

# STRATEGIC ENERGY MANAGEMENT PROGRAM PROGRAM REQUIREMENTS

## 1. PROGRAM DESCRIPTION

The Save on Energy – Strategic Energy Management (SEM) Program (the “**SEM Program**”) provides Participants with assistance in implementing energy management practices at their Facilities and with adopting continuous energy improvement systems.

SEM Program Participants will be required to create an in-house Energy Team that will help improve the energy performance of their operations. The Energy Team’s job is to implement SEM Milestones and Energy Savings Measures, which are actions that are intended to reduce energy consumption at a Facility. The Participant’s Energy Team will be guided through the SEM Program for an initial two-year period, which may be extended by mutual agreement.

The Expanded Energy Management (EEM) Program (the “**EEM Program**”) includes both industrial, as well as commercial and institutional facilities. The SEM Program is offered to eligible industrial Facilities under the EEM Program, with funding from Natural Resources Canada. The SEM Program is available to eligible commercial and institutional customers, solely under Save on Energy. In delivering this EEM Program, the IESO is not an agent of the government of Canada

Applications are reviewed as they are received. Only complete Applications satisfying all eligibility criteria will receive funding, if available. Funding is provided on a rolling basis until exhausted.

## 2. PARTICIPANT INCENTIVES

Subject to the eligibility requirements set out in Section 3, under the Strategic Energy Management Program the Participant will receive access to the following Participant Incentives:

- (1) Support and training opportunities through SEM Support Services (including Cohort Activities and Coaching Support);
- (2) Performance Incentives for achievement of Confirmed Electricity Savings (calculated in accordance with Section 2.2.1); and
- (3) Enabling Incentives for successful completion of Strategic Energy Management Program tasks (calculated in accordance with Section 2.2.2).

The Participant must make Commercially Reasonable Efforts to complete the SEM Milestones, per Appendix 1.

## **2.1. SEM SUPPORT SERVICES**

The Participant will participate in Cohort Activities and receive Coaching Support, which are provided at no cost to the Participant pursuant to the terms of the Participant Agreement. These services, and any other supports or resources offered by IESO to Participants in the SEM Program, are designed to assist the Participant with succeeding in implementing energy management practices and Energy Savings Measures within their organization's facility(ies).

## **2.2. FINANCIAL INCENTIVES**

In each Funding Period, the Participant is eligible to receive the following Performance Incentive and Enabling Incentive, subject to the Participant satisfying all of its obligations.

### 2.2.1. PERFORMANCE INCENTIVE

The Participant may be eligible to receive Performance Incentives, calculated at \$0.02/kWh of Confirmed Electricity Savings from Non-Incented Projects implemented from the Project Register, up to a maximum of \$100,000 in any 12-month period:

Performance Incentive payments are calculated using the Electricity Baseline Model, or alternative Measurement & Verification (M&V) approach, and are subject to Technical Review by the IESO.

Increases in electricity consumption due to efficient electrification efforts can be netted out of the Electricity Baseline Model, such that Confirmed Electricity Savings are not negatively impacted.

The Participant must satisfy all SEM Reporting Requirements and Technical Review requirements for the applicable period to the satisfaction of the IESO in order to receive a Performance Incentive.

### 2.2.2. ENABLING INCENTIVES

Under the Strategic Energy Management Program, Participants may be eligible to receive Enabling Incentives (valued at up to \$5,000 over the duration of the program) for participation in the SEM Support Services and the completion of the SEM Milestones listed below. Enabling Incentives are used to purchase eligible energy management tools that help Participants better manage energy at their Facility. Participants will be informed of the process for acquiring eligible Enabling Incentive products, which includes an option for self-

purchase and reimbursement, or purchase by the IESO's Program Delivery Agents.

### **3. PROGRAM ELIGIBILITY CRITERIA**

#### **3.1. PARTICIPANT ELIGIBILITY**

To participate in the SEM program the Participant must manage and operate one or more eligible Facilities and must not be insolvent.

