



Industrial Conservation Initiative Backgrounder & FAQs

Updated September 2020



Table of Contents

1. Overview	2
1.1 General overview of the ICI	2
1.2 Key terms used for the ICI	2
2. Regulation amendments in response to the impact of COVID-19	4
2.1 Overview of Regulation amendments in response to COVID-19	4
3. Details of the ICI	5
3.1 Eligibility	5
3.2 Timing	6
3.3 Peak Demand Factor (PDF)	6
3.4 Anticipating Peaks	7
Appendix A – Frequently Asked Questions (FAQs)	8
Frequently asked questions and answers	8

1. Overview

1.1 General overview of the ICI

Ontario's electricity system is built to meet the highest demand periods of the year. By reducing demand during peak periods, Industrial Conservation Initiative (ICI) participants can both reduce their global adjustment (GA) costs and help defer the need for investments in new electricity infrastructure that would otherwise be needed. Customers who participate in the ICI, referred to as Class A, pay GA based on their percentage contribution to the top five peak Ontario demand hours over a 12-month¹ period.

Customers who are eligible to participate in ICI may include:

- Customers in the manufacturing and industrial sectors, including greenhouses (with NAICS codes commencing with the digits "31", "32", "33" or "1114") with an average monthly peak demand of greater than 500 kW and less or equal to 1 MW
- Customers with an average peak demand of above 1 MW but less than or equal to 5 MW
- Customers with a maximum hourly demand for electricity in a month that exceeds an average of 5 MW for the applicable base period
- Existing Class A customers who participated in one or more of the programs specified in Ontario Regulation 429/04 in Section 6.2 (3) and dropped below the peak demand threshold during a base period for an adjustment period that began on or after July 1, 2016, may be eligible.

1.2 Key terms used for the ICI

Key terms:

- **Class A:** customers participating in the ICI
- **Global Adjustment (GA):** the electricity bill component that covers the cost of building new electricity infrastructure in the province, maintaining existing resources, as well as providing conservation and demand management programs.
- **Peak Demand Factor (PDF):** a Class A customer's percentage contribution to the top five peak Ontario demand hours over a 12-month period of May 1-April 30 (base period)
- **Base period:** May 1-April 30; the period of time when a Class A customer's consumption is assessed to determine their contribution to the top five peak Ontario demand hours, and determine their PDF
- **Adjustment period:** July 1-June 30; the billing period when a Class A customer pays GA based on their PDF from the previous base period.

¹ On May 28, 2020, the Regulation was amended to provide option for customers to use a 10-month base period ending February 29, 2020 to exclude months where operations may be reduced or suspended due to COVID-19 impacts.

All requirements related to the ICI can be found in [Ontario Regulation 429/04](#) (the Regulation). More [information on the GA](#) is available on the IESO's website. Customers connected to a distribution network should contact their local distribution company (LDC) with any questions. For other enquiries on the ICI and the GA, please contact IESO Customer Relations:

e. customer.relations@ieso.ca

t. 1.888.448.7777 / 905.403.6900

2. Regulation amendments in response to the impact of COVID-19

2.1 Overview of Regulation amendments in response to COVID-19

On May 1, 2020 the Government issued an Emergency Order (and subsequently amended the Regulation) to provide immediate, temporary relief on electricity bills by deferring a portion of the GA charges for April 1 to June 30, 2020.

- The Class B rate will not exceed \$115/MWh.
- The Class B 1st estimate for April 2020 was set prior to the government's announcement. A lower 1st estimate of \$92.93/MWh for May 2020 was calculated to offset the higher April rate for these customers.
- Class A customers will receive a reduction in GA charges commensurate with the reduction received each month by non-RPP Class B customers. This 'deferral adjustment ratio' between the unadjusted monthly non-RPP Class B costs and the adjusted amount (capped at \$115/MWh) will be applied to a Class A customers' GA charge. [Read more about the deferral](#) online.

