

Stakeholder Feedback and IESO Response

Energy Efficiency Auction Pilot – Draft Detailed Design – March 23rd webinar

Following the March 23rd public webinar introducing the Energy Efficiency (EE) Auction Pilot draft detailed design, the Independent Electricity System Operator (IESO) invited stakeholders to provide comments and feedback on the draft detailed design, including the proposed resource participant agreement terms, Measurement and Verification (M&V) procedures, and timeline.

The IESO received feedback from:

- [Alectra](#)
- [CLEAResult](#)
- [Hydro One](#)
- [Ministry of Education](#)
- [Quaker – PepsiCo Foods Canada](#)
- [Toronto Hydro](#)

This feedback has been posted on the [Energy Efficiency Auction Pilot engagement webpage](#).

Note on Feedback Summary

The IESO appreciates the feedback received from stakeholders on the draft detailed design of the EE Auction Pilot. The feedback has been noted and will be considered as the engagement moves forward to refine the detailed design. The IESO has provided a summary table below, which outlines specific feedback or questions for which an IESO response was required at this time.

Stakeholder Comments and IESO responses

Barriers to participation

Stakeholders identified the following potential barriers to participation:

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Hourly Meter Data Requirement

The draft design requires successful auction participants to provide an hourly (or sub-hourly) meter data file for each facility contributing to an EE resource covering a period of time pre- and post- measure implementation. Stakeholders noted that many facilities with an average monthly peak demand between 50 and 500 kW still do not have interval metering, particularly in rural areas. Consequently, this requirement would be a barrier for the participation of potential participants whose facilities (most schools, much retail, etc.) primarily fall in this rate class.

Even where interval or smart metering is in place, stakeholders expressed concerns about potential challenges in receiving hourly data from LDCs in a timely manner, posing a risk to payment timeline. They further noted that the province's LDCs provide meter data in different intervals (5 minute, 15 minute, etc.) and different file formats [which would complicate using this data for research purposes]. Stakeholders noted that the additional effort required to secure facility level meter data would add complication and costs that auction participants would need to reflect in their auction offers, driving up the price of EE capacity.

Stakeholders are seeking clarity on the intention and usefulness of facility meter data. Further, where the savings shown through facility meter data differ from the M&V data, stakeholders are seeking clarity on how participants will be evaluated on the capacity delivered using the M&V data rather than the facility meter data.

Where multiple meters are involved, stakeholders are seeking clarity on the purpose of the meter installation data and the Single Line Diagram, and whether there is any consideration to remove these requirements.

Stakeholder feedback suggests that attainment of the Distribution System Code target of full interval meter roll-out for 50-500 kW customers by August 2020, to achieve effectively universal implementation of smart/interval metering in the province, is unlikely to be full realized in advance of the EE Auction Pilot's commitment period. In light of this and other feedback, the IESO is removing the requirement that EE capacity providers provide an hourly (or sub-hourly) meter data file for all facilities contributing to a resource, as well as removing related requirements regarding providing meter ID and metering arrangement information. Please note that this information may still be required where an EE capacity provider has opted to use an IPMVP Option C Whole Facility analysis approach for M&V.

IESO remains interested in opportunities to collect facility smart/ interval meter data through the EE Auction Pilot to inform Advanced Measurement & Verification (or "M&V 2.0") research. IESO is conducting an additional stakeholder engagement touchpoint to solicit feedback on a proposed revised pilot timeline (responding to the COVID-19 public health crisis) and suggestions for how IESO might encourage successful pilot auction participants to provide meter data voluntarily.

Measurement and Verification (M&V) Requirements

Stakeholders expressed concern that complex and excessive M&V requirements could be cost prohibitive, and could create an unnecessary administrative burden. It was recommended that for measures less than 50 kW, where a deemed value approach is being used, to eliminate the requirement to submit a Basic M&V Plan, and alternatively, require the provision of a separate report to the IESO stating all measures where this approach is used, the quantity installed, and the savings as per the Measure Reference Manual or an IESO-accepted Measure Substantiation Sheet.

Further, to reduce administrative costs and potentially increase participation, it was recommended the IESO remove the requirement that deemed value savings are only to be used when the measure conforms to the Measure Reference Manual's prescribed base case, efficient case, and End Use Profile.