#### **3.2. FACILITY ELIGIBILITY**

To be an eligible industrial Facility, under the Expanded Energy Management Program, the proposed Facility must:

- a) be an industrial Facility engaged in energy consuming processes that involve the physical or chemical transformation of materials or substances into new products;
- b) have a NAICS Code starting with one of the following two-digits:
  - i. 11: Agriculture, forestry, fishing & hunting
  - ii. 21: Mining, quarrying and oil & gas extraction
  - iii. 22: Utilities
  - iv. 23: Construction
  - v. 31-33: Manufacturing
  - vi. 48: Transportation & warehousing
  - vii. 56: Administrative & support, waste management & remediation services
- c) be connected to the IESO-Controlled Grid or a Distribution System.
- d) have a minimum of 12 months of consecutive Energy Data for the facilities included in the application; and
- e) have a total energy consumption (all fuels) of at least 20,000 GJ for a 12-month period within the 24 months prior to Application submission (the Participant may combine up to five Facilities to reach this minimum annual energy consumption criteria).

To be an eligible commercial or institutional Facility, under the Expanded Energy Management Program, the proposed Facility must:

- a) be connected the IESO-Controlled Grid or a Distribution system.
- b) Have a minimum of 12 months of consecutive Energy Data for the facilities included in the application; and
- c) Have consumed a minimum of 3,000,000 kWh per 12-month period with the 24 months prior to the Participant Application date (the Participant may combine up to five Facilities to reach this minimum annual electricity consumption criteria).

#### **3.3. MEASURES ELIGIBILITY**

To be eligible for the Performance Incentive, the Measure(s) must:

- a) Be listed in the Participant's Project Register and satisfy other SEM Reporting Requirements that may be applicable;
- b) Be undertaken with the intention of delivering Confirmed Electricity Savings; and
- c) Not be funded by another IESO Save on Energy Program, or any other program funded by the Government of Ontario and or the ratepayers or taxpayers of Ontario.

For clarity, the following Measures are not eligible:

- a) Behind-the-meter generation, including renewable energy generation
- b) Measures that go into service before the Cohort kick-off workshop
- c) Fuel-switching and efficient electrification projects (however, adjustments may be made to the Electricity Baseline Model such that Participant's Performance Incentives are not reduced as a result of efficient electrical load increases).

The Participant must collect and maintain sufficient data to verify Confirmed Electricity Savings that may be attributable to a Measure, and all Measures undertaken by a Participant while enrolled in the Program:

- a) May be subject to Technical Review by the IESO to determine Performance Incentive eligibility; and
- b) May be subject to more detailed M&V;

In the absence of sufficient data to satisfy the IESO, certain Measures may be deemed ineligible.

## **4. PARTICIPANT AGREEMENT**

To participate in the SEM Program, prospective participants must submit an Application to the IESO. The Application includes the Application Declaration and Consent and Applicant Provisions and becomes binding when the Application is submitted. Prospective participants must familiarize themselves with and agree to abide by the Participant Agreement terms and conditions, which become binding when the IESO, acting in its sole discretion, accepts and approves the Application by issuing a written notice of approval to the Participant.

To the extent of any conflict between the Program Requirements and the Participant Agreement, the terms of the Participant Agreement will prevail. For certainty, the Participant must be a party to a valid, approved Participant Agreement with the IESO in order to be eligible to receive the financial incentives and SEM Support Services.

## **5. PROGRAM-SPECIFIC DEFINITIONS**

The following terms have the meaning stated below when used in these Program SEM Program - Program Requirements (Version 2.0, May 2025)

Requirements:

**“Annual Report”** means the report of energy management activities of a Participant including documentation to substantiate Energy Savings from all fuel types, in the case of industrial Facilities, and/or verify Confirmed Electricity Savings, in the case of commercial and institutional participants. The Annual Report is to be completed by the Participant in accordance with the EEM Reporting Requirements and delivered to the IESO within 30 days before the end of each Funding Period (or shorter) in the form made available by the IESO from time to time.

**“Applicant”** means a Person (as indicated in the Application) that has submitted an Application to participate in the SEM Program.

**“Application”** means a completed and signed application form submitted to the IESO by the Applicant to participate in the EEM Program, in the form specified on the Save on Energy website.

**“Baseline Energy Consumption”** means the actual annual electricity consumption for a Facility in the absence of Measures that is used to establish the Electricity Baseline Model.

**“CDM”** means electricity conservation and demand management.

**“Coaching Support”** means the 1-on-1 support offered by the IESO to Participants and their Executive Sponsor, Energy Champion, and Energy Teams to assist the Participant in achieving the objectives of the SEM Program and to more effectively meet their energy goals.

**“Cohort”** means a set of Participants in the SEM Program who are grouped together by the IESO for the purposes of undertaking the Cohort Activities. The IESO will engage Participants (approximately 7-15 Participants per Cohort) simultaneously through the Cohort and encourage these Participants to work together on certain tasks to facilitate peer-to-peer learning and networking opportunities.

