
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 respective Facility(ies) and with adopting continuous energy improvement systems.

Participants in the SEM Program are commercial, institutional and industrial Customers, that meet certain eligibility criteria. 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 Efficiency Measures (EEMs), which are actions that are intended to reduce electricity consumption at a Facility. The Participant’s Energy Team will be guided through the SEM Program for two years to assist the Participant in operationalizing energy management processes.

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

2. PROGRAM OFFER / 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).

2.1. SEM SUPPORT SERVICES

The Participant will participate in Cohort Activities and receive Coaching Support, which are both funded by the IESO 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 EEMs within their organization's facility(ies).

2.2. FINANCIAL INCENTIVES

To be eligible to receive the Performance Incentive and/or the Enabling Incentives, the Participant must demonstrate completion of the following "**SEM Milestones**":

- i) Establish Energy Policy and goals;
- ii) Establish an Energy Champion and Energy Team;
- iii) Complete an Energy Management Assessment (and/or a 50001 Ready);
- iv) Establish the Facility Baseline Energy Consumption and monitoring plan;
- v) Complete an Energy Map;
- vi) Set Energy Metrics and Goals;
- vii) Establish a Project Register;
- viii) Complete and submit the SEM Reporting Requirements within the deadline(s) prescribed by the IESO; and
- ix) Complete any other milestones required by the IESO.

2.2.1. PERFORMANCE INCENTIVE

Subject to the terms of this Section 2.2.1, following participation in the SEM Support Services and upon completion of all of the SEM Milestones, the Participant may be eligible to receive the following Performance Incentives for Confirmed Electricity Savings from Projects implemented from the Project Register, up to a maximum of \$100,000 in any 12-month period:

- a) A First Year Performance Payment, calculated at \$0.02 / kWh of Confirmed Electricity Savings, at the end of the first Funding Period; and

- b) An End of Funding Period Performance Payment, calculated at \$0.02 / kWh of Confirmed Electricity Savings, at the end of the final Funding Period.

Performance Incentive payments are calculated using the Energy Baseline Model and are subject to Technical Review by the IESO. If the development of an Energy Baseline Model to the satisfaction of the IESO is not feasible, the IESO will conduct M&V with the assistance of the Program Delivery Agent.

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. Upon confirmed completion of an SEM Milestone set out in Section 2.2, the Participant may select an item(s) from the Enabling Incentive List to be provided by the IESO. The items on the Enabling Incentives List are energy management tools and services which can help Participants better manage energy at their Facility(ies).

3. Program Eligibility Criteria

3.1. PARTICIPANT ELIGIBILITY

The Participant must meet the following eligibility criteria:

- a) be a commercial, institutional, or industrial Customer;
- b) not be insolvent;
- c) not have participated previously in the SEM Program; and
- d) identify an Executive Energy Sponsor and Energy Champion;

3.2. FACILITY ELIGIBILITY

To be an eligible Facility, the proposed Facility(ies) must:

- e) be connected to the IESO-Controlled Grid or a Distribution System.
- f) have a minimum of 12 months of consecutive Energy Data; and
- g) have consumed a minimum of 3,000,000 kWh per 12-month period within 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 an eligible EEM 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.

The Participant must collect and maintain sufficient data to verify Confirmed Electricity Savings that may be attributable to an EEM, and all EEMs 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 to be used to calculate the Performance Incentive.

4. Participant Agreement

4.1. REQUIREMENT FOR PARTICIPANT AGREEMENT

To participate in the SEM Program, prospective participants must submit an Application and signed Participant Agreement to the IESO. The Participant Agreement includes the terms and conditions of participation in the SEM Program and will not become binding on the IESO and the Participant until the IESO, acting in its sole discretion, accepts and approves the Participant Agreement by issuing a written "notice of approval" to the Participant. To the extent of any conflict between these Program Requirements and an executed Participant Agreement, the

terms of the executed 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 Participant Incentives and access to the SEM Support Services.

5. Program-Specific Definitions

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

“50001 Ready” describes a process designed by the US Department of Energy and Natural Resources Canada to guide users through a discovery process to determine an organization’s readiness to implement and certify Facilities under the global energy management standard ISO 50001.

“Application” means a complete application submitted to the IESO by a Participant for funding under the SEM Program, in the form specified by the IESO on the Save on Energy website.

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

“Behind the Meter Generation” means an electricity generating asset (except those that uses fossil fuels purchased from or otherwise supplied by a third party as a primary fuel source) located downstream of the Facility utility meter, which can supply some or all of a Facility’s demand without input from the IESO-Controlled Grid.

“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 the 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 the 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 kilowatt hour reduction in electricity consumption attributable to Energy Efficiency Measures (as described in Section 3.3) implemented and in service while the Participant is enrolled in the SEM Program, as determined by the IESO, based on an Energy Baseline Model. These savings must be confirmed by the Technical Reviewer as in-service during the SEM Program and persisting for at least one year.

