



INDUSTRIAL ACCELERATOR^{OM} PROGRAM

PROCESS & SYSTEMS INITIATIVE

PROGRAM RULES

June 23, 2015

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1.0 OVERVIEW OF PROGRAM

1.1 Purpose and Structure

The purpose of the Program is to encourage eligible entities in Ontario to implement electricity efficiency projects requiring capital expenditures.

Participants have the option of performing a Preliminary Engineering Study in order to gauge the feasibility of a potential project. Participants wishing to proceed with the project must then perform a Detailed Engineering Study in order to more accurately determine the scope, savings estimate and costs of the project. Prior to performing either study, Participants may submit an application to receive an incentive to help offset the study costs.

After a viable project has been identified, Participants may submit an application to receive incentives to help fund the project. Unless otherwise approved by the IESO, Incentives of up to \$10,000,000 are available through a Project Incentive Contract. Smaller projects with an estimated incentive of \$1,000,000 or less may receive incentives pursuant to the Small Capital Project Agreement. Incentives for the project will be reduced by any incentives paid towards a Preliminary Engineering Study or a Detailed Engineering Study in respect of the same project.

All Project Incentive Applications (other than for a Small Capital Project) require a Detailed Engineering Study. Project Incentive Applications for a Small Capital Project need to provide the information specified in the Small Capital Project Guidelines (available on the IESO Website).

The following is a brief overview of some of the program elements and some of the processes to participate in the Program. As noted on the front page of this document, these Program Rules are for informational purposes only and do not in any way bind the IESO. For more details, please see the appropriate contract posted on the IESO Website.

1.2 Eligible Participants

In addition to the specific eligibility requirements for receipt of a Project Incentive set out elsewhere in this Section 1.0, a business or institution may be eligible to participate in the Program if:

- (a) it is an entity carrying on business, or an institution; and
- (b) it is not insolvent; and provides evidence, satisfactory to the IESO, of the Participant's or its Affiliate's, if applicable, solvency or other measure of overall financial health, and provide audited financial statements and/or a ratings report from a rating agency acceptable to the IESO.

1.3 Eligible Projects

In addition to the specific eligibility requirement for receipt of a Project Incentive set out elsewhere in this Section 1.0, a proposed project may be eligible for the Program if :

- (a) it involves installation of a Measure;

- (b) it is located in a Facility located in the Province of Ontario, which Facility is directly or indirectly connected to the IESO-Controlled Grid and not to a Distribution System;
- (c) it is projected to provide at least 100 MWh of Annualized Electricity Savings;
- (d) it has an In-Service Date of no later than December 31, 2022; and
- (e) it may involve Generation at the IESO's sole discretion and provided that it meets the requirements specified in Section 1.4.

1.4 Generation Project Eligibility Requirements

Unless otherwise approved in writing by the IESO, a proposed Project involving Generation must:

- (a) not exceed 20 MW of Nameplate Capacity;
- (b) not have a Nameplate Capacity that exceeds the Facility's annual peak demand;
- (c) not directly or indirectly assign, transfer, sell or supply electricity it generates into the IESO-Controlled Grid;
- (d) not permanently disconnect from the IESO-Controlled Grid;
- (e) not involve coal, diesel or any other fuel disallowed by the IESO;
- (f) not receive funding under another IESO contract or other ratepayer or taxpayer funding mechanism;
- (g) not be used for the sole purpose of reducing electricity demand during the five critical system-peak hours;
- (h) in the case of a CCHP Project:
 - (i) use natural gas or propane as the sole fuel source;
 - (ii) have a primary purpose of generating energy to meet the thermal energy requirements of the participant's facility and/or processes; and
 - (iii) be designed and operated in a manner that achieves a minimum annual Total System Efficiency of 65%; and
- (i) in the case of a WER Project, not use purchased fuel for more than 10% of the annual fuel energy input.

1.5 Ineligible Projects

The following types of Projects are not eligible to receive an Incentive:

- (a) a Project that the IESO determines is more appropriately funded by another IESO or other existing program;
- (b) Lighting;
- (c) Demand Response;
- (d) a Project designed to reduce voltage or improve Power Factor or Power Quality, other than as an ancillary benefit to obtaining Electricity Savings;
- (e) a Project which has a Minimum Expected Life of less than 10 complete years or in the case of a Small Capital Project, less than 5 complete years;
- (f) a Project that involves installation of any equipment or system and such equipment or the operation thereof that, in either case, does not comply with all Applicable Laws, regulations and standards; or
- (g) a Project in respect of which, prior to submitting a Preliminary Engineering Study Funding Application, a Detailed Engineering Study Funding Application or a Project Incentive Application, the Participant has entered into an agreement with a contractor or consultant, or ordered or purchased any equipment for use in relation to this Project without the prior written consent of the IESO.

1.6 Project Incentive

Please see the Project Incentive Contract or the Small Capital Project Agreement for full details on the payments that a Participant may be eligible for under this Program (the “**Project Incentive**”), financial security requirements or amounts held back by the IESO to secure performance, and timing requirements for providing a certificate evidencing solvency of the Participant (substantially in the form attached as Exhibit E). The following is a high level overview of the payment amounts and payment structure.

- (a) The Project Incentive for a Project is an amount equal to the lowest of the following:
 - (i) 70% of the Eligible Costs of the Project or, in the case of a CCHP Project, 40% of such Eligible Costs;
 - (ii) the product of the estimated Annualized Electricity Savings:
 - A. in the case of a Project that is not otherwise part of a Portfolio, multiplied by \$230/MWh; or

- B. in the case of each Project within a Portfolio, multiplied by \$320/MWh; and
 - (iii) the amount that would provide a Project Payback of one year for a Project.
- (b) The Project Incentive for a Portfolio is an amount equal to the lowest of the following:
 - (i) the sum of the Project Incentives for each Project in the Portfolio as determined pursuant to Section 1.6(a);
 - (ii) 70% of the total Eligible Costs for all Projects within the Portfolio;
 - (iii) the total MWh of estimated Annualized Electricity Savings for all Projects within the Portfolio multiplied by \$230/MWh; or
 - (iv) an amount that would provide a Project Payback of one year for the Portfolio.
- (c) Amounts paid to a Participant pursuant to a Preliminary Engineering Study Funding Contract or a Detailed Engineering Study Funding Contract for a Project or Portfolio shall be deducted from the Project Incentive for such Project or Portfolio to determine the Net Project Incentive so that the total amount of Project Incentive payable shall be net of such amounts. For examples please see www.industrialaccelerator.ca.
- (d) The maximum amount payable to a Participant pursuant to a Project Incentive Contract in respect of a Project or a Portfolio is \$10 million, or in the case of a Small Capital Project, \$1 million, or in both cases, such other amount as determined by the IESO and agreed to in a Project Incentive Contract.
- (e) Projects can be grouped and submitted to the Program as a Portfolio (using one Application for multiple Projects) in such a way that the Project Incentive is calculated pursuant to Section 1.6(b). This Section 1.6(e) does not apply to Small Capital Projects or CCHP Projects and Small Capital Projects and CCHP Projects may not be included in a Portfolio.
- (f) No Project or Portfolio may have a Project Payback of less than one year.
- (g) Each Project or Portfolio must have an In-Service Date no later than December 31, 2022.
- (h) The IESO may withhold an amount equal to 25% of the Project Incentive until such time as the Participant files an Energy Management Plan with the IESO, and if the Participant does not deliver such Energy Management Plan

to the IESO prior to the In-Service Date, the IESO's obligation to pay such amount to the Participant shall terminate on the In-Service Date.

1.7 Eligible Costs

For the purposes hereof:

- (a) **"Eligible Costs"** means the amount equal to the difference between X and Y; where:

X: represents the total of those costs directly related to design, selection, purchase and installation of the Measure or Measures included in a Project or Portfolio, including the development of a modified Base Case Baseline, as prescribed in the M&V Plan, and includes only the following: (a) capital expenses; (b) equipment and products, including diagnostic and testing tools and instruments, and associated software; (c) data collection services, including processing, analysis and data management; (d) meter purchase, installation and configuration costs associated with implementing the M&V Plan; (e) salaries and benefits of employees directly involved in the design, selection, purchase and installation of the Measure or Measures included in the Project or Portfolio; (f) professional, engineering, scientific, technical, management and contracting services, including those required for training employees in the proper operation of the Project; (g) travel, including accommodation but excluding meals; (h) printing services; (i) permits and license fees; (j) costs associated with environmental assessments; (k) technical audits and studies associated with the Project (excluding the Participant's Preliminary Engineering Study and Detailed Engineering Study expenses not funded by the IESO), including a study of energy consumption before or after Project implementation, in each case as approved in writing in advance by the IESO; and (l) such additional category of costs as may be consented to by the IESO in writing in advance of such expenses being incurred; and

Y: represents the total of all Third Party Contributions.

