Measures only:
 - (i) result in a minimum Participant Incentive of \$1,500; and

- (ii) be projected to deliver such Demand Savings and/or Energy Savings for a minimum period of 48 months from the project completion date of the Project;
- (iii) have Demand Savings of 1 kW and/or annual Energy Savings of at least 2,000 kWh
- (d) be located in a Facility;
- (e) not comprise the following:
 - (i) an Application for Custom Measures that proposes Measures that are not generally commercially available, are pilot or demonstration projects, or are otherwise unproven;
 - (ii) an Application for Prescriptive Measures that proposes the replacement of existing equipment that were previously incented (must use Custom Measure for any incremental benefit); or
 - (iii) a project that participated in a previous IESO or former Ontario Power Authority-funded program for the same Measures, unless evidence supports the installation of Measures in a different area of the Facility;
- (f) be based on a reasonable estimate of Demand Savings and Energy Savings for Custom Measures; and
- (g) have a project completion date of no later than December 31, 2021.

3.4 Eligible Costs

Eligible Costs must:

- (a) for Prescriptive Measures, be directly related to procurement and implementation, and be limited to:
 - (i) cost of the equipment purchased;
 - (ii) cost of labour for equipment installed by a third party; and
 - (iii) costs to dispose or decommission the replaced equipment; and
- (b) for Custom Measures, be directly related to procurement and implementation, and be limited to:

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- (i) costs of the equipment purchased;
 - (ii) costs of labour for equipment installed by a third party;
 - (iii) costs of energy audits not funded by the IESO;
 - (iv) costs of design, engineering and/or architecture;
 - (v) third party project management costs;
 - (vi) shipping, delivery, duties and other costs applicable to equipment delivery to the Facility;
 - (vii) costs to prepare and implement the Project M&V Plan;
 - (viii) costs to dispose or decommission the replaced equipment;
 - (ix) costs of inspections, as may be required by laws and regulations; and
 - (x) Performance-Based Optimization Activities for M&T Measures for up to a 12-month period following Project completion; and
- (c) not comprise:
- (i) costs of the Participant's labour, service, administration or overhead that are not incurred by a third party;
 - (ii) financing costs including, but not limited to, costs associated with financing, leasing and lease-to-own procurement arrangements and such other financing costs associated with leasing or borrowing capital;
 - (iii) insurance costs;
 - (iv) costs associated with post-installation work related to equipment maintenance or repair;
 - (v) costs of spare parts, spare equipment or other inventories;
 - (vi) costs of purchase or lease of tools for equipment installation;
 - (vii) HST; and
 - (viii) any costs already covered by or 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 party (unless funding is

principally directed to Social Housing Providers and if such funding, when combined with the Participant Incentive, does not exceed the Project cost), or rebates from manufacturers, wholesalers or other supply chain participants.

4. Program Specific Definitions

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

Advance Incentive means a portion of the total Participant Incentive to which a Participant is entitled pursuant to Section 2.2 of these Program Requirements and payable prior to completion of the Project. For greater certainty, Advance Incentive includes a M&T Advance Incentive and a SHP Advance Incentive.

Application means a complete application for a proposed Project submitted by a Participant **or** Applicant Representative via the Retrofit Portal to the IESO for approval. For greater certainty, an Application for a Project with Custom Measures must include a completed Custom Worksheet.

Applicant Representative means a representative of the Participant that enters applicant and project information into the Retrofit Portal on behalf of the Participant.

Combination Incentive means a Participant Incentive payable for the installation of a combination of Custom Measures and Prescriptive Measures calculated in accordance with Section 2.1.3.

Custom Incentive means a Participant Incentive payable for the installation of a Custom Measure calculated in accordance with Section 2.1.1.