**“Cohort Activity(ies)”** means workshops, conference calls, site visits and other activities offered by the IESO through Cohorts to assist Participants in achieving the objectives of the SEM Program.

**“Confirmed Electricity Savings”** means the reduction in electricity consumption attributable to Non-Incented Projects implemented from the Project Register and in service while the Participant is enrolled in the SEM Program, as determined by the IESO, based on an Electricity Baseline Model, or, where the IESO determines an Electricity Baseline Model is not feasible, using an alternative M&V approach. These savings must be confirmed by Technical Review as in-service during the EEM Program.

**“Distribution System”** means a system connected to the IESO-Controlled Grid for distributing electricity at voltages of 50 kV or less, and includes any structures, equipment or other thing used for that purpose.

**“Enabling Incentives”** means the Participant Incentive the Participant may be eligible to

receive pursuant to Sections 3.3 and 4.2 for participation in the SEM Support Services and the completion of the SEM Milestones.

**“Electricity Baseline Model”** means a Facility-specific model or set of models that predicts the electricity consumption of a Facility over a set period of time in the absence of Measures. Under the EEM Program, the Electricity Baseline Model will be created by the IESO with data and inputs from the Participant.

**“Energy Data”** means at a minimum, the utility billing data for electricity, in the case of commercial and institutional Participants, but also includes natural gas, and other stationary combustion fuels, in the case of industrial Participants, which must be provided by the Participant to the IESO through the EEM Reporting Requirements. This data may be supplemented with other more granular data or documentation to assist in verifying the success of Measures at the request of the IESO. The Participant is required to collect historical Energy Data and to continue to monitor current Energy Data as long as it is participating in the EEM Program. Improving Participant Energy Data management processes is a fundamental component of the Program Cohort Activities and Coaching.

**“Energy Champion”** means an employee of the Participant who is responsible for ensuring the Participant is actively engaged with the SEM Program and that the EEM Reporting Requirements are completed, accurate and submitted in a timely fashion.

**“Energy Management Assessment”** means a structured process including a facilitated session with the Participant that assesses the Participant’s current state of energy management practices to identify areas for improvement.

**“Energy Map”** means a visual representation of which systems, equipment or zones in a building are consuming energy. Further details on the form and content of this map will be provided as part of the Cohort Activities.

**“Energy Metric”** means a series of measurements and data recorded over time by the Participant to track energy performance, with the objective of using the metrics to improve energy performance and/or take corrective actions, as needed, if the metrics go out of a normal range. Further details on the form and content of the metrics will be provided as part of the Cohort Activities.

**“Energy Policy”** means a written document that establishes the policies of the Participant with respect to decisions around energy use. Further details on the suggested form and content of the policy will be provided as part of the Cohort Activities.

**“Energy Savings”** means the reduction in energy consumption related to Measures implemented and in-service while the Participant is enrolled in the Program.

**“Energy Team”** means a cross-functional team of two or more of the Participant’s employees (plus external contractors or consultants of the Participant, if applicable) who meet regularly with a mandate and budget to find energy/ electricity savings at the Facility. One or more

employee members of the Energy Team will participate in SEM Support Services, work to achieve the SEM Milestones and provide reports to IESO, as per the EEM Reporting Requirements. The Energy Team will be expected to engage other employees to fulfill its mandate as needed and will report to the Executive Sponsor.

**“Executive Sponsor”** means an employee of the Participant, identified to the IESO as the individual to whom the Energy Team directly reports. This person should be an employee in a senior leadership position, and will be accountable for the success of the Energy Team by providing adequate support and resources.

**“Expanded Energy Management (EEM) Program”** means the expanded energy conservation program provided by the IESO to distribute funding provided by Natural Resource Canada’s Green Industrial Facilities and Manufacturing Program to industrial Facilities, and IESO funding to commercial and institutional facilities.

**“Facility”** or **“Facilities”**, means the buildings, premises or lands, or part thereof, owned or occupied by a Participant that satisfy the Program Eligibility Criteria and in respect of which such Participant is participating in the EEM Program.

**“Funding Period”** means a 12-month period, or other duration, as determined by the IESO, in which a Participant is enrolled in an active SEM Program Cohort or in the Energy Manager program. The first Funding Period start date will be set by the IESO and communicated to the Participant following the issuance of the Notice of Approval.