- (b) The Project Incentive shall be based upon the lower of (i) the Eligible Costs estimated by the Technical Reviewer and contained in the Project Review Summary Report, and (ii) the actual Eligible Costs incurred by the Participant ("**Actual Eligible Costs**") as verified by the Technical Reviewer.
- (c) All Eligible Costs are subject to the prior written approval of the IESO. Without limiting the generality of the foregoing, Eligible Costs shall not include value added taxes imposed by a Government Authority in respect of which the payor is entitled to an input tax credit, costs for studies which exceed the approved study costs, and studies started prior to submitting an Application.

1.8 Participant Responsibilities – General Performance

In accordance with these Program Rules, the Participant will:

- (a) implement the Project in accordance with the Project Incentive Contract, Good Engineering Practices and all Applicable Laws, in each case as therein defined;
- (b) deliver to the IESO not less than 10 Business Days prior written notice of the commissioning of the Project and of a proposed In-Service Date and provide any data in electronic or written form relating thereto reasonably requested by the IESO;
- (c) operate and maintain the Project or Portfolio for a period of not less than the Minimum Expected Life;
- (d) throughout the term of the Project Incentive Contract, provide all reasonable access to the Facility and all relevant data required by the IESO for the purposes of preparing M&V Reports;
- (e) ensure that at any time during the Electricity Savings Period, the Project continues to achieve at least 90% of the Electricity Savings anticipated to have been achieved to such date by the Technical Reviewer as contained in the Project Incentive Contract;
- (f) provide Status Reports to the IESO in accordance with the terms of the Project Incentive Contract;
- (g) review, comment on and carry out the Participant's obligations as required pursuant to the M&V Plan such as, without limitation, installing metering equipment, data collection and delivering such data to the IESO;
- (h) throughout the term of any Project Incentive Contract, provide the IESO and its representatives with access to the Facility in which the Project is installed for the purpose of Project audit, Project evaluation, and inspection of the operation of the Project at reasonable times upon reasonable request;
- (i) ensure that its personnel are familiar with the Project and available to the IESO evaluation, measurement and verification parties, including the Technical Reviewer and any third party auditor or evaluator, throughout the term of any Project Incentive Contract;
- (j) demonstrate leadership in the area of energy conservation by, among other things, developing conservation policies, establishing employee, community and peer-to-peer awareness programs, and filing an Energy Management Plan with the IESO within one year of the date of its first Project Incentive Application, failing which, the IESO will be entitled to withhold a portion of

the Project Incentive in an amount not to exceed 25 % of the total Project Incentive;

- (k) at the request of the IESO or in accordance with the Project Incentive Contract, provide updated evidence, satisfactory to the IESO, of the Participant's solvency or other measure of overall financial health, which may include, without limitation, a certificate of the Participant's chief financial officer verifying the Participant's solvency and ability to post required performance security, if any, and to provide audited financial statements and/or a ratings report from a rating agency acceptable to the IESO.
- (l) ensure that all equipment being replaced in whole or in part by all or part of any Measure, when removed, is not reused or sold for reuse, unless otherwise agreed to in writing, in advance, by the IESO, and the Participant shall, at the request of the IESO, provide evidence satisfactory to the IESO that such equipment is not being reused or sold for reuse (which shall include written confirmation of such by a senior officer of the Participant); and
- (m) obtain and maintain throughout the Electricity Savings Period, all permits and approvals necessary for the installation and operation of the Project.

2.0 APPLICATION REVIEW AND APPROVAL PROCESS

2.1 Overview

The IESO will accept Applications in respect of a Study, Project or Portfolio.

As indicated in the following table, Applications for a Study require a proposal from the consultant intending to complete the Study. Applications for a Project or Portfolio require a Detailed Engineering Study, whether or not such Study is funded by the IESO. Applications for a Small Capital Project may provide a Detailed Engineering Study or at a minimum the information outlined in the Small Capital Project Guidelines document posted on the Website. For clarity, the IESO and a Participant must enter into a Preliminary Engineering Study Funding Contract, Detailed Engineering Study Funding Contract or Project Incentive Contract to be eligible to receive an Incentive in respect of any Application.

Table 1 – Application Requirements

Type of Application	Mandatory Requirements
Preliminary Engineering Study	Proposal from consultant
Detailed Engineering Study	1. Proposal from consultant 2. Preliminary Engineering Study (only required if funded by the IESO)
Project	Detailed Engineering Study
Portfolio	Detailed Engineering Study
Small Capital Project	Detailed Engineering Study or information outlined in the Small Capital Project Guidelines

2.2 Summary of Steps in Process

Each Project and Portfolio will be subject to the following sequential process:

- Step 1: A Participant may submit a Preliminary Engineering Study Funding Application and the IESO may request such Additional Information as it may determine necessary or desirable for its review of the Preliminary Engineering Study Funding Application.
- Step 2: Upon acceptance by the IESO of the Preliminary Engineering Study Funding Application, as supplemented by any Additional Information, the IESO and Participant may enter into a Preliminary Engineering Study Funding Contract.
- Step 3: In the event the IESO and a Participant have entered into a Preliminary Engineering Study Funding Contract, the Participant must deliver a Preliminary Engineering Study Report to the IESO for approval by the IESO. Even where there is no Preliminary Engineering Study Funding Contract, the Participant may deliver a Preliminary Engineering Study Report to the IESO for review by the IESO.
- Step 4: The Participant may submit a Detailed Engineering Study Funding Application and the IESO may request such Additional Information as may be required for its review of the Detailed Engineering Study Funding Application.
- Step 5: Upon acceptance by the IESO of the Detailed Engineering Study Funding Application, as supplemented by any Additional Information, the IESO and Participant may enter into a Detailed Engineering Study Funding Contract.
- Step 6: Except for Small Capital Projects, the Participant must submit a Detailed Engineering Study either prior to or with (at the same time as) a Project Incentive Application. In the case of a Small Capital Project, the Participant must submit

either a Detailed Engineering Study or the information required by the Small Capital Project Guidelines document posted on the Website.

- Step 7: Upon receipt by the IESO of a Project Incentive Application, the IESO may request Additional Information and the IESO will instruct the Technical Reviewer to conduct a Project Review, which shall include the preparation of a Project Review Summary Report and M&V Plan.
- Step 8: The Participant may review and comment on the Project Review Summary Report and M&V Plan within 30 days of receiving it. Any adjustments to the Project Review Summary Report resulting from such comments will be confirmed in writing by the IESO.
- Step 9: Upon acceptance of the Project Incentive Application, as supplemented by any Additional Information, the IESO may deliver an offer of a Project Incentive Contract pursuant to Section 5.1(a).
- Step 10: The Participant has 90 days from the date of the IESO offering the Project Incentive Contract to execute the Project Incentive Contract and return two signed originals to the IESO in accordance with Section 5.1(b).

It is anticipated that the IESO will normally complete Project Reviews within 60 days of receipt of the complete Project Incentive Application, including all Additional Information requested by the IESO (referred to in Step 7 above) and in the case of a Small Capital Project, within 30 days of receipt of the complete Project Incentive Application, including all Additional Information requested by the IESO (referred to in Step 7 above).

Notwithstanding the foregoing, a Participant wanting to obtain a Project Incentive pursuant to a Project Incentive Contract without entering into a Preliminary Engineering Study Funding Contract or a Detailed Engineering Study Funding Contract may commence the process at Step 6 by delivering to the IESO a Project Incentive Application along with the mandatory requirements specified in Table 1, all subject to the IESO's approval.

3.0 STEPS 1 THROUGH 5: PRELIMINARY AND DETAILED ENGINEERING STUDY INCENTIVES

For all Projects and Portfolios except Small Capital Projects, a Detailed Engineering Study meeting the requirements set out in Exhibit C must be submitted to the IESO with a Project Incentive Application.