Custom Measure means a Measure not comprising a Prescriptive Measure that involves one or more of the following:

- (a) replacement of existing equipment with equipment that is more efficient;
- (b) purchase and installation of new equipment that is more efficient than what would have been installed if the Participant had not participated in the program, where none previously existed;
- (c) replacement of oversized existing equipment with appropriate sized equipment that is more efficient;

- (d) implementation of new operating procedures, including the purchase and installation of equipment (such as an energy management system, building automation system, sensors, control equipment, metering equipment, or related communication systems) necessary either to obtain or to increase the effectiveness of an energy management system or building automation system; or
- (e) improvement of thermal performance of a building envelope through Measures such as increased insulation, installation of high performance windows and frames, low emissive window glazing or low emissive roof barriers.

For greater certainty, an M&T Measure is a Custom Measure.

Custom Worksheet means the worksheet describing Custom Measures in the form made available by the IESO, as updated from time to time, and submitted as part of an Application for a Custom Measure.

Demand Savings 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, Demand Savings shall be considered as occurring at peak design load conditions.

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.

Eligible Costs means the costs that are eligible to be included in the calculation of the Participant Incentive payable to a Participant under these Program Requirements pursuant to Section 3.4.

Energy Savings means the estimated, determined or actual kilowatt hour reduction in energy consumption (as the context may require), attributable to the installation of a Custom Measure during the first year after completion of the Project.

Environmental Attributes means all benefits and entitlements associated with a Measure or a Facility having decreased environmental impacts resulting from the implementation of a Measure, including:

- (a) all rights to any fungible or non-fungible attributes, whether arising from:
 - (i) a Facility itself;
 - (ii) the interaction of a Facility with a Distribution System or the IESO-Controlled Grid;
 - (iii) applicable laws and regulations; or

- (iv) voluntary programs established by any governmental authority;
- (b) all rights relating to the nature of the energy source as may be defined and awarded through applicable laws and regulations or voluntary programs;
- (c) ownership rights to any applicable credits, entitlements or other instruments resulting from the interaction of a Facility or a Measure with a Distribution System or the IESO-Controlled Grid or as specified by applicable laws and regulations or voluntary programs;
- (d) all rights to quantify and register the foregoing with competent authorities; and
- (e) all revenues, entitlements, benefits, and other proceeds arising from or related to the foregoing.

Estimated Eligible Costs means an estimation of the anticipated Eligible Costs, as specified in the Application approved by the IESO.

Estimated Participant Incentive means as estimation of the anticipated Participant Incentive, as specified in the Application approved by the IESO.

Facility means a building structure where Measures are installed that meets the eligibility requirements as specified in Section 3.2.

Fast Track Application means a streamlined approval process for Micro Projects.

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 the IESO, 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 the harmonized sales tax payable pursuant to the *Excise Tax Act*, R.S.C. 1985, c. E-15.

IESO has the meaning given to it in Section 1.

IESO-Controlled Grid has the meaning given to it in 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, and guidelines issued by the IESO or its successor.

Lighting System means light bulbs, lighting fixtures, exit signs and LED strips.

Measure means any eligible electricity savings measure or activity that may be taken under these Program Requirements or as otherwise approved by the IESO.

Micro Project means a Project that includes only Prescriptive Measures with an estimated Participant Incentive of less than \$6,000, approved by the IESO under the Fast Track Application Process.

M&T Advance Incentive means an Advance Incentive payable for an M&T Measure in the amount calculated in accordance with Section 2.2.1.

M&T Measure means equipment to monitor the energy and/or demand performance of a system, relative to production by such system, for the purpose of setting targets for future energy performance and assisting with the implementation of savings targets through continuous feedback.

Multi-Family Building means a Facility that houses multiple residential tenants and is captured by the: (a) general service less than 50 kW account, (b) general service greater than 50 kW account, or (c) the large user account, as applicable.

Non-Lighting System means any Measure that is not a Lighting System.

Non-Occupancy Lighting Control System means an advanced lighting control system that is capable of network controls, programming, measurement and verification, data collection, central reporting and multiple lighting control strategies.

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.

Occupancy Lighting Control System means a standalone lighting control system consisting of occupancy sensors, vacancy sensors and/or day lighting sensors.

Participant means, in respect of the Retrofit Program, a person who meets the eligibility requirements outlined in Section 3.1, whose Application has been accepted by the IESO, has signed a Participant Agreement and is receiving a Participant Incentive.

