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# RETROFIT PROGRAM PROGRAM REQUIREMENTS

## 1. PROGRAM DESCRIPTION

This Save on Energy Retrofit program provides Participant Incentives to upgrade Facilities with Measures to reduce electricity consumption (the “**Retrofit Program**”).

The Participants in the Retrofit Program are owners and operators of industrial, commercial, institutional and multi-family residential buildings, or Persons with the rights and authority to have the Measures installed. Notwithstanding the foregoing, certain Participant Incentives are specific to Social Housing Providers.

This Retrofit Program is offered, administered and centrally delivered by the Independent Electricity System Operator (the “**IESO**”) and its service provider(s) under the 2021-2024 Conservation and Demand Management (“**CDM**”) Framework.

These Program Requirements are effective as of January 8, 2024.

## 2. PARTICIPANT INCENTIVES

These Participant Incentives and any SHP Advance Incentive will apply only to those Projects in respect of which a Participant Agreement has been entered into no later than December 31, 2024 through Pre-Approval of an Application and the Measures have a Project completion date no later than December 31, 2025.

If an Application receives a Pre-Approval, the Participant must submit a Post-Project Submission within six (6) months of receipt of the Pre-Approval to be eligible for a Participant Incentive. The IESO, acting in its sole discretion, may declare the Pre-Approval and the underlying Application null and void if a Post-Project Submission is not received within this six (6) month time period.

Following the approval of the Post-Project Submission by the IESO and the submission of an invoice by the Participant to the IESO for the Participant Incentive, any Participant Incentive payable under the Retrofit Program will be paid by the IESO to the Participant as a lump sum within 90 days of the Participant receiving IESO approval of its submitted invoice.

From time to time throughout the Application review process and/or the term of the Participant Agreement, the IESO or its service providers may undertake quality assurance/quality control (“QA/QC”) activities in connection with an Application, including by collecting photographic evidence, conducting a physical or virtual inspection of the Facility, collecting evidence of Eligible Costs and any payments for the supply and/or installation of the replacement Measure(s), or requesting other information as may be reasonably required to verify Project details in respect of the existing equipment prior to its removal and/or the replacement Measure(s) following installation, at the IESO’s sole discretion.

## **2.1 PARTICIPANT INCENTIVES**

Subject to the eligibility requirements set out in Section 3, the following Participant Incentives are offered through the Retrofit Program, provided that only one of the Participant Incentives listed in paragraphs (a) through (c) may be offered in respect of a given Application:

- (a) Prescriptive Incentives;
- (b) Custom Incentives;
- (c) Combination Incentives; and
- (d) Social Housing Adder.

### **2.1.1 PRESCRIPTIVE INCENTIVE**

The Prescriptive Incentive will be calculated as the lesser of:

- (a) The Prescriptive Incentive calculated in accordance with the Prescriptive Worksheet(s); and
- (b) 50% of the Eligible Costs for a Project with Prescriptive Measures, up to a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO.

### **2.1.2 CUSTOM INCENTIVE**

The Custom Incentive will be calculated as the lesser of:

- (a) the greater of \$1,200/kW of Peak Demand Savings or \$0.13/kWh of Energy Savings; and
- (b) 50% of the Eligible Costs for a Project with Custom Measures, up to a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO.

### **2.1.3 COMBINATION INCENTIVE**

The Combination Incentive will be calculated as the lesser of:

- (a) the sum of the Prescriptive Incentives calculated as specified in Section 2.1.1 and the Custom Incentives calculated as specified in Section 2.1.2; and
- (b) 50% of the Eligible Costs for the Project, up to a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO.

### **2.1.4 SOCIAL HOUSING ADDER**

The Social Housing Adder will be calculated as the positive difference, if any, of:

- (a) the Participant Incentive that would otherwise be payable for such Project had the Participant not been a Social Housing Provider, multiplied by two (2), up to a maximum of 50% of the Eligible Costs for such Project or a maximum of 55% of the Estimated Eligible Costs in the Application approved by the IESO; and
- (b) the Participant Incentive that would otherwise be payable for such Project had the Participant not been a Social Housing Provider.

The Social Housing Adder will be payable subject to available IESO funds.