3.1 Preliminary and Detailed Engineering Study Funding Applications

- (a) The IESO will consider applications to provide funding for a Preliminary Engineering Study or Detailed Engineering Study in respect of any Project. The application shall include:

- (i) an engineering proposal which shall detail the scope, budget and schedule of the Preliminary Engineering Study or Detailed Engineering Study, as the case may be;
 - (ii) a Preliminary Engineering Study Funding Application or a Detailed Engineering Study Funding Application, as the case may be, substantially in the form provided on the Website (a writable form is available upon request to an IESO Business Manager); and
 - (iii) the Release and Waiver set out in Exhibit D in favour of the IESO and the Technical Reviewer (note this will be required in advance of submission of a completed Study Funding Application if the IESO or its Technical Reviewer is attending at the Facility prior to the submission of a Study Funding Application).
- (b) Each Study Funding Application, as supplemented by any Additional Information provided to the IESO prior to the award of any Incentive contract, will be reviewed by the IESO and the Technical Reviewer.
- (c) In determining whether to approve a Study Funding Application, among other factors, the IESO may take into consideration the IESO's experience with a Participant, the current status of any Project of the Participant and or any amounts paid to the Participant as an Incentive.
- (d) While the Participant will be responsible for contracting with an independent third party that will complete the Preliminary Engineering Study or Detailed Engineering Study, as the case may be, the IESO must approve the cost and scope of work to be performed by such party, in advance of any work being performed. The third party selected by the Participant to complete any Detailed Engineering Study will be required to develop a methodology for determining the preliminary Base Case Baseline, including the collection and analysis of the System data and any pre-metering required to implement the Detailed Engineering Study. As compliance with the Detailed Engineering Study minimum requirements is mandatory, to ensure it is compliant, the Participant may elect to have its methodology reviewed by the Technical Reviewer prior to implementation. Such proposed methodology will be subject to confirmation or amendment in the M&V Plan.
- (e) If a Preliminary Engineering Study Funding Application or Detailed Engineering Study Funding Application is accepted by the IESO, prior to the grant of any funding, the IESO and the Participant will enter into a Preliminary Engineering Study Funding Contract or Detailed Engineering Study Funding Contract, as the case may be.

3.2 Preliminary and Detailed Engineering Study Incentives

- (a) If a Preliminary Engineering Study Funding Application or Detailed Engineering Study Funding Application is approved in accordance with a

Preliminary Engineering Study Funding Contract or a Detailed Engineering Study Funding Contract, as the case may be, the IESO will pay the lower of (A) the total funds approved for the Preliminary Engineering Study or Detailed Engineering Study, as the case may be, and (B) the actual costs incurred by the Participant to complete such Preliminary Engineering Study or Detailed Engineering Study, in two separate payments: (1) after IESO acceptance of the Draft Report, and (2) after IESO approval of the Final Report, all in accordance with the Preliminary Engineering Study Funding Contract or Detailed Engineering Study Funding Contract, as the case may be.

- (b) The total amount of funding advanced pursuant to a Preliminary Engineering Study Funding Contract or Detailed Engineering Study Funding Contract, as the case may be, will be deducted from any Project Incentive so that the total amount paid to a Participant in respect of the Project does not exceed the maximum Project Incentive determined in accordance with Section 1.6.
- (c) The maximum amount available for funding of a Preliminary Engineering Study for any one Project is \$20,000. Funding is available to cover the full amount of the actual costs incurred by the Participant to complete a Detailed Engineering Study, subject to the IESO's prior approval.

3.3 Study Review

- (a) Upon the IESO's receipt of the Study from a Participant, the IESO will give the Study to the Technical Reviewer for an initial review. The Technical Reviewer will undertake a compliance review of the Study to verify completeness, that information is provided in accordance with Exhibits B or C, as the case may be, and determine if the Study reflects the scope as set out in any Preliminary Engineering Study Funding Contract or Detailed Engineering Study Funding Contract. The Technical Reviewer will provide a compliance review report to the IESO indicating the results of its review.
- (b) The IESO will review the results of the Technical Reviewer's compliance review. The IESO may reject the Study or may request Additional Information from the Participant.
- (c) The IESO will ask the Technical Reviewer to undertake a detailed review of the Study and any Additional Information provided pursuant to Section 3.3(b) and to provide the IESO with its comments on the Study, considering, among other factors, the methodology used and the accuracy of the quantification of the Electricity Savings.
- (d) The IESO will use commercially reasonable efforts to ensure that the review of the Study is completed and comments are provided to the Participant within 30 days of receipt of the Study.

- (e) Following the Participant's receipt of all comments related to the Study, if necessary, the Participant shall deliver an amended and restated Study and/or such Additional Information as the IESO may require, no later than 90 days after receiving all comments.
- (f) The IESO will request the Technical Reviewer to review the final Study and to provide the IESO with its comments. The IESO will review the Study and the Technical Reviewer's comments and will advise the Participant whether it approves or rejects the Study.
- (g) If the System that is the subject of the Detailed Engineering Study has been changed or altered since the date the Detailed Engineering Study was completed, then the Participant shall be required to update the Detailed Engineering Study and the updated Detailed Engineering Study shall satisfy the requirements of Exhibit C, failing which the IESO may not accept the Detailed Engineering Study.

4.0 STEPS 6 TO 8: PROJECT REVIEW PROCESS

4.1 Project Incentive Application

- (a) A Participant wanting to apply for a Project Incentive shall submit a Project Incentive Application to the IESO which shall include:
 - (i) a Project Incentive Application in the standard form available on the Website (a writable version is available upon request to an IESO Business Manager);
 - (ii) a Detailed Engineering Study (optional for a Small Capital Project)
 - (iii) in the case of a Small Capital Project, a Detailed Engineering Study or the information required in the Small Capital Project Guidelines posted on the Website;
 - (iv) if not previously provided, a release signed by an authorized signing officer of the Participant in the form attached hereto as Exhibit D; and
 - (v) all documents required to establish that the Participant has satisfied all of the eligibility criteria set out in these Program Rules.
- (b) A Participant may, at the Participant's own risk, begin Project related activities once a Project Incentive Application is submitted. For greater certainty, and without limiting the generality of the foregoing: (i) the Participant takes on the risk that the Project may ultimately not be approved by the IESO, in its sole discretion, (ii) the IESO is under no obligation to enter into a Project Incentive Contract with the Participant with respect to the Project Incentive Application, and (iii) the IESO shall have no obligation or liability

whatsoever to the Participant, or to any other party, in relation to the Project, any costs or any preparations to implement the Project.

4.2 Project Review

A Project Review means an assessment of a Project or Portfolio by a Technical Reviewer on behalf of the IESO. The Project Review will include, without limitation, an assessment of:

- (a) the projected Electricity Savings to be obtained from implementing the Measure or Measures in the Project or Portfolio, as applicable, with consideration of the operational, technical and business risks, which may include the following:
 - (i) Project information and data needed to determine the Base Case Baseline;
 - (ii) Projected Electricity Savings based on an hourly and seasonal basis;
 - (iii) Analysis of the anticipated economic and technical end-of-life of current equipment and anticipated replacement in the absence of the Project or Portfolio, as applicable, resulting in a determination of the number of years that the equipment replacement has been accelerated and the consequential impact on Electricity Savings;
 - (iv) Determination of the incremental Electricity Savings and capital and other costs relative to the current equipment, energy performance standards of equipment that would be installed in the absence of the Program and the higher efficiency capital improvements directly influenced by the Program; and
 - (v) Assessment of the implementation schedule for the proposed Project or Portfolio;
- (b) the projected Eligible Costs;
- (c) the projected Project Benefits and Project Payback including, without limitation, an assessment of the methodology utilized by the Participant to make these determinations;
- (d) the projected relevant interactive affects on the Facility in which the System is located, as applicable;
- (e) the Minimum Expected Life of the Project or the Portfolio;
- (f) compliance with the Program Rules and all applicable laws;
- (g) the benefit of the Project or Portfolio to ratepayers in accordance with conservation and demand management industry standards;

and will include the preparation of a written M&V Plan by the Technical Reviewer, the Technical Reviewer's proposed amount of the Project Incentive, if any, all of which, together with the foregoing assessments is subject to approval by the IESO and upon such approval together constitute the Project Review.