On May 28, 2020, the Government amended the Regulation such that Class A customers that did not qualify based on their average monthly peak demand using the 12-month base period may still qualify with a 10-month base period ending February 29, 2020. This allows a customer whose demand dropped below the threshold as a result of the COVID-19 pandemic to still qualify for Class A status. The amendment also extended the GA deferral through to the end of June 2020.²

On June 26, 2020, the Ontario Government amended the Regulation³ and introduced a mandatory ICI peak hiatus for ICI participants to allow businesses to focus on recovering from the impacts of COVID-19. The peak hiatus applies to Class A customers participating in the 2020-2021 base period (i.e., May 1, 2020 – April 30, 2021). Class A customers will have their peak demand factor (PDF) from the 2019-2020 base period to determine their GA charges in the 2021-2022 adjustment period. Class B customers wishing to participate in the ICI during the 2021-2022 adjustment period would have their peak demand factor assessed based on their peak hours consumption contribution during the 2020-2021 base period.⁴

Frequently asked questions for both LDCs and electricity customers are detailed in Appendix A of this document.

² See the [Ontario Energy Board guidance on the regulation amendments](#) for more details.

³ Ontario Regulation 429/04 was amended via Ontario Regulation 335/20.

⁴ For additional information, refer to the [Ministry's news release](#).

3. Details of the ICI

3.1 Eligibility

To be eligible to participate in the ICI, customers must have an average monthly peak demand greater than 500 kW during an annual base period from May 1 to April 30⁵. Note that customers with an average monthly peak demand of greater than 500 kW and less than or equal to 1 MW are eligible if they are within targeted manufacturing and industrial sectors, including greenhouses, (i.e., with NAICS codes commencing with the digits "31", "32", "33" or "1114"). The following example shows how the average monthly peak demand eligibility is determined:

Table 1.1 | Example of average monthly peak demand calculation

Base Period Mos.	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Peak hourly consumption (in MW) ⁶	3.6	2.8	2.1	3.2	4.8	4.6	4.9	3.8	4.1	5.1	3.7	3.5

12-month avg = $(3.6 + 2.8 + 2.1 + 3.2 + 4.8 + 4.6 + 4.9 + 3.8 + 4.1 + 5.1 + 3.7 + 3.5)/12 = \mathbf{3.85}$

Data from separate load facilities, even if they are under the same ownership, can not be aggregated in order for a customer to qualify as Class A, unless the load facilities meet the conditions outlined under the Regulation, subsections 6.1(4) or 7.1(4). In other words, a customer that has a load facility with an average monthly peak demand of 350 kW and another load facility with an average monthly peak demand of 750 kW, it is not permitted to have the two values added together to qualify unless the load facilities meet the conditions outlined under the Regulation, subsections 6.1(4) or 7.1(4).

The Ontario Energy Board issued a [Staff Bulletin](#) (October 18, 2018) providing additional guidance on load aggregation.

The Ministry of Energy, Northern Development, and Mines (the Ministry) requires Class A-enrolled customers to provide the address and GPS coordinates of their head office and enrolled load facilities, as well as consent for the information to be shared with the Ministry and made [public](#).

⁵ On May 28, 2020, the Regulation changed to provide option for customers to use a 10-month base period ending February 29, 2020 to exclude months where operations may be reduced or suspended due to COVID-19 impacts.

⁶ Must include losses as defined in subsection 1(2) of Ontario Regulation 429/04

3.2 Timing

Each cycle of the ICI starts with a base period, May 1 to April 30. At the end of this base period, customers are assessed for eligibility.