M&V requirements for the EE Auction Pilot are aligned with requirements for relevant historic Save on Energy programs. Rigorous M&V requirements are a necessity for the credibility of EE as a planning resource to meet system needs and to ensure the prudent use of ratepayer funds.

The Basic M&V Plan captures critical information, including facility location and measure in-service date, which are required to meet International Performance Measurement & Verification Protocol (IPMVP) standards. While IESO will not remove the requirement to provide an M&V Plan for measures less than 50 kW, it will update the M&V Procedures and example Basic M&V Plan to note that the Analysis Procedures section can simply refer to the Measure Reference Manual (or IESO-accepted Measure Substantiation Sheet if applicable).

The deemed savings values contained in the Measure Reference Manual are calculated based on a set of prescribed measures in both the base case and efficient case. Verification of the base case is critical to confirm the deemed savings values are valid.

Participant Agreement Terms and Eligibility

Stakeholders provided a number of suggested revisions to the Participant Agreement terms to more evenly balance risk between counterparties, particularly with respect to calculating compensation in the event of termination by IESO without cause, and clarifying that the IESO would act reasonably in reviewing the various deliverables. Additional feedback was provided on the balance of indemnity between counterparties.

IESO will update several sections of the Participant Agreement to note that IESO shall act reasonably in performing various administrative functions (such as reviewing M&V plans and M&V reports). In establishing the formulas for calculating compensation to EE capacity providers in the event of IESO termination without cause, IESO must consider both the potential for EE capacity providers to under-recover costs and the risk of expending ratepayer funds without delivery of EE capacity (or the ability to M&V delivered EE capacity). Responding to stakeholder comments, IESO will update the formulas such that in the event of IESO termination without cause during the Forward Period, EE capacity providers would receive:

- Payment equivalent to 50% of full capacity payment if terminated before submission of the EE Resource Plan Update (from 40%); and
- Payment equivalent to 70% of full capacity payment if terminated after submission of the EE Resource Plan Update (from 60%).

The IESO notes that if auction participants believe that termination without cause is a material risk, they may consider factoring this risk into their offer prices.

IESO notes that the indemnification terms are similar to those contained in historic Save on Energy participant agreements where these terms have not proven a significant barrier to program uptake.

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In the event a decision is made to not provide an EE Capacity Payment, stakeholders have suggested participants be provided an opportunity to support their position before any payment decision is finalized by the IESO. And further, if there is a dispute about the non-payment of the EE Capacity Payment, stakeholders have suggested the IESO's limitation of liability should be limited to the amount that would have been paid assuming full performance rather than the amount it has in fact paid out (the topic of the dispute).

If the IESO identifies issues with an M&V report, it will engage with the EE capacity provider to resolve the issue prior to finalizing a payment decision. The inclusion of terms in the Participant Agreement requiring the availability of responsive knowledgeable staff familiar with the M&V Plan is specifically to facilitate timely resolution of these sorts of issues. The Participant Agreement terms have been revised to clarify that IESO liability is capped at the value of the EE capacity payment assuming full performance.

Additional stakeholder considerations were provided with respect to the duration of the reasonable access period, with clarity sought on why a seven-year period of access to facilities is required, recognizing participants are only obligated to provide EE capacity for two years.

The seven-year period of access was based upon the length of time that IESO is obligated to retain books and records for the organizations for which it is subject to audit authority. IESO has updated the Participant Agreement to clarify that it will have reasonable access to facilities for a period of three years.

Stakeholders inquired whether a participant leasing a facility would have all required rights and authorities to install or implements measures as set out in the Participant Agreement.

IESO is unable to answer this question as the terms regarding rights to make physical changes to facilities depend on the terms of the applicable lease agreement. It should be noted that the "all required rights and authority to install or implement the Measures..." language was originally developed in the context of historic Save on Energy programs, specifically to enable participation by lessees with rights to make physical changes to facilities.

Funding/Pricing

Stakeholders have raised concerns about the amount of time and effort required upfront to prepare and participate, without any certainty on an expected incentive. Further, participant's funding allocation cycles may not support all phases of the Energy Efficiency Auction Pilot process, where funds may be available at the application phase, but then no longer available when it comes time to implement the measures.