Participant Agreement means, in respect of the Retrofit Program, an agreement containing terms and conditions of the Retrofit Program that a Participant must enter into or agree to be bound by in order to participate in the Retrofit Program or to receive a Participant Incentive.

Participant Incentives means, in respect of the Retrofit Program, the financial incentives paid or payable to a Participant pursuant to Section 2.1 of these Program Requirements. For greater certainty, Participant Incentive includes a Custom Incentive, a Prescriptive Incentive, a Combination Incentive and a Social Housing Adder.

Performance-Based Optimization Activities for M&T Measures means the diagnosis of building system performance issues, identification of problems, solution development, and quantification of benefits over a period of time relative to a normalized base-line condition.

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.

Post-Project Submission means the submission made by the Participant via the Retrofit Portal after the completion of a Project, which shall include, without limitation, evidence of completion and implementation of the Project, verification of the Project's Eligible Costs and any other evidence required by the IESO.

Pre-Approval means a notice from the IESO to the Participant via the Retrofit Portal that their Application has been reviewed and their Project deemed eligible for a Participant Incentive, and that the Participant may proceed with the Project in accordance with these Program Requirements and the notice.

Prescriptive Incentive means a Participant Incentive payable for the installation of a Prescriptive Measure calculated in accordance with Section 2.1.2.

Prescriptive Measure means Measures that replace existing equipment with efficient equipment listed on a Prescriptive Worksheet. For greater certainty, Prescriptive Incentive includes Unitary AC Eligible Measures and VFD or VD Compression Eligible Measures.

Prescriptive Worksheet means the worksheets describing Prescriptive Measures embedded in the Retrofit Portal and in the form made available by the IESO as updated from time to time.

Program Requirements means the terms and conditions contained herein governing the Retrofit Program.

Project means one or more Measures that are expected to be undertaken in accordance with the eligibility requirements in Section 3.3.

Project M&V Plan means a plan to conduct measurements and verification of the Energy Savings and Demand Savings in respect of a Project in accordance with the Project M&V Procedure.

Project M&V Procedure means the Project measurement and verification procedure in the form made available by the IESO, as updated from time to time.

Recognized Farm Operation means a farm property that possesses a farm business registration number, being the six to seven digit number administered by Agricorp, an agency of the Government of Ontario, and housed by Agricorp, the Ontario Ministry of Food, Agriculture and Rural Affairs, the Municipal Assessment Corporation and the municipalities.

Retrofit Portal means the IESO online portal used for application submissions and approvals for the Retrofit Program.

Retrofit Program has the meaning given to it in Section 1.

SHP Advance Incentive means an Advance Incentive payable to a Social Housing Provider calculated in accordance with Section 2.2.2.

Social Housing Adder means a Participant Incentive payable to a Social Housing Provider for a Project, in addition to a Custom Incentive, Prescriptive Incentive or Custom Incentive, calculated in accordance with Section 2.1.4.

Social Housing Provider means a non-profit provider of assisted or social housing under a federal, provincial or municipally funded program, and includes, without limitation, non-profit corporations governed by the *Housing Services Act, 2011*, as amended or any successor legislation; public housing corporations owned by municipalities directly or through local housing corporations; non-profit housing co-operatives as defined in the *Co-operative Corporations Act*; non-profit housing corporations that manage or own residential buildings developed under the “Affordable Housing Program”; and, non-profit organizations, or municipal or provincial governments that manage or own residential supportive housing, shelters and hostels.

Unitary AC Eligible Measures means Prescriptive Measures that are unitary air-conditioning eligible measures.

Unitary AC Eligible Measures Worksheet means the Prescriptive Worksheet for the Unitary AC Eligible Measures, in the form made available by the IESO, as updated from time to time, and embedded in the Retrofit Portal.

VFD or VD Compressor Eligible Measures means Prescriptive Measures that are variable frequency drive or variable drive compressor eligible measures.

VFD or VD Compressor Eligible Measures Worksheet means the Prescriptive Worksheet for the VFD or VD Compressor Eligible Measures, in the form made available by the IESO, as updated from time to time, and embedded in the Retrofit Portal.