AUGUST 21 2025

eDSM Industrial Program Evolution: Final Design

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Territory Acknowledgement

The IESO acknowledges the land we are delivering today's webinar from is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all of the traditional territories across the province, which includes those of the Algonquin, Anishnawbe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee and Métis peoples.

Agenda

- What we heard, What's changed
- Development of New Industrial Program Offering Design
- Overview of New Industrial Program Offering
- Key Changes and Benefits vs IEEP
- Final Design Overview
- Final Design Recommendation
- Summary of Key Activities to Launch

Development of New Industrial Program Offering Design

The new industrial program offering design was based on the following activities:

- IESO / Save on Energy historical experience, delivering many versions of the industrial program over the past ten plus years;
- Review of other jurisdictions industrial programs;
- Informal and formal stakeholder feedback; and,
- Feedback from Save on Energy delivery partners.

Marketplace feedback was generally in alignment with proposed final design recommendation.

What we heard, what's changed

WHAT WE HEARD	WHAT'S CHANGED
Make application process faster/easier	Single sign-off application, first-come-first-served intake
Raise caps for large projects	Incentive cap increased from $5M to $15M/project (+ option for more via business case)
More time to deliver	Completion window extended from 3 to 5 years
Support early project scoping	Feasibility study funding (50% up to $100K)
Lower participation threshold	Minimum size reduced from 2,000 MWh/year to 600 MWh/year
Continue M&V support	Retained M&V support with optional Technical Reviewer

Overview of New Industrial Program Offering

- Provides financial incentives for industrial, municipal, institutional, and health care organizations to increase the efficiency of their industrial processes.
- Incentives are intended to be leveraged by customers to implement large, complex projects that result in verifiable electricity savings.
- It targets the utilization of proven, commercially available technologies that are otherwise inaccessible to these organizations due to cost barriers.
- Offers funding for a project feasibility study which supports the program by identifying and developing Program-eligible Project opportunities.

Key Changes and Benefits vs IEEP

IEEP (2021 – 2025)	New Program (2025 – 2036)
Two step competitive application	Single stage first come first serve
Proposed by participant based on project needs / MWh	Standard rate: $300/MWh; Regional adder: $450/MWh
$5 million incentive cap	$15 million incentive cap
50% at Q1, Balance at Y1	Same
Follow International Performance and Measurement Verification Protocols	Same
No study funding	50% cost share up to $100K
Customer develops measurement and verification (M&V) plan / pilot expanded M&V support	Expanded M&V support
3-year completion	5 years
2000 MWh/year annual savings energy savings	Minimum of 600 MWh/year annual energy savings

Bottom line: More funding, easier application, broader eligibility, longer timelines, early-stage support.

Final Design Recommendation: Application Process

The application process includes:

- Single sign-off application
- First-come-first-served process
- Application workbook & program guides in development

○ Maximize savings ○ Strengthen engagement ○ Enhance incentives ✓ Simplify participation ✓ Increase accessibility ○ Portfolio approach

Final Design Recommendation: Incentive Structure

The participant incentive for projects will be the lower of:

- the product of the Electricity Savings multiplied by:
  - $300/MWh, capped at 120% of the approved amount;
  - $450/MWh, capped at 120% of the approved amount – for areas identified as having local needs;
- 75% of the Eligible Costs of the Project or the amount that would provide a project payback of one year for a project
- $15M per project (with opportunity to seek additional funding through business case)

Example: If your project saves 5,000 MWh/year in a local needs area: 5,000 × $450 = $2.25M (subject to eligible cost %, payback test, and cap).