IESO recognizes that the risk profile of the EE Auction Pilot may be unacceptable to some organizations that have historically participated in the standard-offer Save on Energy programs. Through the pilot, IESO is seeking to better understand the types of organizations that are able and willing to participate in market-based mechanisms for procuring EE that more closely align with procurement of other energy resources.

Timelines

Due to the broad impacts of the COVID-19 pandemic, stakeholders are requesting timelines be extended. Stakeholders detailed challenges being faced with remote working arrangements as they prepare for the Energy Efficiency Auction Pilot, and further, are suggesting it may be prudent to postpone until a clearer picture of the post-pandemic economy and electricity sector develops.

Responding to stakeholder comments, IESO is proposing rescheduling the EE Auction Pilot such that the auction takes place in March 2021 for EE capacity delivery in Winter 2022-2023 and Summer 2023. The IESO is conducting an additional stakeholder engagement touchpoint to solicit feedback on the proposed revised pilot timeline (and suggestions for how IESO might encourage successful pilot auction participants to provide meter data voluntarily). More information about the proposed revised timeline is posted on the engagement webpage for the EE Auction Pilot.

Clarity of process requirements

Stakeholders requested clarity on the following:

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Measure and Facility eligibility

A stakeholder noted that the Measure Reference Manual [that provides deemed savings values] appears to capture only commercial measures despite the historic inclusion of residential measures on the IESO's Measures and Assumptions List from which the Measure Reference Manual is derived. The stakeholder stated that absence of residential measures would place an undue evaluation burden on aggregators targeting the residential sector.

The Measure Reference Manual was derived from the current Measures and Assumption List (MAL). During the last MAL update in 2019, residential measures were removed as 1.) they were no longer relevant to the 2019-2020 Interim Framework program portfolio 2.) uncertainty regarding the continued validity of the input assumptions used to calculate savings for many measures. Auction participants seeking to use a deemed savings M&V approach for residential measures (or non-residential measures not listed in the Measure Reference Manual) may do so by submitting a Measure Substantiation Sheet to IESO for review during the Pre-Auction Period. Requirements for having IESO recognize deemed savings for measures not listed in the Measure Reference Manual are described in *Appendix B: EE Auction Pilot M&V Procedures*.

Stakeholders also inquired whether social benchmarking programs/results will be eligible.

There is nothing precluding social benchmarking programs from being considered as an eligible EE resource. IESO would note that auction participants would need to demonstrate that the social benchmarking program would meet the two-year persistence requirement for eligible measures and an appropriate M&V plan would be implemented.

Measure and Facility eligibility

Finally, it was noted that additional local economic benefits may be achieved through municipally-owned LDCs, and that consideration should be made to recognize additional value in auction offers from LDCs.

Despite the potential for some types of auction participants, including LDCs, to deliver additional local social or economic benefits, favouring a particular type of auction participant would be prejudicial to the EE Auction Pilot's objective of encouraging competition. This approach is consistent with other historic and planned IESO auctions.

Measurement and Verification Plans

Stakeholders suggested that IESO provide an option to review and approve M&V plans during the Pre-Auction Period to allow any discrepancies in the M&V plan to be addressed before a participant decides to move forward in the Energy Efficiency Auction Pilot.

A stakeholder requested confirmation on whether an EE resource greater than 50 kW composed of measures implemented at multiple facilities with each measure less than 50 kW (for example 10 kW measure implemented at 10 facilities) would be subject to Basic or Enhanced M&V requirements.

The Detailed Design has been updated to incorporate this suggestion. Prospective auction participants will be able to submit a full M&V plan for IESO review prior to the auction itself.

The threshold for triggering Enhanced M&V is applied at the individual measure level (except where the EE capacity provider is using the IPMVP Option C Whole Facility analysis approach to capture the impact of multiple measures within a single measurement boundary). Consequently, an EE resource greater than 50 kW composed of measures implemented at multiple facilities each with measures less than 50 kW would be subject to Basic M&V.

Please note that the information and responses provided by the IESO herein are for information and discussion purposes only and are not binding on the IESO. This document does not constitute, nor should it be construed to constitute, legal advice or a guarantee, representation or warranty on behalf of the IESO. In the event that there is any conflict or inconsistency between this document and the Market Rules, Market Manuals or any IESO contract, including any amendments thereto, the terms in the Market Rules, Market Manuals or contract, as applicable, govern.