## **2.2 SHP ADVANCE INCENTIVE**

The IESO may, at its sole discretion, provide a SHP Advance Incentive prior to the completion of the Project. The amount of the SHP Advance Incentive will be determined by the IESO at its sole discretion up to a maximum of 50% of:

- the total estimated Prescriptive Incentive, Custom Incentive, or Combination Incentive, as applicable; and
- the Social Housing Adder, if any,

and shall be payable to the Social Housing Provider upon request.

The total Participant Incentive payable upon completion of the Project pursuant to Section 2.1.1, 2.1.2 and 2.1.3, as applicable, plus the Participant Incentive payable upon completion of the Project pursuant to Section 2.1.4, if any, will be reduced by the amount of the SHP Advance Incentive paid by the IESO prior to the completion of the Project.

## **3. PROGRAM ELIGIBILITY CRITERIA**

### **3.1 PARTICIPANT ELIGIBILITY**

A Participant must:

- (a) be a Non-Residential Customer or Recognized Farm Operation that has not previously entered into a binding commitment to acquire the Measures or services required to install the Measures, provided that the IESO may waive this requirement where (A) the circumstances in Section [3.3\(b\)\(ii\)](#) apply, or (B) the Participant can demonstrate to the IESO's satisfaction, at the IESO's sole discretion, that the Participant intended to apply to the Retrofit Program prior to entering into a binding commitment; and
- (b) be a Social Housing Provider in order to qualify for the Social Housing Adder or SHP Advance Incentive.

### **3.2 FACILITY ELIGIBILITY**

A Facility must be a single facility, connected to, or behind the meter of, an electricity consumer connected to the IESO-Controlled Grid or a Distribution System, provided that a Facility may be located within or upon a building, but may also be a structure other than a building, such as a freestanding billboard.

### **3.3 PROJECT ELIGIBILITY**

A Project must:

- (a) be comprised of one or more Measures that:
  - (i) produce Peak Demand Savings and/or Energy Savings through an increase in energy efficiency as compared to the existing equipment being replaced;
  - (ii) in the case where the Measure(s) being installed is not replacing any previously existing equipment, produce Peak Demand Savings and/or Energy Savings through an increase in energy efficiency as compared to the equipment that would otherwise be installed in the absence of an available incentive under the Retrofit Program; or
  - (iii) is a DER Measure;
- (b) where it contains Prescriptive Measures other than DER Measures, for such Prescriptive Measures only:
  - (i) result in a minimum Participant Incentive of \$500; and
  - (ii) for the unplanned replacement of recently failed existing equipment with a Prescriptive Measure listed on the Unitary AC Eligible Measures Worksheet or the VSD Compressed Air Eligible Measures Worksheet, have the following:
    - A. an Estimated Participant Incentive less than \$10,000; and

B. an Application submitted within 45 days following the completion of such Project;

- (c) where it contains Custom Measures, for such Custom Measures only:
  - (i) result in a minimum Participant Incentive of \$1,500;
  - (ii) be based on a reasonable estimate of Peak Demand Savings and Energy Savings for Custom Measures;
  - (iii) be projected to deliver such Peak Demand Savings and Energy Savings for a minimum period of 48 months from the Project completion date; and
  - (iv) result in a minimum Peak Demand Savings of 1 kW and/or annual Energy Savings of at least 2,000 kWh;
- (d) where it contains DER Measures, for such DER Measures only:
  - (i) be projected to be in-service for a minimum period of at least 48 months from the Project completion date;
  - (ii) in the case of a solar photovoltaic system, have a minimum Generation Capacity of 50 kW;
  - (iii) in the case of a battery storage system, have a minimum Storage Capacity of 500 kWh;
  - (iv) sized for the purpose of load displacement generation only, where the generated load should not exceed the Facility load (for clarity, net-metering is not eligible); and
  - (v) Participants must provide evidence of the approval to connect by the appropriate local electric distribution company, or the IESO in the case of transmission-connected customers, as applicable;
- (e) not comprise the following:
  - (i) an Application for Prescriptive Measures that proposes the replacement of existing equipment that was previously incented;
  - (ii) an Application for one or more DER Measures in which the Participant is a party to a net-metering agreement and/or any other compensation agreement for any excess electricity that is generated and injected into the Distribution System and/or IESO-Controlled Grid associated with the DER Measure(s);

- (iii) an Application for Custom Measures that proposes Measures that are not generally commercially available, are pilot or demonstration projects, or are otherwise unproven; or
- (iv) a project that participated in a previous IESO or former Ontario Power Authority-funded program for the same Measures, unless evidence supports the installation of Measures in a different area of the Facility;
- (f) have a Project completion date of no later than December 31, 2025; and
- (g) comply with all Measure-specific requirements specified in the applicable Prescriptive Worksheet or Custom Worksheet.