Final Design Recommendation: Eligibility Requirements – Who Can Apply

To be eligible to qualify as part of a project, a facility must:

- Be connected to Ontario's electricity grid – either directly or through a local utility; or
- For third party participants: the proposed project must also be connected to the electricity grid or distribution system, unless otherwise approved by the IESO;
- Delivery minimum electricity savings of 600 MWh/year.
- Ensure electricity savings maintains a maximum uncertainty of +/- 50% - 90% confidence level (to ensure reliable savings estimates)
- Be in-service within 5 years of executing participant agreement

○ Maximize savings ✓ Strengthen engagement ○ Enhance incentives ○ Simplify participation ✓ Increase accessibility ○ Portfolio approach

Final Design Recommendation: Eligibility Requirements

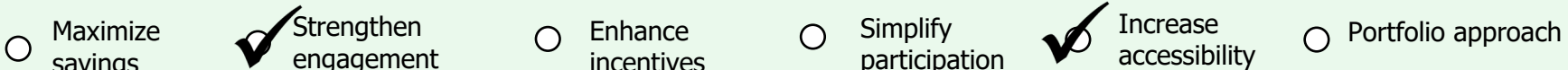
To be eligible to qualify as part of a project, a measure must:

- be applied to, or in support of, an industrial process and result in electricity savings;
- be a technology that is commercially available;
- deliver electricity savings for a minimum of 48 months after the end of the measurement and verification reporting period; and,
- comply with applicable law in relation to the installation or operation of any equipment or system.

Final Design Recommendation: In-Eligible Measures – What Does Not Qualify

The following measures are not eligible for funding:

- Electricity generation projects – except approved waste energy recovery where the recovered energy offsets the facility's own load.
- Behind-the-meter storage – unless the storage is configured to improve the energy efficiency of other project components, resulting in net overall electricity savings.
- Lighting measures – available through Save on Energy Instant Discount Program.
- Fuel switching – unless specifically approved by the IESO.
- Local Distribution Company (LDC) infrastructure measures – any measures LDCs use to maximize the efficiency of their own assets.



Final Design Recommendation: Study Funding – Early Project Support

Participants may be eligible to obtain incentives to conduct a project feasibility study to support identification of opportunities that could be implemented under the new industrial program.

Key points:

- Who qualifies: Industrial, municipal, institutional, and healthcare participants (third-party participants are not eligible).
- Funding amount: 50% of study cost, up to $100,000.
- Conditions:
  - Study must be approved by the IESO before work begins.
  - Study must be completed within 8 months of approval.

✓ Maximize savings ✓ Strengthen engagement ✓ Enhance incentives ○ Simplify participation ○ Increase accessibility ○ Portfolio approach

Final Design Recommendation: Enhanced M&V Support – Measuring Program Performance

Key points:

- Who develops it: Participant prepares the M&V Plan, with optional support from the Technical Reviewer.
- Review process: IESO or its Technical Reviewer will review and approve the plan.
- What it covers: How project performance will be measured before and after implementation to determine electricity savings.
- Standards: Must follow the IPMVP.

○ Maximize savings	✓ Strengthen engagement	○ Enhance incentives	✓ Simplify participation	✓ Increase accessibility	○ Portfolio approach

Final Design Recommendation: Incentive Payments

- Once the in-service date (ISD) have been achieved, the participant will deliver M&V reports, in accordance with the M&V Plan. The M&V reporting period for any project shall be for a period of one year following the ISD.
- Payments will be issued on the following:

Payment	Amount	Requirement
First Payment	50% of project incentive	• Q1 M&V report reviewed. • Payment calculated on electricity savings in Q1 M&V Report.
Second Payment	Balance of project incentive	• Year 1 M&V report reviewed. • Payment calculated based on Y1 M&V report and the payments made to date.

Final Design Recommendation: Future Enhancements

- The program will continue to evolve year-over-year to meet the evolving needs of the marketplace. Areas identified for review/ inclusion:

Program enhancement	Timing
Explore $/kW/MW savings incentive	2026
New construction – align with broader DSM new construction offering that is under development	TBC

- Program enhancements will continue to be informed by input from industrial marketplace.

Summary of Key Activities To Launch

Activity	Timeline (2025)
Stakeholder Engagement Session: Overview of Design (May 22)	Complete
High-level program design direction; meeting with Director DSM	Complete
Final design Director sign off, confirm approach to inform VP	August 1
Program rules (PR); engage legal – review PR, develop PA – D	Underway - Early August
New program: supporting program design business case	Underway – aiming to complete August
Develop supporting documents (e.g., workbook)	August
Stakeholder Engagement Session, Final Design	Augst 21
Final design presented to Director, before program launch	Early September
Develop communications and outreach plan	September
New Industrial Program Launches	Late September

Thank You

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