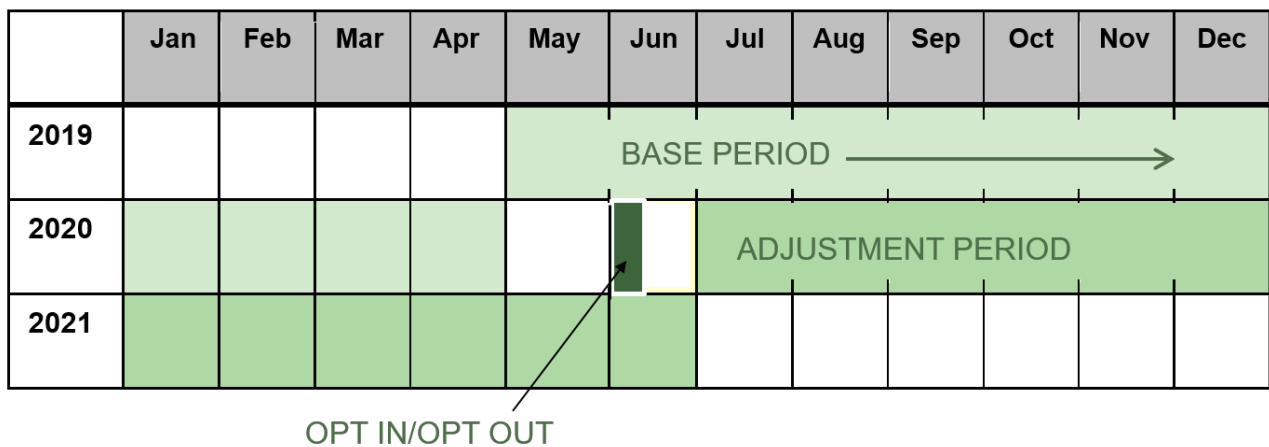
Eligible customers with an average monthly peak demand greater than 500 kW and less than or equal to 5 MW that wish to participate will need to opt-in to the ICI by June 15 unless the conditions in the following subsections of the Regulation are satisfied:

- 500 kw to 1 MW: Section 6.1.1 subsection 1.2
- Greater than 1 MW and less than or equal to 5 MW: Section 6.1.1. subsection 1.1.

In these instances, participation is automatic.

Customers with an average monthly peak demand above 5 MW are automatically considered Class A and must opt-out by June 15 if they choose not to be settled as a Class A customer for the upcoming adjustment period.

Figure 3.1 | Calendar mapping of base period, adjustment period, and opt-in/opt-out time period



Customers who are eligible for the program will be notified of their peak demand factor (PDF) from either their local distribution company or the IESO by May 31.

3.3 Peak Demand Factor (PDF)

Class A customers are assigned their portion of GA costs based on the percentage that their consumption contributes to the top five system coincident peaks during a predetermined base period, referred to as their Peak Demand Factor (PDF). The IESO calculates a PDF for each eligible Class A customer.

After the IESO establishes the final top five Ontario demand peaks using adjusted allocated quantity of energy withdrawn (AQEW) for a base period, the IESO and LDCs then look at each Class A customer's consumption during those five hours (coincident peaks) to calculate their corresponding

portion of peak demand or PDF. A PDF is used to determine a customer's allocation of costs for the billing period (known as the adjustment period). The PDF is calculated by using the customer's consumption during the top five hours of peak demand in the province over a base period (coincident peaks). For more [details on how a customer's PDF is calculated](#), visit the IESO website.

3.4 Anticipating Peaks

The more accurately that a Class A customer can predict and reduce their consumption during the top five Ontario peak demand hours, the more they will be able to reduce their overall electricity charges.

The IESO publishes a [Peak Tracker](#) and associated data tables to assist Class A participants with anticipating the possible peaks. ICI peak hours are confirmed using Final adjusted AQEW values. Class A customers are billed GA based on their contribution to the top 5 peak hours. These values are published 20 business days after the trade date and only the highest demand hour of the day is used.

Information on [energy management](#) is available on the IESO's website.

Appendix A – Frequently Asked Questions (FAQs)

Frequently asked questions and answers

Q: Why is the ICI program on hiatus?

A: On June 26, 2020, the Ontario Government amended the Regulation⁷ and introduced a mandatory ICI peak hiatus for ICI participants to allow businesses to focus on recovering from the impacts of COVID-19. The peak hiatus applies to Class A customers participating in the 2020-2021 base period (i.e., May 1, 2020 – April 30, 2021). Class A customers will have their PDF from the 2019-2020 base period to determine their GA charges in the 2021-2022 adjustment period. Class B customers wishing to participate in the ICI during the 2021-2022 adjustment period would have their peak demand factor assessed based on their peak hours consumption contribution during the 2020-2021 base period.⁸

Q: How long will the ICI hiatus last?

A: The ICI peak hiatus applies to those who are Class A for the 2020-21 adjustment period. If they were a Class B customer for the 2020-21 adjustment period, then the hiatus does not apply to them. They would need to qualify for Class A based on the 2020-21 base period and their consumption activities during this time will be used to settle them for the 2021-22 adjustment period.