### **3.4 ELIGIBLE COSTS**

Eligible Costs must:

- (a) for Prescriptive Measures other than DER Measures, be reasonable standard industry costs, be directly related to procurement and implementation, and be limited to:
  - (i) cost of the equipment purchased;
  - (ii) cost of labour for equipment installed by a third party; and
  - (iii) costs to dispose of or decommission the replaced equipment; and
- (b) for Custom Measures and DER Measures, be reasonable standard industry costs, be directly related to procurement and implementation, and be limited to:
  - (i) costs of the equipment purchased;
  - (ii) costs of labour for equipment installed by a third party;
  - (iii) costs of energy audits not funded by the IESO;
  - (iv) costs of design, engineering and/or architecture;
  - (v) third party project management costs;
  - (vi) shipping, delivery, duties and other costs applicable to equipment delivery to the Facility;
  - (vii) costs to prepare and implement the Project M&V Plan;
  - (viii) costs to dispose or decommission the replaced equipment;
  - (ix) costs of inspections, as may be required by laws and regulations; and

- (c) not comprise any of the following:
- (i) costs of the Participant's labour, service, administration or overhead that are not incurred by a third party;
  - (ii) financing costs including, but not limited to, costs associated with financing, leasing and lease-to-own procurement arrangements and such other financing costs associated with leasing or borrowing capital;
  - (iii) insurance costs;
  - (iv) costs associated with post-installation work related to equipment maintenance or repair;
  - (v) costs of spare parts, spare equipment or other inventories;
  - (vi) costs of purchase or lease of tools for equipment installation;
  - (vii) HST; and
  - (viii) any costs already covered by or that will be covered by funding or grants funded by a Governmental Authority, whether administered by the IESO, a local electricity or gas distributor or any other party (unless funding is principally directed to Social Housing Providers and if such funding, when combined with the Participant Incentive, does not exceed the Project cost), or rebates from manufacturers, wholesalers or other supply chain participants.

## 4. PROGRAM SPECIFIC DEFINITIONS

The following terms have the meaning stated below when used in these Program Requirements:

***Application*** means a complete application for an incentive in respect of a proposed Project under the Retrofit Program, in the form specified by the IESO on the Save on Energy website, submitted by a Participant via the Retrofit Portal to the IESO for approval.

***Applicant Representative*** means a representative of the Participant that enters applicant and project information into the Retrofit Portal on behalf of the Participant.

***Combination Incentive*** means a Participant Incentive payable for the installation of a combination of Custom Measures and Prescriptive Measures calculated in accordance with Section 2.1.3.

***Combination Project*** means a Project comprised of a combination of Custom Measures and Prescriptive Measures that satisfies the Program Eligibility Criteria in Section 3 of the Program Requirements.

**Custom Incentive** means a Participant Incentive payable for the installation of a Custom Measure calculated in accordance with Section 2.1.2.

**Custom Measure** means a Measure not comprising a Prescriptive Measure that involves one or more of the following:

- (a) replacement of existing equipment with equipment that is more efficient;
- (b) purchase and installation of new equipment that is more efficient than what would have been installed if the Participant had not participated in the program, where none previously existed;
- (c) replacement of oversized existing equipment with appropriate sized equipment that is more efficient;
- (d) implementation of new operating procedures, including the purchase and installation of equipment (such as an energy management system, building automation system, sensors, control equipment, metering equipment, or related communication systems) necessary either to obtain or to increase the effectiveness of an energy management system or building automation system;
- (e) improvement of thermal performance of a building envelope through Measures such as increased insulation, installation of high performance windows and frames, low emissive window glazing or low emissive roof barriers; or
- (f) not comprise of the replacement of street lighting (for clarity this refers to public lighting infrastructure installed along roads, streets and public thoroughfares to enhance visibility and ensure public safety).