Upon completion of the Project Review, the Technical Reviewer will provide the Participant with a copy of the Project Review Summary Report, which shall contain:

- (h) the Technical Reviewer's recommended quantification of the Project Incentive;
- (i) a summary description of the Project or Portfolio metrics, which shall include:
 - (i) the projected Electricity Savings to be obtained from implementing the Measure or Measures in the Project or Portfolio, as applicable;
 - (ii) the projected Eligible Costs;
 - (iii) the projected Project Benefits; and
 - (iv) the projected Project Payback;
- (j) an outline of the key factors in determining the metrics set out in (i) immediately above, which may include:
 - (i) the methodology used to verify and assess the Electricity Savings;
 - (ii) the Minimum Expected Life of the Project or the Portfolio;
 - (iii) the anticipated economic and technical end-of-life of current equipment and anticipated replacement in the absence of the Project or Portfolio, as applicable, resulting in a determination of the number of years that the equipment replacement has been accelerated and the consequential impact on Electricity Savings;
 - (iv) the incremental Electricity Savings and capital and other costs relative to the current equipment, energy performance standards of equipment that would be installed in the absence of the Program and the higher efficiency capital improvements directly influenced by the Program; and
 - (v) the projected relevant interactive effects on the Facility in which the System is located.

The Participant shall have the time to review and respond to the Project Review Summary Report and M&V Plan as detailed in Section 2.2, Step 8.

4.3 Measurement and Verification

The M&V Plan for every Project (including every Project in a Portfolio) will require the collection of metered electrical and process data needed to establish a Base Case Baseline. The Base Case Baseline prepared as part of the Detailed Engineering Study will be reviewed by the Technical Reviewer. The M&V Plan may require enhancements to the Base Case Baseline through additional metering and measurement during the Project implementation period, prior to the In-Service Date.

Where possible, the M&V Plan will include the ability of the IESO to remotely access data from the submeters installed for the Project. The Technical Reviewer will prepare the M&V Plan as part of the Project Review and the Participant will review, comment on and fulfill its obligations in the M&V Plan as part of the Project and throughout the term of the relevant agreement for the Incentive.

4.4 Preparation of the M&V Plan

- (a) The M&V Plan is prepared by the Technical Reviewer as part of the Project Review.
- (b) The CMVP employed by the Technical Reviewer will develop an M&V Plan, where applicable, based on the IPMVP.
- (c) The Participant shall be given the opportunity to comment on the M&V Plan.
- (d) The Participant is required to implement the M&V Plan.

4.5 Implementation of the M&V Plan

- (a) All meter procurement, design, installation and configuration costs associated with implementing the M&V Plan are Eligible Costs. The Participant is responsible for acquiring and installing metering required by the M&V Plan within the Project scope. The Participant is also responsible for collecting and submitting the M&V data at the frequency specified in the M&V Plan. The costs associated with collecting and submitting the aforementioned data are not Eligible Costs.
- (b) The Participant will satisfy its obligations pursuant to Section 1.8.

5.0 STEPS 9 to 10: PROJECT INCENTIVE CONTRACT EXECUTION

5.1 Offer and Acceptance

- (a) Following the acceptance of a Project Incentive Application by the IESO, the IESO will provide the Participant with an offer of a Project Incentive Contract on the basis of the information set out in the Participant's Project Incentive Application and any Additional Information.

- (b) The Participant shall have 90 days from the date of delivery of the offered Project Incentive Contract to send two signed originals of the Project Incentive Contract to the IESO.

5.2 Project Incentive Contract

The Project Incentive Contract will be composed of standard terms and conditions, a schedule describing the Project or Portfolio and setting out the material elements of the Project or Portfolio as well as certain details in respect of the Participant. Where the Project Incentive Contract is for a Portfolio the relevant schedule will list each Project, set out multiple Project-specific details and the material elements of each Project in the Portfolio.

5.3 Term of Project Incentive Contract

The Project Incentive Contract will have a remaining term of 10 years following the In-Service Date, other than in the case of a Small Capital Project, in which case the remaining term following the In-Service Date shall be 5 years, unless terminated earlier as per the Project Incentive Contract terms and conditions or otherwise agreed to in writing by the Parties.

6.0 MANDATORY REQUIREMENTS AND APPLICATION COSTS

6.1 Review of Mandatory Requirements for Applications

- (a) Each Application will be reviewed in detail by the IESO to confirm that the overall Application is complete and that the constituent elements of such Application satisfy all of the eligibility requirements set out in these Program Rules.
- (b) The IESO reserves the right, but is not obligated, to request Additional Information. Any such Additional Information must be submitted to the IESO, by e-mail, within twenty days of the date of such request, or by such other means and within such other time frame as may be requested by the IESO, failing which the Application may be rejected as being incomplete.
- (c) The IESO may prepare a written interpretation of any aspect of an Application and seek the respective Participant's acknowledgement of that interpretation. Any written interpretation which has been acknowledged by the relevant Participant shall be considered to form part of the Application of that Participant. The IESO is not obliged to seek clarification or interpretation of any aspect of an Application.
- (d) The IESO may verify with any Participant or with a third party any information set out in an Application.
- (e) The IESO reserves the right to reject any Application, in whole or part, whether or not completed properly and whether or not it contains all necessary information, and reserves the right to discuss different or additional terms to those included in any Application with the Participant.

- (f) Where an Application has been rejected, the IESO shall give reasons for rejecting the Application within ten Business Days of notifying the Participant of such rejection. Rejection of an Application shall be without prejudice to the Participant's ability to submit a revised Application, to the extent that a Participant believes an Application can be improved, provided that such revised Application shall be subject to these Program Rules in effect at the time of resubmission.
- (g) A decision by the IESO to accept or reject an Application shall be final and binding and not subject to appeal.

6.2 Costs of Applications

- (a) Each Application will be prepared at the sole cost and expense of the Participant, including any costs incurred in the review of these Program Rules.
- (b) The IESO shall not be liable to pay any Participant costs under any circumstances. In particular, the IESO will not reimburse the Participant in any manner whatsoever in the event of rejection of any or all Applications or in the event of the amendment, cancellation or suspension of the Program at any time. By submitting an Application, the Participant irrevocably and unconditionally waives any claims against the IESO relating to the Participant's costs and expenses.

7.0 CONFIDENTIALITY

7.1 IESO Confidential Information

- (a) All information provided by or obtained from the IESO in any form in connection with the Program, either before or after the execution of a Preliminary Study Funding Contract, Detailed Engineering Study Funding Contract or a Project Incentive Contract, that is not otherwise publicly available, is the sole property of the IESO and must be treated as confidential, and:
 - (i) is not to be used for any purpose other than applying to participate in the Program and the performance by the Participant under a Preliminary Engineering Study Funding Contract, Detailed Engineering Study Funding Contract or Project Incentive Contract;
 - (ii) must not be disclosed without the prior written authorization of the IESO, other than to the Participant's or Participant's counsel, consultants and other advisors, provided the Participant obtains similar confidentiality commitments from such third parties and further provided that the Participant shall be liable for any breach of confidentiality by such third parties; and

(iii) shall be returned by the Participant or third party (as applicable) to the IESO immediately upon request of the IESO.

- (b) The Participant may be required to enter into a non-disclosure agreement prior to receiving any such information from the IESO.

7.2 Participant Confidential Information

Information provided by a Participant is subject to, and may be released in accordance with, the provisions of the *Freedom of Information and Protection of Privacy Act* (Ontario). At the option of the Participant, the Participant may clearly indicate in a separate confidentiality statement included with the Application those portions of the Application that contain proprietary or confidential information for which confidentiality is claimed by the Participant. In the event that no confidentiality statement is provided, the Participant will be automatically deemed, by submission of the Application, to certify to the IESO that no portion of the Application contains proprietary or confidential information for which confidentiality is claimed by the Participant.

7.3 Use of Confidential Information by the IESO

The confidentiality of any information identified by the Participant as proprietary or confidential will be maintained by the IESO, except that the IESO may:

- (a) be required to disclose such information if it is otherwise not protected from disclosure through an exemption in the *Freedom of Information and Protection of Privacy Act* (Ontario) or any other applicable legislation, regulation or policy;
- (b) be required to disclose such information where an order by the Information and Privacy Commission, a court or a tribunal so requires;
- (c) make public the names of all Participants; and
- (d) publish aggregate data relating to the Program.

In addition, Participants are advised that their Applications will, as necessary, be disclosed on a confidential basis to the IESO's counsel, consultants and other advisers retained for the purpose of the Program.