Q: Will the ICI hiatus impact the reliability of Ontario's electricity system?

A: Ontario's electricity system is expected to remain reliable without peak reductions from customers participating in the Industrial Conservation Initiative.

Q: I would like to continue to participate in the ICI program and don't feel that my company will benefit from the hiatus. Do I have the option?

A: The ICI peak hiatus applies to all customers who are Class A for the 2020-21 adjustment period. If a customer were a Class B customer for the 2020-21 adjustment period, then the hiatus does not apply to them. They would need to qualify for Class A based on the 2020-21 base period and their consumption activities during this time will be used to settle them for the 2021-22 adjustment period.

Q: Will you take into account reduced electricity demand that resulted from COVID-19 when assessing eligibility for ICI?

A: Yes. If a customer does not qualify based on the 12-month base period, they will be assessed based on a 10-month base period ending February 29, 2020.

Q: How is a customer's eligibility for the 500kW threshold determined?

A: To qualify for the ICI, an eligible customer's monthly demand peaks must average above 500 kW over a 12-month base period (with sector requirements). The monthly demand peak used in the

⁷ Regulation 429/04 was amended via Regulation 335/20.

⁸ For additional information, refer to the [Ministry's news release](#).

calculation must be an hourly demand value and must include losses as defined in subsection 1(2) of Ontario Regulation 429/04. The customer may have some months with a peak demand under the eligibility threshold, but they are eligible if their 12 monthly peaks over the base period average out to more than the eligibility threshold (i.e. above 500 kW). Also, throughout the applicable base period, the load facility is identified by a NAICS code commencing with the digits "31", "32", "33" or "1114". Eligible customers will be informed by their LDC before May 31 each year if they are eligible. These customers must opt in by June 15 of each year to participate in ICI.

A customer of an LDC must meet a number of other requirements with respect to the applicable base period, including:

- Withdraw electricity from the same licensed distributor for the entire base period
- Not supply more electricity to the distribution system than it withdrew from the same system (i.e., a net generator) over the entire period
- Provide information to the LDC related to the name and location of its head office and Class A load facility and written consent for the LDC to provide the information to the Ministry of Energy, and for the Ministry to publish that information.

Q: How is a customer's peak demand factor (PDF) calculated?

A: Class A customers are assigned their portion of GA costs based on the percentage that their consumption contributes to the top five system coincident peaks during a predetermined base period, referred to as their Peak Demand Factor (PDF). The IESO calculates a PDF for each eligible Class A customer. After the IESO establishes the final top five Ontario demand peaks using adjusted allocated quantity of energy withdrawn (AQEW) for a base period, the IESO and LDCs then look at each Class A customer's consumption during those five hours (coincident peaks) to calculate their corresponding portion of peak demand. This portion is called a peak demand factor and is used to determine a customer's allocation of costs for the adjustment or billing period. The peak demand factor is calculated by using the customer's consumption during the top five hours of peak demand in the province over a base period (coincident peaks). For more [details on how a customer's PDF is calculated](#), visit the IESO website.

Q: Will PDFs be different for each LDC?

A: Yes. An LDC's PDF is the aggregate of each of their customers' PDFs and will therefore be different for each LDC.

Q: Should LDCs provide the IESO the data for all of their Class A eligible customers during the April coincident peak submission?

A: LDCs should provide the IESO with the coincident consumption values of their customers that are likely to opt-in/participate in the ICI during the upcoming adjustment period. The IESO will use this information to calculate a draft PDF for each LDC. LDCs will have the opportunity to modify this information following the opt in/out period to reflect only their customers that have opted-in to the initiative.

Timelines for the current base period:

May 20: IESO provides LDCs with their draft PDFs (for information purposes only)

May 29: Deadline for LDCs to provide eligible customers with their PDFs

June 15: Deadline for eligible customers to opt in/out of the ICI

June 15 – 30: LDCs to revise coincident peak data based on customer opt outs/ins

July 1: Adjustment period starts

Q: How does a customer opt-in or opt-out of the initiative?

A: The opt in/out window for qualifying customers is between June 1 and June 15 of each year. Eligible customers with an average peak demand greater than 500 kW and less than or equal to 5 MW over a base period must opt-in to the initiative. Customers with an average peak demand of above 5 MW are automatically considered Class A and must opt-out if they choose not to participate.