**Custom Worksheet** means the worksheet describing Custom Measures in the form made available by the IESO, as updated from time to time, and submitted as part of an Application for a Custom Measure.

**Distributed Energy Resource Measure** or **DER Measure** means a Prescriptive Measure that is a behind-the-meter electricity generation, control or storage system made available to eligible Facilities located in the geographic area defined by the list of forward sortation areas (FSAs), which FSAs are as determined and updated from time to time by the IESO in its sole discretion and specified on the Save on Energy website, where measure-specific requirements are outlined within the respective Prescriptive Worksheet.

**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.



**Eligible Costs** means the costs that are eligible to be included in the calculation of the Participant Incentive payable to a Participant under these Program Requirements pursuant to Section [3.4](#).

**Energy Efficient Case** means equipment, operation, process or services as altered by the Measures in a Facility where a Project has been or will be implemented that are intended to generate Energy Savings and/or Peak Demand Savings compared to the Existing Case.

**Energy Savings** means the estimated, determined or actual kilowatt hour (kWh) reduction between the Existing Case and the Energy Efficient Case, attributable to: (a) the installation of a Custom Measure during the first year after completion of the Project; or (b) the savings attributable to a Prescriptive Measure corresponding to the values listed in the applicable Prescriptive Worksheet. For greater clarity, a Combination Project may have Energy Savings attributable to both (a) and (b) where context requires.

**Estimated Eligible Costs** means an estimation of the anticipated Eligible Costs, as specified in the Application approved by the IESO in a Pre-Approval.

**Estimated Participant Incentive** means an estimation of the anticipated Participant Incentive, as specified in the Application approved by the IESO in a Pre-Approval.

**Existing Case** means the equipment, operation, process or service that existed or would have existed prior to the implementation of the Retrofit Project at a Facility.

**Facility** means a building structure where Measures are installed that meets the eligibility requirements as specified in Section [3.2](#).

**Generation Capacity** means, in the case of a DER Measure, the maximum amount of electricity that can be generated by a DER Measure, expressed in kW. For greater certainty this refers to the nameplate capacity of the DER Measure.

**Governmental Authority** means any federal, provincial, or municipal government, parliament or legislature, or any regulatory authority, agency, tribunal, commission, board or department of any such government, parliament or legislature, or any court or other law, regulation or rule-making entity, having jurisdiction in the relevant circumstances, including, without limitation, the IESO in its capacity as the operator of the IESO-Controlled Grid, the Ontario Energy Board, the Electrical Safety Authority, the Office of the Auditor General of Ontario, and any Person acting under the authority of any of the foregoing, but excluding the IESO.

**HST** means the harmonized sales tax payable pursuant to the *Excise Tax Act*, R.S.C. 1985, c. E-15.

**IESO** has the meaning given to it in Section [1](#).

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

***IESO Market Rules*** means the rules made under Section 32 of the *Electricity Act, 1998* (Ontario), together with all market manuals, policies, and guidelines issued by the IESO or its successor.

***Measure*** means any eligible electricity savings measure or activity that may be undertaken in accordance with these Program Requirements or as otherwise approved by the IESO.

***Multi-Family Building*** means a Facility that has multiple residential tenanted units. The Facility is captured by the: (a) general service less than 50 kW account, (b) general service greater than 50 kW account, or (c) the large user account, as applicable.

***Non-Residential Customer*** means electricity customers in Ontario that: (a) are not classified as residential in the most recent *Yearbook of Electricity Distributors* published by the Ontario Energy Board, and (b) are connected to the IESO-Controlled Grid.

***Participant*** means, in respect of the Retrofit Program, a Person who meets the eligibility requirements outlined in Section [3.1](#), whose Application has been accepted by the IESO, and who has signed a Participant Agreement to be eligible to receive a Participant Incentive.

***Participant Agreement*** means, in respect of the Retrofit Program, the agreement between the IESO and the Participant setting out the terms and conditions of the Participant's participation in the Retrofit Program that a Participant must enter into or agree to be bound by in order to participate in the Retrofit Program or to receive a Participant Incentive.

***Participant Incentives*** means, in respect of the Retrofit Program, the financial incentives paid or payable to a Participant pursuant to Section [2.1](#) of these Program Requirements. For greater certainty, Participant Incentive includes a Prescriptive Incentive, a Custom Incentive, a Combination Incentive and a Social Housing Adder.