7.4 Exceptions to Confidentiality Requirements

Notwithstanding the foregoing, the IESO shall not be required to maintain the confidentiality of any information that:

- (a) is or becomes generally available to the public without fault or breach on the part of the IESO of any duty of confidentiality owed by the IESO to the Participant or to any third party;

- (b) the IESO can demonstrate that it has rightfully obtained such information from a third party who had the right to transfer or disclose it to the IESO free of any obligation of confidence;
- (c) the IESO can demonstrate that it had been rightfully known by or in the possession of the IESO at the time of disclosure, free of any obligation of confidence when disclosed; or
- (d) has been independently developed by the IESO.

8.0 ADDITIONAL RULES

8.1 Program Amendments

The IESO shall review and amend, as necessary, the Program, these Program Rules, the form of any agreement hereunder (which, for greater certainty, shall not affect any previously executed agreements) and the amounts of Incentives.

In addition, the IESO may make amendments in response to Ministerial directions, changes in laws and regulations, significant changes in market conditions or other circumstances, as determined by the IESO.

Notice of any amendment will be posted by the IESO on the Website for such time period, if any, prior to the effective date of such amendment, as circumstances may permit.

8.2 Assignment and Change of Control

- (a) A Participant shall not assign its Application to another Person other than an Affiliate, except with the prior written consent of the IESO, in accordance with the Project Incentive Contract.
- (b) A Participant shall not permit or allow a change of Control of such Participant, except with the prior written consent of the IESO, which consent may not be unreasonably withheld or delayed. A change of ownership of any shares in or units of ownership that are listed on a recognized stock exchange will not require the IESO's prior written consent.

8.3 Environmental Attributes

The Project Incentive Contract will provide that all Environmental Attributes arising in respect of Electricity Savings for which a Project Incentive has been paid, other than those which are required by the Participant by Applicable Laws in order solely to operate the Project for which the Project Incentive has been paid, shall be owned by the IESO and the Participant shall have no entitlement to any such Environmental Attributes. All other Environmental Attributes arising in relation to a Participant's Facility shall be owned by the Participant and the IESO shall have no entitlement thereto.

8.4 General

- (a) Any Preliminary Engineering Study Funding Contract, Detailed Engineering Study Funding Contract or Project Incentive Contract entered into between the IESO and any Participant will not be an exclusive agreement. In submitting an Application, a Participant will be deemed to have acknowledged that the IESO may contract with others on the same or similar terms and by other means and on different terms.
- (b) The rights reserved to the IESO in these Program Rules are in addition to any other express rights or any other rights which may be implied in the circumstances, and the IESO shall not be liable for any expenses, costs, losses or any direct or indirect damages incurred or suffered by any Participant or any third party resulting from the IESO exercising any of its express or implied rights under the Program.
- (c) By submitting an Application, the Participant authorizes the collection by the IESO of the information set out in the Application, the Additional Information and such other information collected in accordance with the terms hereof.
- (d) The IESO reserves the right to amend or cancel the Program for any reason or to suspend the Program for any reason, for such period of time as the IESO shall determine, in each case without any obligation or any reimbursement to Participants.
- (e) The IESO does not warrant the suitability of a Project or Portfolio, as the case may be, for the use in a Participant's Facility. The IESO's review of a Project or Portfolio, as the case may be, and of the potential Electricity Savings associated therewith, is solely for the purpose of determining the Incentives, if any, in respect of such Project or Portfolio.

EXHIBIT A
DEFINITIONS AND INTERPRETATION

"**Actual Eligible Costs**" has the meaning ascribed to it in Section 1.7;

"**Additional Information**" means any clarification, facts, figures, explanations, statements, documents, and additional information;

"**Affiliate**" means any person that: (i) Controls a Participant; (ii) is Controlled by a Participant; or (iii) is Controlled by the same person that Controls a Participant;

"**Annualized Electricity Savings**" means the Electricity Savings divided by the number of years in the relevant Electricity Savings Period;

"**Applicable Laws**" means any applicable law including any statute, legislation, treaty, regulation and any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority;

"**Application**" means the Preliminary Engineering Study Funding Application, the Detailed Engineering Study Funding Application or the Project Incentive Application, as applicable;

"**Base Case**" means the projected economic, operational and technical configuration of the System without implementation of the Project, for the Electricity Savings Period, taking into account appropriate adjustments during such period;

"**Base Case Baseline**" means the projected electricity consumption in MWh of the Base Case for the Electricity Savings Period, without the additional optimization for electricity energy efficiency provided by the Project, each as determined by the Technical Reviewer during the Project Review;

"**Business Day**" means any day that is not a Saturday, a Sunday, or a legal holiday in the Province of Ontario;

"**CCHP Project**" means a Project involving Generation, causing the simultaneous production of electrical and thermal energy where both forms of energy are productively and efficiently used within the Facility and/or its processes;

"**CMVP**" means a certified measurement and verification professional who is currently certified as such by the Association of Energy Engineers;

"**Control**" means, with respect to any Person at any time, (i) holding, whether directly or indirectly, as owner or other beneficiary (other than solely as the beneficiary of an unrealized security interest) securities or ownership interests of that Person carrying votes or ownership interests sufficient to elect or appoint fifty percent (50%) or more of the individuals who are responsible for the supervision or management of that Person, or (ii) the exercise of de facto control of that Person, whether direct or indirect and whether through the ownership of securities or ownership interests or by contract, trust or otherwise, and "**Controlled**" has a corresponding meaning;

"Demand Response" means a reduction in consumption of MW as a result of the activation of measures or protocols that are or were implemented in order to load shift or load shed in order to reduce the electricity demand of the System;

"Detailed Engineering Study" means a detailed study of the System load within a Facility and specific activities, Measures and, if applicable, Generation that can be implemented in order to reduce the electricity consumption in the Facility, as further described in Exhibit C – Detailed Engineering Study Minimum Requirements to these Program Rules;

"Detailed Engineering Study Funding Application" means an application by the Participant for a Detailed Engineering Study Incentive from the IESO prepared in accordance with instructions posted on the Website and as referred to in Section 3.1, and which may be modified, supplemented and replaced from time to time;

"Detailed Engineering Study Funding Contract" means a contract between a Participant and the IESO for funding of a Detailed Engineering Study pursuant to Section 3.1(e);

"Detailed Engineering Study Incentive" means funding paid by the IESO to the Participant pursuant to a Detailed Engineering Study Funding Contract;

"Distribution System" means a distribution system in respect of which the distributor is subject to the Ontario Energy Board's Distribution System Code;

"Efficiency Valuation Organization" means the non-profit organization dedicated to creating measurement and verification (M&V) tools and includes any successor entity;

"Electricity Savings" means the aggregate electricity consumption reduction from the IESO Controlled Grid, expressed in MWh, obtained during the Electricity Savings Period due to the use of the Measure or Measures included in the Project, measured in accordance with the M&V Plan, initially as projected by the Technical Reviewer and contained in the Project Review Summary Report and ultimately as verified by the CMVP and contained in the Project Incentive Contract;

"Electricity Savings Period" means the period commencing on the In-Service Date and ending on the 10th anniversary thereof or in the case of a Small Capital Project, on the fifth anniversary thereof;

"Eligible Costs" shall have the meaning ascribed thereto in Section 1.7;

"Energy Management Plan" means a document completed by an Energy Manager on behalf of the Participant in connection with the Participant's conservation policy and planning, that describes the activities and plans required to reduce energy consumption in the Participant's facilities and details how the Participant is demonstrating leadership in the area of energy conservation by, among other things, developing conservation policies and establishing employee, community and peer-to-peer awareness programs, as further described in the Energy Management Plan Template as made available on the Website;

"Energy Manager" means a person employed or engaged by a Participant whose primary responsibility is to propose and lead methodologies and processes to reduce energy consumption in the Participant's facilities;

"Environmental Attributes" means all rights, interests, benefits or entitlements arising out of or associated with a Facility having decreased environmental impacts resulting from the implementation of a Project, and includes:

- (A) All rights, title, interests and benefits in and to any renewable energy certificate, credit, reduction right, offset, allocated pollution right, emission reduction allowance or other proprietary or contractual right, whether or not tradable, resulting from the actual or assumed displacement of emissions by the production of electricity from the Facility as a result of the utilization of renewable energy technology;
- (B) rights to any fungible or non-fungible attributes or entitlements relating to environmental impacts, whether arising from the Facility itself, from the interaction of the Facility with the IESO-Controlled Grid, a Distribution System or because of Applicable Laws or voluntary programs established by a Governmental Authority, governmental agency or applicable regulatory body;
- (C) any and all rights, title and interests relating to the nature of the energy source as may be defined and awarded through Applicable Laws or voluntary programs; and
- (D) all revenues, entitlements, benefits, and other proceeds arising from or related to the foregoing which may be available in connection with the Facility;