Q. What happens if a customer that had previously been Class A didn't meet the average peak demand threshold for the base period that just ended?

A: Customers must re-qualify every year. If they drop below the threshold for a base period, they cannot be settled as a Class A customer for the upcoming adjustment period. They will be settled as a Class B customer.

Q: Can a customer that dropped below the eligibility threshold as a result of participating in energy efficiency programs get an exemption and still participate in the ICI?

A: Effective April 13, 2017, existing Class A customers that participated in one or more of the programs specified in subsection 6.2(1) of Ontario Regulation 429/04 and dropped below the peak demand threshold during a base period for an adjustment period that began on or after July 1, 2016, [may be eligible to opt back into the initiative](#). Customers must work with their LDC to provide supporting information and to determine eligibility.

Q: What should an LDC do if a Class A customer ceases to be part of the LDC's service territory?

A: The IESO requires the following information when PDF revisions are required as a result of a Class A customer that is no longer part of the LDC's service territory as soon as possible:

LDC information:

- a. name and Market Participant ID (MPID).
- b. base period affected [May 1, 20YY to April 30 20YY].

Class A customer information:

- a. Class A customer name.
- b. effective date that the Class A customer is no longer part of the LDC's service territory.

Consumption values:

- a. Revised Class A consumer consumption values during the top five coincident peaks for the base period need to be provided.

Q: Can customers aggregate their facilities to meet the eligibility threshold?

A: No. A customer's maximum hourly demand (peak) for electricity in a month shall be determined separately for each of its load facilities unless permitted otherwise under [Ontario Regulation 429/04](#), subsection 6.1(4).

Q: Can customers be eligible as Class A if they became customers of their host LDC partway through the base period?

A: No, Ontario Regulation 429/04 requires that electricity was distributed to the consumer throughout the applicable base period by the same licensed distributor that currently distributes electricity to the consumer.

Q: If a customer is only a load customer for one month in the base period but has a demand of 2 MW in that month, is the customer eligible for the ICI?

A: No, the customer must be supplied by the same distributor throughout the entire base period. In addition, the customer would not meet the eligibility requirements. To calculate a customer's average peak demand an LDC must take the customer's highest hourly demand value for each month and calculate the average of the 12 monthly values.

Q: What happens when a Class A customer changes ownership during an adjustment period? What is the LDC's responsibility?

A: Section 8 of Ontario Regulation 429/04 identifies the actions Class A electricity customers and their LDC must take when there is a change of ownership.

Q: Where can I get more information to learn about anticipating peak demands to better utilize the ICI?

A: The IESO website includes [tools and data to assist with anticipating peaks](#).

Q: Can a customer be Class A and participate in the Demand Response Auction?

A: Yes, a customer can participate in both the Industrial Conservation Initiative and the Demand Response Auction (either as a direct participant or as a contributor under a DR aggregator). Customers should be aware of their obligations for the DR auction and market rules. Please visit the IESO website or contact Customer Relations for additional information.

Q: If a Class A customer is participating in the DR Auction, will they be notified of the ICI's top five peak hours?

A: No, the top five peak hours and determining a customer's peak demand factor can only be established at the end of the base period (after April 30). Activation for DR is determined through the energy market for both the winter and summer commitment periods. Please visit the IESO website or contact Customer Relations for additional information.

Q: Is demand response factored into the Ontario demand forecast?

A: No, the impacts of demand response programs and the ICI are not factored into the Ontario Demand Forecast.

Q: Does the IESO have a forecast of how many consumers will opt-in to the ICI for the upcoming adjustment period?

A: No, the IESO does not have a forecast of how many customers will opt-in to the ICI for an upcoming adjustment period.

Q: Is there a resource available that indicates what proportion of Ontario demand is made up of Class A customers?

A: No, the IESO does not report on this. Total global adjustment costs and consumption figures for Class A and Class B customers are available on the Global Adjustment Components and Costs [page](#) of the IESO website.

Q: Are customers that are designated as Regulated Price Plan customers during a base period eligible to qualify for Class A status?