**“IESO”** means the Independent Electricity System Operator of Ontario established under Part II of the *Electricity Act, 1998* (Ontario), or its successor.

**“IESO-Controlled Grid”** has the meaning given to it in the IESO Market Rules.

**“MWh”** means a megawatt hour.

**“Measure”** means, subject to the Program Eligibility Criteria, an action taken which is intended to reduce energy consumption at a Facility.

**“Measurement and Verification”** or **“M&V”** is a process of analyzing energy and other data to estimate the amount of avoided energy use that can be attributed to Measures. EEM Program M&V is based on the International Performance Measurement and Verification Protocol (IPMVP) Core Concepts, (March 22 edition), with IESO having final discretion on the detailed execution of M&V. Participants are obligated to collect, maintain and provide data to support M&V of their Facilities.

**“Non-Incented Projects”** are Measures that (a) are not financed by any incentives received from a Governmental Authority, whether administered by the IESO, a local electricity or gas distributor or any other party; and (b) have not had such Energy Savings counted under another energy efficiency program.

**“Notice of Approval”** means a notification issued by the IESO to the Applicant via email

approving the Application.

**“Participant”** means, in respect of the EEM or SEM, an Applicant who meets the Program Eligibility Criteria, whose Application has been accepted by the IESO (as indicated by the issuance of a Notice of Approval), and has entered into these Terms and Conditions to be eligible to receive the Participant Incentives.

**“Participant Agreement”** means the terms and conditions between the IESO and the Participant governing participation in the Save on Energy Expanded Energy Management Program (the **“EEM Program”**) and which become binding on the Participant upon receipt of a written Notice of Approval from the IESO.

**“Participant Incentive”** means any incentives paid or payable to, or the discount received or receivable by, the Participant, and includes Performance Incentives, Enabling Incentives and SEM Support Services as approved by the IESO in accordance with these Terms and Conditions.

**“Performance Incentives”** means the Participant Incentive the Participant may be eligible to receive for Confirmed Electricity Savings from Non-Incented Projects implemented from the Project Register, up to a maximum of \$100,000 in any Funding Period, pursuant to and calculated in accordance with Section 2.2.

**“Program Eligibility Criteria”** means the eligibility criteria that must be met by the Participant to participate in the EEM Program, as set out in Section 3.

**“Program Delivery Agent”** means the service provider(s) under contract with the IESO to provide program delivery services for the Strategic Energy Management Program.

**“Program Requirements”** means these IESO Program Requirements for the SEM Program published online by the IESO, as may be amended from time to time.

**“Project Register”** means the list of projects implemented at the Facility, which is maintained by the Energy Champion, and/or Energy Team and submitted to the IESO pursuant to the SEM Reporting Requirements during the Participant’s enrolment in the SEM Program.

**“SEM Milestone”** means the EEM Program tasks listed in Schedule C, to be completed by Participants in order to be eligible to receive Performance Incentives and Enabling Incentives. Further details about the Milestones will be made available to Participants by the IESO during participation in the EEM Program.

**“SEM Reporting Requirements” or “EEM Reporting Requirements”**, as applicable, means the information the Participant must submit to the IESO, including baseline energy consumption, details about Energy Savings opportunities and completed Measures, and information to demonstrate its achievement of the SEM Program objectives. This includes: i) establishing continuous energy improvement processes within the Participant’s organization; and ii) implementing Measures and demonstrating savings at a Facility. The SEM Reporting



Requirements will be made available to Participants by the IESO.

**“SEM Support Services”** means the Cohort Activities, Coaching Services and any other supports or resources offered by the IESO to Participants in the EEM Program.

**“Technical Review”** means a review of a Measure by the IESO for the purpose of delivering services such as, but not limited to, reviewing information submitted by Participants and determining Confirmed Electricity Savings.

## **APPENDIX 1 - SEM MILESTONES**

- (i) Establish an Energy Policy and goals;
- (ii) Establish an Energy Champion and Energy Team;
- (iii) Complete an Energy Management Assessment;
- (iv) Obtain Executive Sponsor commitment to your Strategic Energy Management Plan
- (v) Establish the Facility Baseline Energy Consumption and monitoring plan;
- (vi) Complete an Energy Map;
- (vii) Set Energy Metrics and savings targets;
- (viii) Establish a Project Register; and
- (ix) Complete and submit information required for the purposes of the EEM Reporting Requirements by the deadlines prescribed by the IESO.