“Customer” means an electricity consumer that is directly connected to, or behind the meter of another electricity consumer connected to: (a) the IESO-Controlled Grid; or (b) a Distribution System.

“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 Section 2.2.2 for participation in the SEM Support Services and the completion of SEM Milestone tasks. Upon completion of an SEM Milestone, the Participant may select an item(s) from the Enabling Incentives List.

“Enabling Incentives List” means the list describing the item(s) the Participant may be eligible to receive as an Enabling Incentive upon the completion of an SEM Milestone, in the form made available by the IESO, as updated from time to time. These tools and services are offered as a menu of options to help Participants manage energy at their Facility(ies) and are further described at <https://saveonenergy.ca/sem>.

“End of Funding Period Performance Payment” means the potential payment for Confirmed Electricity Savings in the second (final) 12-month Funding Period for which the Participant is eligible to receive a Participant Incentive.

“Energy Baseline Model” means a Facility-specific model or set of models that predicts the electricity consumption and peak demand of a Facility over a set period of time in the absence of EEMs. In the SEM Program, the Energy Baseline Model will generally follow the

International Performance Measurement and Verification Protocol, and 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, natural gas, propane, and water provided by the Participant to the IESO through the SEM Reporting Requirements. This data may be supplemented with other more granular data or documentation to assist in verifying the success of EEMs at the request of the IESO.

Participants are required to collect historical Energy Data and to continue to monitor current Energy Data as long as they are participating in the Program. Improving Participant Energy Data management processes is a fundamental component of the Program Cohort Activities and Coaching.

“Energy Efficiency Measure” or “EEM” means an action taken which is intended to reduce electricity consumption at a Facility.

“Energy Champion” means an employee of the Participant who is responsible for ensuring the Participant is actively engaged with the Strategic Energy Management Program and that the SEM 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 organization’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 Metrics” 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 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(ies). One or more employee members of the Energy Team will participate in SEM Support Services, achieve SEM Milestones and provide reports to IESO, as per the SEM Reporting Requirements. The Energy Team seeks to engage other employees to fulfill its mandate as needed, and reports to the Executive Energy Sponsor.

“Executive Energy 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 the success of the Energy Team by providing adequate support and resources.

“Facility(ies)” means the buildings, premises or lands, or part thereof, owned or occupied by a Participant that satisfy the eligibility criteria set out in Section 3.2 of these Program Requirements and in respect of which such Participant is participating in the Strategic Energy Management Program.

“First Year Performance Payment” means the potential payment for Confirmed Electricity Savings in the 12-month period beginning on the Funding Period start date, for which the Participant is eligible to receive a Participant Incentive.

“Funding Period” means a 12-month period in which a Participant is enrolled in an active SEM Program Cohort. The first Funding Period start date will be set by the IESO and communicated to the Participant following the execution of the Participant Agreement.

“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 the IESO in its capacity as the operator of the IESO-Controlled Grid, the OEB, 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.

"IESO" has the meaning given to it in Section 1.

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

"Measurement and Verification (M&V)" is a process of analyzing energy and other data to estimate the amount of avoided energy use that can be attributed to EEMs. SEM 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.

"Participant" means, in respect of the SEM Program, a person who meets the eligibility requirements in Section 3, whose Application has been accepted by the IESO, and has entered into a Participant Agreement to be eligible to receive the Participant Incentives.

"Participant Agreement" means, in respect of the SEM Program, any one or more agreements or terms and conditions that an eligible person entitled to receive a Participant Incentive must enter into or agree to be bound by in order to participate in the Strategic Energy Management Program or to receive such Participant Incentive.

"Participant Incentive" means, in respect of the Strategic Energy Management Program, 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 Program Requirements and the Participant Agreement.

"Performance Incentives" means the Participant Incentive the Participant may be eligible to receive for Confirmed Electricity Savings from Projects implemented from the Project Register, up to a maximum of \$100,000 in any 12-month period, pursuant to and calculated in accordance with Section 2.2.1 of these Program Requirements.

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

“Program Requirements” means the terms and conditions contained herein governing the Energy Manager Program.

“Project” means one or more EEMs implemented at a Facility.

“Project Register” means the list of Projects implemented at the Facility(ies), maintained by the Energy Team and submitted to the IESO pursuant to the SEM Reporting Requirements during the Participant’s enrolment in the Program.

“SEM Milestones” means the SEM Program tasks listed in Section 2.3.1, 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

“Strategic Energy Management (SEM) Program” has the meaning given to it in Section 1.

“SEM Reporting Requirements” means the information the Participant must submit to the IESO including details about EEMs, energy and demand savings and information to demonstrate its achievement of the Strategic Energy Management Program objectives. This includes: i) establishing continuous energy improvement processes within an organization, and ii) implementing EEMs 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 IESO to Participants in the SEM Program.

“Technical Review” means a review of an EEM or Project by the IESO for the purpose of delivering services such as, but not limited to, reviewing information submitted by Participants and determining Confirmed Annual Energy Savings.