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

***Peak Demand Savings*** means the average load reduction in electricity demand in kilowatts (kW) between the Existing Case and the Energy Efficient Case occurring between 1 p.m. to 7 p.m. on business days, June 1 through August 31. For Measures that are weather dependent, Peak Demand Savings shall be considered as occurring at peak design load conditions.

***Post-Project Submission*** means the submission made by the Participant via the Retrofit Portal after the completion of a Project, which shall include, without limitation, evidence of completion and implementation of the Project, verification of the Project's Eligible Costs, in

the form of accounting records and contractor invoices, and any other evidence required by the IESO (including visual inspections by the IESO or its service providers).

***Pre-Approval*** means a notice from the IESO to the Participant via the Retrofit Portal that their Application has been reviewed and their Project has been deemed eligible for a Participant Incentive, and that the Participant may proceed with the Project in accordance with these Program Requirements and the notice.

***Prescriptive Incentive*** means a Participant Incentive payable for the installation of a Prescriptive Measure calculated in accordance with Section [2.1.1](#).

***Prescriptive Measure*** means a Measure listed in a Prescriptive Worksheet.

***Prescriptive Worksheet*** means one or more worksheets describing Prescriptive Measures, in the form made available by the IESO, as updated from time to time, and embedded in the Retrofit Portal. In respect of an Application which includes a DER Measure, the applicable worksheet for DER Measures must be submitted as part of the Application.

***Program Requirements*** means the terms and conditions contained herein governing the Retrofit Program.

***Project*** means one or more Measures that are expected to be undertaken in accordance with the eligibility requirements in Section [3.3](#).

***Project M&V Plan*** means a plan to conduct measurements and verification of the Energy Savings and Peak Demand Savings in respect of a Project with Custom Measures, in accordance with the Project M&V Procedure.

***Project M&V Procedure*** means the document that outlines Existing Case and Energy Efficient Case measurement requirements for Projects with Custom Measures, in the form made available by the IESO on the Save on Energy website, and updated by the IESO from time to time.

***QA/QC*** has the meaning given to it in Section [2](#).

***Recognized Farm Operation*** means a farm property that possesses a farm business registration number, being the six to seven-digit number administered by Agricorp, an agency of the Government of Ontario.

***Retrofit Portal*** means the IESO's online portal for the Retrofit Program, used for Application submissions, Pre-Approvals, Post-Project Submissions and approvals, and invoice submissions.

***Retrofit Program*** has the meaning given to it in Section [1](#).

***SHP Advance Incentive*** means a portion of the total Participant Incentive payable to a Social Housing Provider, calculated in accordance with Section 2.2 of these Program Requirements.

***Social Housing Adder*** means a Participant Incentive payable to a Social Housing Provider for a Project in addition to a Prescriptive Incentive, Custom Incentive or Combination Incentive, as applicable, and calculated in accordance with Section [2.1.4](#).

***Social Housing Provider*** means a non-profit provider of assisted or social housing under a federal, provincial or municipally funded program, and includes, without limitation, non-profit corporations governed by the *Housing Services Act, 2011*, as amended or any successor legislation; public housing corporations owned by municipalities directly or through local housing corporations; non-profit housing co-operatives as defined in the *Co-operative Corporations Act*; non-profit housing corporations that manage or own residential buildings developed under the "Affordable Housing Program"; and, non-profit organizations, or municipal or provincial governments that manage or own residential supportive housing, shelters and hostels.

***Storage Capacity*** means, in the case of a DER Measure that is a battery storage system, the maximum amount of electrical energy that can be stored and discharged by the system, expressed in kWh. For greater certainty this refers to the nameplate capacity of the battery storage system.

***Unitary AC Eligible Measures Worksheet*** means the Prescriptive Worksheet for the eligible Prescriptive Measures that are unitary air conditioning (AC) Measures, in the form made available by the IESO, as updated from time to time, and embedded in the Retrofit Portal.

***VSD Compressed Air Eligible Measures Worksheet*** means the Prescriptive Worksheet for the eligible Prescriptive Measures that are variable frequency drive air compressor or variable displacement air compressor Measures, in the form made available by the IESO, as updated from time to time, and embedded in the Retrofit Portal.