"Facility" means the building(s) and premises owned or occupied by the Participant and in which the System is located;

"Generation" means a process used to produce energy in the form of electricity that is entirely for the Participant's own use and the impact of which is measured in accordance with the M&V Plan and:

- (A) that has all permits and approvals required by Applicable Laws including, without limitation, all permits and approvals that may be required for the operation of the generator from the Ontario Ministry of the Environment pursuant to the Environmental Assessment Act (Ontario) or the Environmental Protection Act (Ontario); and
- (B) that meets all of the relevant requirements for a generator under the IESO Market Rules including, without limitation, the requirements described in any amendments to the IESO Market Rules from time to time;

"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 limited to 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 Authority" means any legislative, executive, judicial or administrative body or Person having jurisdiction in the relevant circumstances;

"IESO" means the Independent Electricity System Operator in the Province of Ontario;

"IESO Business Manager" means the employee of the IESO assigned to the Participant upon the Participant contacting the IESO, or his or her delegate, alternate or replacement;

"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*, together with all market manuals, policies and guidelines issued by the IESO, all as amended or replaced from time to time;

"Incentive" means one or more of the Preliminary Engineering Study Incentive, Detailed Engineering Study Incentive and the Project Incentive, as applicable;

"In-Service Date" means the first Business Day that the Project or Portfolio is fully installed in accordance with the Project Incentive Contract and delivers Electricity Savings, as certified by the Technical Reviewer to the IESO;

"IPMVP" means the most current version of the International Performance Measurement and Verification Protocol, as published and maintained by the Efficiency Valuation Organization from time to time;

"Lighting" means equipment and controls used to provide illumination through the use of electricity resulting in a load;

"M&V Plan" means a measurement and verification plan developed by a CMVP employed or retained by the Technical Reviewer which outlines the criteria by which Electricity Savings shall be measured, the information and data to be collected, the methodologies to be used and the activities to be undertaken by the Participant, to be provided to the Technical Reviewer for the purpose of developing the M&V Report;

"M&V Report" means a measurement and verification document developed by a CMVP employed or retained by the Technical Reviewer quantifying the Electricity Savings delivered by the Measure or Measures included in a Project during the reporting period specified by the M&V Plan, provided that such reporting period shall not be less than quarterly during the first year following the In-Service Date and thereafter not less than annually;

"Measure" means the installation, retrofit, replacement or modification of a System for the primary purpose of obtaining a reduction in electricity consumption drawn from the IESO-

Controlled Grid when applied by the Participant to the System's load, as described in an Application;

"Minimum Expected Life" means the number of years a Project or Portfolio is required to provide the Electricity Savings, being 10 years after the In-Service Date other than in the case of a Small Capital Project in which case it is 5 years after the In-Service Date;

"MW" means a megawatt;

"MWh" means a megawatt hour;

"Nameplate Capacity" means the rated, continuous load-carrying capability net of parasitic or station service loads, expressed in MW, of a generating facility to generate and deliver electricity at a given time;

"Net Project Incentive" means the Project Incentive for a Project less the amount of any Preliminary Engineering Study Incentive and or Detailed Engineering Study Incentive paid or to be paid to the Participant in respect of such Project;

"Participant" means a party submitting an Application to participate in the Program;

"Party" means either of the Participant and the IESO, and the Participant and the IESO are collectively referred to as the **"Parties"**;

"Person" means a natural person, firm, trust, partnership, limited partnership, company or corporation (with or without share capital), joint venture, sole proprietorship, governmental authority or other entity of any kind;

"Portfolio" means two or more Projects which are grouped together for the purpose of obtaining Project Incentives for the Projects as so grouped, pursuant to Section 1.6(e);

"Power Factor" means the ratio of active power, measured in watts, to apparent power, measured in volt-amperes as defined in the IESO Market Rules, specifically, the IESO market manual 7: System Operations, Part 7.6: Glossary of Standard Operating Terms;

"Power Quality" means a wide variety of electromagnetic phenomena which characterize the normal voltage, frequency and current at a given time and at a given location at the Facility or beyond;

"Preliminary Engineering Study" means a preliminary study of the System load within a Facility and specific activities, Measures and, if applicable, Generation that can be implemented in order to reduce the electricity consumption in the Facility, as further described in Exhibit B – Preliminary Engineering Study Minimum Requirements to these Program Rules;

"Preliminary Engineering Study Funding Application" means an application by the Participant for a Preliminary Engineering Study Incentive from the IESO prepared in accordance with instructions posted on the Website and as referred to in Section 3.1, and which may be modified, supplemented and replaced from time to time;

"Preliminary Engineering Study Funding Contract" means a contract between a Participant and the IESO for funding of a Preliminary Engineering Study pursuant to Section 3.1(e)0;

"Preliminary Engineering Study Incentive" means funding paid by the IESO to the Participant pursuant to a Preliminary Engineering Study Funding Contract;

"Program" means this Process & Systems Initiative;

"Program Rules" means these program rules, as amended from time to time and posted on the Website;

"Project" means one or more Measures, which, when installed on a single System, are expected to deliver Electricity Savings and "Project", where appropriate in accordance with the terms hereof, includes a Small Capital Project;

"Project Benefits" means the sum of all expected benefits anticipated to be generated from implementation of the Project as determined by the IESO, including benefits not related directly to savings in the consumption of electricity and including all economic benefits from reducing electricity consumption, use of alternative fuels, positive and negative differences in operating and maintenance costs and other avoided costs;

"Project Incentive" means the incentive to be paid by the IESO to the Participant pursuant to Section 1.6 and a Project Incentive Contract;

"Project Incentive Contract" means the agreement between the IESO and the Participant in respect of any approved Project or Portfolio or Small Capital Project, as detailed in Section 5.3, and "Project Incentive Contract", where appropriate in accordance with the terms hereof, includes the Small Capital Project Agreement;

"Project Incentive Application" means an application by the Participant to receive a Project Incentive pursuant to a Project Incentive Contract entered into in accordance with these Program Rules;

"Project Payback" means the calculation, as confirmed by the Technical Reviewer in the Project Review Summary Report, of the expected number of years it will take to recover the Eligible Costs, and is calculated by subtracting from the Eligible Costs (i) the sum of any Third Party Contributions to the Eligible Costs; and (ii) the Preliminary Engineering Study Incentive, the Detailed Engineering Study Incentive and the Net Project Incentive received by the Participant, if any, and dividing the remainder thereof by the expected Project Benefits;

"Project Review" has the meaning ascribed to it in Section 4.2;

"Project Review Summary Report" means a summary document containing certain information obtained from the Project Review as set out in Section 4.2;

"Small Capital Project" means a stand-alone Project, which, when installed, is expected to deliver Electricity Savings, as confirmed by the Technical Reviewer in the Project Review

Summary Report, of at least 100 MWh of Annualized Electricity Savings and be eligible for a Project Incentive up to and including \$1,000,000.00;

"Small Capital Project Agreement" means a Project Incentive Contract in a separate form in respect of an approved Small Capital Project;

"Status Report" means a document prepared by the Participant in a form as posted on the Website from time to time and containing, without limitation, the Actual Eligible Costs incurred and paid to the date thereof, the status of the Project implementation relative to the budget and schedule approved in the Project Incentive Contract with a description of any changes in scope or other issues that may impact the Project In-Service Date or Electricity Savings;

"Study" means either or both of a Preliminary Engineering Study or Detailed Engineering Study, as the case may be;

"Study Funding Application" means either or both of a Preliminary Engineering Study Funding Application or Detailed Engineering Study Funding Application, as the case may be;

"System" means the equipment or process in the Facility to which the Project is proposed to be installed in order to obtain Electricity Savings;

"Technical Reviewer" means a Person retained by the IESO having on its staff individuals who have the professional experience and qualifications approved by the IESO;

"Third Party Contributions" means any financial or other contribution (including the value of contributions in kind) received from or made by any party other than the Participant or the IESO in connection with a Project or Portfolio;

"Total System Efficiency" means an amount that is calculated by dividing the sum of the annual gross electricity output (MWh) and Useful Thermal Output (MWh-thermal) of the CCHP Project by the annual fuel energy input (in MWh-thermal based on the higher heating value for natural gas or propane, as applicable) and is expressed as a percentage;

"Transmission System" means a part of the IESO-Controlled Grid that conveys electricity at voltages of 50 kilovolts or higher and includes any structures, equipment or other things used for that purpose, which, for greater certainty, shall be included in the IESO-Controlled Grid;

"Useful Thermal Output" means the thermal energy (expressed in MWh-thermal) produced by the CCHP Project and used for gainful commercial or industrial purpose where such use avoids or reduces the use of fuel to produce thermal energy in an alternate process within the Facility;

"Website" means the IESO's website at www.industrialaccelerator.ca; and

"WER Project" means a Project involving Generation such that the generation of electricity is primarily from a waste by-product of the Facility.