A: No. Section 6(1) of Ontario Regulation 429/04 outlines the eligibility of regulated customers:

- 6(1) A customer in Ontario is a Class A customer for an adjustment period under this Part if the following conditions are satisfied:

The customer is not a market participant, an embedded distributor or a regulated customer.

Q: Will behind-the-meter energy storage in anyway affect a customer's peak demand factor? Is a customer restricted from offsetting peaks using behind-the-meter energy storage or paralleling gear?

A: A customer's peak demand factor is calculated based on its percentage contribution to the top five hours of peak demand in Ontario over a base period. A customer's coincident consumption during the top five peaks is used, which is measured at the meter point. There are no restrictions in this regulation about how a customer chooses to reduce demand behind the meter.

Q: Is the requirement to provide GPS coordinates applicable for all customers that opt-in to the ICI including customers? Do LDCs have to provide this information for customers that opted-in for a previous adjustment period?

A: Yes, all customers that opt-in to the ICI must provide this information. For the adjustment period commencing on July 1, 2018, and going forward, the IESO requests that LDCs provide the GPS coordinates and customer consent for all customers opting-in regardless of a customer's past participation.

Q: If a customer has a co-generation facility are they eligible for Class A?

A: An electricity customer that has a co-gen facility is eligible for Class A. However, they are ineligible if they are a net generator over the applicable base period.

Q: Are peak demand factors also used to settle the charge type 1350 Capacity Based Recovery Amount for Class A Loads?

A: Each Class A customer's portion of the province-wide total Capacity Based Recovery Amount (charge type 1350) is calculated using their peak demand factor.

Q: Should net metering and behind-the-meter generation be reported as embedded generation as part of the submission of coincident peak data for Class A customer consumption and embedded generation in April and as part of the monthly Class A Load and embedded generation submission?

A: As outlined in the [Guide to Online Data Submission via the IESO Portal](#), the volume reported for embedded generation by LDCs includes only those volumes that offset distributor load; total embedded generation volumes should not include injections to the IESO-controlled grid. The submission includes embedded generation volumes for all non-contracted generation and all contracted generation (Renewable Energy Standard Offer Program, Hydroelectric Contract Initiative and Feed-In Tariff Program). The contracted embedded generation volumes are reported for the month they are metered, regardless of the contract approval status. Distributors are not required to provide the IESO with generation amounts for facilities that are eligible for net metering (Ontario Regulation 541/05) if that generation has offset the related load. If the generation is greater than the related load, the amount injected to the LDC system should be submitted to the IESO.

Q: Are customers required to opt-in to the ICI for every adjustment period even if they were designated as Class A for the previous adjustment period?

A: Eligible customers with an average monthly peak demand greater than 500 kW and less than or equal to 5 MW that wish to participate will need to opt-in to the ICI by June 15 unless the conditions in subsections of Ontario Regulation 429/04 listed below are satisfied:

- 500 kw to 1 MW: Section 6.1.1 subsection 1.2
- Greater than 1 MW and less than or equal to 5 MW: Section 6.1.1. subsection 1.1.

In these instances, participation is automatic. Customers with an average monthly peak demand above 5 MW are automatically considered Class A and must opt-out by June 15 if they choose not to be settled as a Class A customer for the upcoming adjustment period.

Q: How should customer demand be adjusted for losses?

A: Customer demand must be adjusted for losses. The Ontario Regulation 429/04 is not prescriptive on how demand should be adjusted for losses.

Q: When calculating the average peak demand requirement of greater than 1 MW for Class A eligibility, should LDCs use a customer's individual load facility's peak, or the facility's consumption during Ontario's peak for the month?

A: To calculate the average peak demand requirement, LDCs should take a customer's individual load facility's highest hourly peak demand value for each month and determine the average of the 12 monthly values.

For more information, please contact customer.relations@ieso.ca

**Independent Electricity
System Operator**

1600-120 Adelaide Street West
Toronto, Ontario M5H 1T1

Phone: 905.403.6900

Toll-free: 1.888.448.7777

E-mail: customer.relations@ieso.ca

ieso.ca

 [@IESO_Tweets](https://twitter.com/IESO_Tweets)

 facebook.com/OntarioIESO

 linkedin.com/company/IESO