EXHIBIT B

Preliminary Engineering Study Minimum Requirements

Purpose:

This Exhibit sets out the minimum requirements for a Preliminary Engineering Study as described in the Program Rules. The Preliminary Engineering Study must meet the technical, financial and economic analysis, and overall quality and completeness requirements as outlined below. The Preliminary Engineering Study will identify and recommend for further study potentially cost-effective electricity-saving opportunities for a single System.

For the purposes of the Program, the Preliminary Engineering Study must provide Electricity Savings estimates to an accuracy of +/- 30% and Project cost estimates to an accuracy of +/- 50%. The Preliminary Engineering Study must be prepared or reviewed by, and signed by a registered professional engineer licensed to practice in Ontario (the "**Engineer**"), unless otherwise agreed to in writing by the IESO.

Capitalized terms have the meaning given to them in this document, the Program Rules or the then current IPMVP, as applicable.

Preliminary Engineering Study Submission Requirements:

In order to complete a satisfactory Preliminary Engineering Study, Participants shall prepare a Preliminary Engineering Study submission package containing:

- one original (hard copy) of the Preliminary Engineering Study signed by the Engineer,
- one additional hard copy of the Preliminary Engineering Study, and
- one electronic copy of the Preliminary Engineering Study, in Portable Document Format (PDF).

Participants should submit the prepared submission package to:

IESO Business Manager – Process & Systems Initiative
Independent Electricity System Operator
120 Adelaide Street West
Suite 1600
Toronto, Ontario M5H 1T1

In the event of a conflict or inconsistency between the hard copy and the electronic copy of the Preliminary Engineering Study, the original hard copy of the Preliminary Engineering Study shall prevail.

Amending Studies

At any time a Participant may amend a submitted Preliminary Engineering Study. The right of the Participant to amend includes amendments or withdrawals wholly initiated by the Participant

and amendments or withdrawals in response to subsequent information that becomes available to the Participant. Following acceptance of the Preliminary Engineering Study by the IESO, all amendments thereto proposed by the Participant shall require the written approval of the IESO.

Any amendment should clearly indicate what part of the Preliminary Engineering Study the amendment is intending to replace. A notice of amendment should be sent to the IESO as soon as possible and should be signed by an authorized representative of the Participant and by the Engineer.

Preliminary Engineering Study to be Retained by the IESO

The IESO will not return the Preliminary Engineering Study or any accompanying documentation submitted by a Participant.

Form and Content

Following are the required components of a Preliminary Engineering Study:

1.0 Introduction

- 1.1 Facility name and location.
- 1.2 Estimated dates of study start and completion.
- 1.3 Background of the System studied and why this system was chosen for study.

2.0 Base Case

- 2.1 Description of the System studied:
 - 2.1.1 Type of system and areas of plant/process served (include a sketch or block diagram),
 - 2.1.2 Annual hours of operation for the System and description of system variability and operating conditions,
 - 2.1.3 Existing equipment nameplate information and estimated annual electrical consumption (based on available historic information, readily available installed instrumentation outputs, manufacturers' performance data and/or engineering calculations – i.e. temporary metering or permanent meter installation not required),
 - 2.1.4 Age of system or major system components.

3.0 Opportunity Analysis

Analyze all reasonable electricity conservation Measures that could be applicable to the System studied. Complete the information requirements listed below for each Measure analyzed.

3.1 Electricity Savings and Other Benefits

- 3.1.1 Technical description of each identified Measure.
- 3.1.2 Methodology and calculations used to arrive at energy savings estimates for each Measure.
- 3.1.3 Results of analysis including uncertainty ranges for the annual energy savings.

- 3.1.4 Explanation of any "other benefits" that may result from implementation of each Measure, including, but not limited to: changes in fossil fuel consumption, product quality or productivity, or operating & maintenance costs.
- 3.1.5 Explanation of "interactive effects" (if any) between systems and the Measure – i.e. a reduction in energy in one area may cause an increase in another.

3.2 Project Costs

- 3.2.1 Cost estimates of each identified Measure that should include considerations for: Detailed design and engineering, project management, equipment, installation labour, demolition, and commissioning.
- 3.2.2 Payback for each identified Measure with and without Incentives or any Third Party Contributions.

4.0 Recommendations

Discussion of Measures recommended for further study based on results of technical and economic analysis.

EXHIBIT C

Detailed Engineering Study Minimum Requirements

Purpose:

This Exhibit contains the minimum requirements for a Detailed Engineering Study as described in the Program Rules. The Detailed Engineering Study must meet the technical, financial and economic analysis, and overall quality and completeness requirements as outlined below.

For the purposes of the Program, the Detailed Engineering Study must provide Electricity Savings estimates to an accuracy of +/- 10% and Project cost estimates to +/- 25%. The Detailed Engineering Study Report must be prepared or reviewed by, and signed (with drawings stamped) by a registered professional engineer licensed to practice in Ontario (the "**Engineer**"), unless otherwise agreed to in writing by the IESO.

Capitalized terms used below have the meaning given to them in this document, in the Program Rules, or the then current IPMVP, as applicable.

Detailed Engineering Study Submission Requirements:

Participants shall prepare a Detailed Engineering Study submission package containing:

- one original (hard copy and drawings) of the Detailed Engineering Study in the case of a Project, or one original (hard copy and drawings) for each Detailed Engineering Study in the case of a Portfolio, in either case signed by the Engineer,
- one additional hard copy of each Detailed Engineering Study (including drawings), and
- one electronic copy of the Detailed Engineering Study, in Portable Document Format (PDF) and MS Excel format for any tables or data.

Participants should submit the prepared submission package to:

IESO Business Manager – Process & Systems Initiative
Independent Electricity System Operator
120 Adelaide Street West
Suite 1600
Toronto, Ontario M5H 1T1

In the event of a conflict or inconsistency between the hard copy and the electronic copy of the Detailed Engineering Study, the original hard copy of the Detailed Engineering Study shall prevail.

Amending Studies

At any time prior to entering into a Project Incentive Contract a Participant may amend a submitted Detailed Engineering Study(ies). The right of the Participant to amend includes amendments wholly initiated by the Participant and amendments or withdrawals in response to

subsequent information that becomes available to the Participant. Following acceptance of the Detailed Engineering Study by the IESO, all amendments thereto proposed by the Participant shall require the written approval of the IESO.

Any amendment should clearly indicate what part of the Detailed Engineering Study the amendment is intending to replace. A notice of amendment should be sent to the IESO as soon as possible and should be signed by an authorized representative of the Participant and by the Engineer.

Detailed Engineering Study to be Retained by the IESO

The IESO will not return the Detailed Engineering Study or any accompanying documentation submitted by a Participant.

Form and Content

Except where indicated, the following are the required components of a Detailed Engineering Study:

1.0 Executive Summary

- 1.1 Facility name and location.
- 1.2 Dates of study start and completion.
- 1.3 A brief background and description of the system(s) studied,
- 1.4 A brief description of recommended Measures with estimates of:
 - 1.4.1 Annualized Electricity Savings,
 - 1.4.2 Annual average electricity demand reduction,
 - 1.4.3 Project Benefits that contribute to cost-effectiveness of the Project,
 - 1.4.4 Any costs directly related to the Project which are not included in Eligible Costs and for which the Participant is requesting the IESO approve the addition of such cost to Eligible Costs pursuant to Section 1.7(l) of the Program Rules,
 - 1.4.5 Project Payback for each recommended Measure and for the aggregate of all recommended Measures based on total Eligible Costs excluding Incentives or Third Party Contributions,
 - 1.4.6 Project Payback for each recommended Measure and for the aggregate of all recommended Measures, and
 - 1.4.7 Estimated Project Incentive as per the Program Rules.
- 1.5 Author of report with acknowledgement of key personnel involved including titles.
- 1.6 Identification of Facility personnel who contributed to the Detailed Engineering Study, including each individual's name, title and role.

2.0 Base Case

- 2.1 Description of each System studied:
 - 2.1.1 Type of system and areas of plant/process served,
 - 2.1.2 Explanation of why this System was chosen for study,

- 2.1.3 If applicable, process flow diagrams, indicating Measurement Boundary, and how the System interacts with the remaining plant,
- 2.1.4 If applicable, relevant electrical single line diagrams,
- 2.1.5 If applicable, process and instrumentation drawings (P&ID) ,
- 2.1.6 If applicable, equipment data sheets or existing equipment efficiency,
- 2.1.7 Preliminary Base Case Baseline, which is subject to review and acceptance by the Technical Reviewer, is compliant with IPMVP, and includes:
 - 2.1.7.1 Annual electricity energy consumption,
 - 2.1.7.2 If applicable, daily and seasonal electrical load profile,
 - 2.1.7.3 Load duration curve or table indicating annual hours of operation at significant capacity points, and
 - 2.1.7.4 Production and throughput as it relates to the energy consumption of the System,
- 2.1.8 Operating and maintenance costs for the System,
- 2.1.9 If applicable, product quality from the existing System,
- 2.1.10 Reliability of the existing System,
- 2.1.11 Age of the System or major system components and analysis of remaining life, and
- 2.1.12 Standard commercially available replacement equipment cost and energy use (least cost new equipment that meets the system requirements).
- 2.2 Measured electrical, process, and operating data collected during the Detailed Engineering Study provided in MS Excel spreadsheet format.
- 2.3 Written evidence satisfactory to the IESO of the electricity rate used to determine the Electricity Savings, which may include the most recent electric utility bills received for a single billing period for the service entrance of the location of the studied system.

3.0 Measure Analysis

Analyze all reasonable energy conservation Measures that could be applicable to each System studied. Complete the technical, financial, and economic information requirements listed below for each applicable Measure analyzed.

3.1 Technical

- 3.1.1 Technical description of each identified Measure.
- 3.1.2 Methodology and calculations used to arrive at energy and demand savings estimates for each Measure.
- 3.1.3 If applicable, identification and specification of any software tools used in the analysis.
- 3.1.4 Results of analysis including uncertainty ranges and assumptions for operating conditions for the life of the Measure:
 - 3.1.4.1 Annual electrical energy savings,
 - 3.1.4.2 If applicable, monthly average electrical demand reduction,
 - 3.1.4.3 If applicable, daily electrical demand reduction profile by season.

- 3.1.5 Analysis of “interactive effects” between systems and Measures i.e. a reduction in electricity use in one area may cause an increase in electricity use in another.
- 3.1.6 If applicable, quantification of “other benefits” with dollar savings estimates that may result from implementation of each Measure. Methodology must be shown. Examples are:
 - 3.1.6.1 Changes in fossil fuel consumption,
 - 3.1.6.2 Changes in product quality or productivity, or
 - 3.1.6.3 Changes in operating & maintenance costs.
- 3.1.7 If applicable, description of measurement techniques that would aid in ongoing evaluation of electricity savings for each Measure.

3.2 Economic & Financial

- 3.2.1 Itemized implementation costs of each Measure including:
 - 3.2.1.1 Detailed design and engineering,
 - 3.2.1.2 Project management,
 - 3.2.1.3 Equipment,
 - 3.2.1.4 Installation labour,
 - 3.2.1.5 Demolition, if applicable,
 - 3.2.1.6 Scrap value recovery, if applicable, and
 - 3.2.1.7 Commissioning.
- 3.2.2 Project Payback for each Measure without Incentives or any Third Party Contributions.
- 3.2.3 Project Payback with Incentives.

4.0 Recommendations

- 4.1 Provide recommendations by Measure and at the Project level:
 - 4.1.1 Discussion of recommended and non-recommended Measures using results of technical and economic analysis,
 - 4.1.2 Project Payback for each recommended Measure and for the aggregate of all recommended Measures based on total Eligible Costs with no Incentives or Third Party Contributions,
 - 4.1.3 Project Payback for each recommended Measure and for the aggregate of all recommended Measures,
 - 4.1.4 Discussion of expected lifetime of recommended Measures with a description of any special maintenance practices required to realize continued savings,
 - 4.1.5 Discussion of risks associated with performance of recommended Measures.

5.0 Implementation Action Plan

- 5.1 Description of the overall implementation approach and methodology for each recommended Measure. If applicable, the following should be explicitly addressed:
 - 5.1.1 List of equipment to be decommissioned, and

- 5.1.2 Proposed operating parameters including mode and sequence of operation and programming of process control systems.
- 5.2 Provide a schedule for implementation:
 - 5.2.1 Overall time to complete Project broken down by major tasks and time required for each, and
 - 5.2.2 Detail any known timeline risks and critical tasks.

EXHIBIT D

Release and Waiver

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby, for itself and its successors and assigns, releases and forever discharges each of the Independent Electricity System Operator ("**IESO**") and all of its respective past, present and future officers, directors, employees, owners, shareholders, agents, successors and assigns, and third party service providers and their respective subcontractors (hereinafter collectively referred to as the "**Releasees**") from any and all actions, causes of action, suits, complaints, disputes, debts, liabilities, obligations, damages, legal fees, costs, disbursements, expenses, claims and demands of every kind, at law or in equity, or under any statute, including without limitation, claims for property damage, business interruption and personal injury of the undersigned's employees, officer, directors or licencees, which it can, shall or may have by reason of any matter, cause or thing arising as a result of, in relation to or in connection with the attendance by one or more of the employees, officers, directors, representatives, agents or third party service providers and their subcontractors ("**Persons**") on one or more occasions of the IESO at any and all facilities owned or occupied by the undersigned in connection with, arising out of or relating to the IESO's Industrial Accelerator Program, including, the Process & Systems Initiative, the High Performance New Construction Initiative, the Retrofit Initiative and the Energy Manager Initiative other than in the case of the gross negligence or willful misconduct of such Persons during such attendances. The foregoing release shall continue in full force and effect for the benefit of the IESO and to the extent of any conflict between this release and the terms of any other document entered into by the undersigned and the IESO pursuant to or in connection with the any of the above mentioned initiatives, the terms of this release shall prevail.

[Date]

[Name of Company making Application]

Name:

Title:

EXHIBIT E

OFFICER'S CERTIFICATE

TO: INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

FROM: [Long Form Name of Participant] ("[Short Form/Abbreviation of Participant]")

RE: Project Incentive Application submitted by the [Participant] dated _____

This certificate is delivered pursuant to Section 1.6 of the Process & Systems Initiative – Program Rules Version 3.0 dated December 18, 2014 (the “**Program Rules**”). Capitalized terms not defined herein have the meanings ascribed thereto in the Program Rules.

I, [Name of Officer signing Certificate], the duly appointed and qualified [name of office held] of [Participant], hereby certify as an officer of and on behalf of [Participant] and not in my personal capacity that as of the date hereof:

1. I am familiar with the financial position of [Participant] and have made such examinations of the books and records of [Participant], made such investigations and reviewed such documents as are, in my opinion, necessary to provide a reasonable basis for the matters certified below;
2. [Participant]:
 - (a) is not bankrupt or insolvent, and no petition, proceeding or filing has been made in respect of [Participant] seeking to have [Participant] declared bankrupt or insolvent, or seeking adjustment or composition of any of its debts or reorganization, dissolution, liquidation or similar relief pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Winding Up and Restructuring Act* (Canada), the *Companies' Creditor Arrangement Act* (Canada), or any analogous legislation, and the bankruptcy, insolvency, creditor protection or similar laws of any other jurisdiction (regardless of the jurisdiction or the application or competence of such law);
 - (b) is able to pay its liabilities as they become due on the basis of the projected cash flow of [Participant] and [Participant]'s direct liabilities; and
 - (c) is able to post the required performance security, if any.
3. Attached hereto at Schedule “A” is a true, correct and complete copy of the [Participant]'s audited financial statements for the most recently completed fiscal year.

4. Attached hereto at Schedule “B” is true, correct and complete copy of a ratings report in respect of [Participant] dated _____ from _____ [insert rating agency acceptable to the IESO].

DATED as of the ____ day of _____, _____.

[Participant]

By: _____
Name:
Title: