

XLerate PROGRAM

PROGRAM REQUIREMENTS

1. PROGRAM DESCRIPTION

The Save on Energy XLerate Program (the “XLerate” or the “Program”) is a program that is offered and administered in the Province of Ontario by the IESO.

The XLerate provides financial incentives for industrial, municipal, institutional, and health care organizations to increase the efficiency of their Industrial Processes. These incentives are intended to be leveraged by customers to implement large, complex Projects that result in verifiable Electricity Savings. It targets the utilization of proven, Commercially Available technologies that are otherwise inaccessible to these organizations due to cost barriers.

The Program also offers funding for a Project Feasibility Study which supports the Program by identifying and developing Program-eligible Project opportunities. For more information on the requirements related to funding for a Project Feasibility Study, please see Appendix 2.

Recommended reference material relating to the Program, including the Project T&Cs, the PFS T&Cs, Program guides, and other important reference material can be found at www.saveonenergy.ca/XLerate.

2. PARTICIPANT INCENTIVE FOR PROJECTS

The IESO will evaluate all Applications and make a determination as to which, if any, have been approved to receive a Participant Incentive (subject to execution of all relevant Program documentation).

The Participant Incentive for Projects will be the lower of:

- (a) 75% of the amount resulting from the total Eligible Costs of the Project minus any Third Party Contributions;
- (b) the product of the Electricity Savings multiplied by:
 - (i) \$300/MWh, capped at 120% of the Approved Amount; or
 - (ii) for Projects within an Identified Local Need Area, the product of the Electricity Savings multiplied by \$450/MWh, capped at 120% of the Approved Amount;
- (c) the amount that would provide a Project Payback of one year for a Project; and

(d) \$15,000,000 per Project.

For the purposes of item (a) above, the “Eligible Costs” used in the calculation will be the lower of: (i) the Estimated Eligible Costs; and (ii) the Actual Eligible Costs.

The Participant bears the risk of delivering the Electricity Savings for the Project. The Participant Incentive is payable in accordance with the terms of Appendix 1.

3. PROGRAM ELIGIBILITY CRITERIA

This Section 3 sets out all eligibility requirements that must be met by Applicants to the Program, and continue to be met by Participants until completion of all elements of the Program.

3.1 PARTICIPANT ELIGIBILITY

(a) To be eligible for a Participant Incentive, the Participant must:

(i) be either:

- A. a Non-Residential Customer with ownership of, or operational authority over, a Facility; or
- B. a Person who will install and operate a Project at a Non-Residential Customer’s Facility on behalf of the owner/operator of that Facility (a **“Third Party Participant”**); and

(ii) not be insolvent.

(b) If an Applicant is a Third Party Participant:

- (i) the Application must provide sufficient information to enable the IESO to determine the Third Party Participant’s managerial and technical capabilities to provide the services it intends to offer to the participating Facility over the Electricity Savings Period;
- (ii) the Application must outline the roles and responsibilities of the participating Facility and the Third Party Participant in order to demonstrate co-operation and commitment; and
- (iii) the Release Waiver and Consent must be signed by an authorized signatory of the Third Party Participant as well as an authorized signatory of the owner of the participating Facility.

3.2 FACILITY ELIGIBILITY

To be eligible for a Participant Incentive, the Facility must be connected (or behind the meter of another electricity consumer that is connected), either directly or indirectly, to the IESO-Controlled-Grid or a Distribution System.

3.3 PROJECT ELIGIBILITY

To be eligible to participate in the XLerate, a Project must:

- (a) be the subject of a Project Feasibility Study or provide supporting documentation that substantially addresses the Project Feasibility Study Minimum Requirements (Appendix 2, Exhibit 1), as approved by the IESO;
- (b) be comprised of one or more Eligible Measures;
- (c) not have been approved or commenced (in whole or part) by the Applicant prior to submitting an Application to participate in the XLerate, as determined by the IESO in its sole discretion. For greater certainty, a Project will be considered approved or commenced if the Applicant has: (i) entered into an agreement with a contractor or consultant in relation to any element of the Project (except to prepare a Project Feasibility Study); or (ii) ordered or purchased any equipment for use in relation to the Project;
- (d) deliver Anticipated Electricity Savings of 600 MWh per year;
- (e) ensure that all calculations of Electricity Savings maintain a maximum Uncertainty of $\pm 25\%$ at a 90% confidence level, unless otherwise approved by the IESO;
- (f) receive a project Letter of Approval on or before December 31st, 2027; and
- (g) have an In-Service Date that is no later than the fifth anniversary of the date of the Letter of Approval.

3.4 MEASURE ELIGIBILITY

3.4.1 ELIGIBLE MEASURES

To be eligible to qualify as part of a Project, a Measure must:

- (a) be applied to, or in support of, an Industrial Process and result in Electricity Savings;
- (b) be a technology that is Commercially Available;
- (c) deliver Electricity Savings for a minimum of 48 months after the end of the M&V Reporting Period (the "Electricity Savings Period");

- (d) comply with Applicable Law in relation to the installation or operation of any equipment or system; and
- (e) not be described in Section 3.4.2.

Waste Energy Recovery Projects are eligible provided that the following criteria are met:

- (a) the waste energy or fuel is created on-site, unless otherwise approved by the IESO at its sole discretion;
- (b) the Project does not use purchased, fossil-derived fuels (natural gas, propane or other) for more than 10% of the annual fuel energy input;
- (c) the Project cannot be used for the primary purpose of reducing electricity demand during the five critical system peak hours; and
- (d) if the Project supplies a portion of the electricity generated to a Distribution System or the IESO-Controlled Grid through a net-metering arrangement the electricity generated must be separately measured and verified to distinguish: (i) the portion consumed on-site at the time of Generation for load displacement; and (ii) the portion exported to the Distribution System or the IESO-Controlled Grid. For greater clarity, only the electricity consumed on-site at the time of Generation will be counted toward Electricity Savings and Participant Incentive eligibility. Any electricity exported to the Distribution System or IESO-Controlled Grid cannot be included in any Electricity Savings calculations.

3.4.2 INELIGIBLE MEASURES

Eligible Measures exclude any of the following:

- (a) any form of Generation, except for eligible Waste Energy Recovery Projects noted above;
- (b) behind the meter storage, except where the storage is a component of the Project configuration and any energy losses that result from storing and retrieving energy, are offset by improved energy efficiency of other components in the Project configuration, resulting in net overall Electricity Savings from the Project;
- (c) any Lighting Measure;
- (d) fuel switching, unless approved by the IESO; or

- (e) any Measure related to an LDC's investment in new infrastructure or replacement of existing infrastructure, or any measures an LDC uses to maximize the efficiency of its new or existing infrastructure.

3.5 PROJECT COST ELIGIBILITY

3.5.1 ELIGIBLE COSTS

Eligible Costs must:

- (a) be directly related to design, selection, procurement and implementation of the Project;
- (b) be limited to:
 - (i) capital expenses;
 - (ii) equipment and products, including without limitation, diagnostic and testing tools and instruments, and associated software;
 - (iii) data collection services, including without limitation, processing, analysis and data management;
 - (iv) meter purchase, installation and configuration costs associated with developing and implementing the M&V Plan;
 - (v) professional, engineering, scientific, technical, management and contracting services, including without limitation, any training required for employees in the proper operation of the Project equipment;
 - (vi) travel, including without limitation, accommodation, but excluding meals;
 - (vii) printing services;
 - (viii) permits and license fees;
 - (ix) costs associated with environmental assessments;
 - (x) technical audits and studies associated with the Project (less the portion of a Project Feasibility Study cost funded by the IESO); and
 - (xi) additional categories of costs as may be approved by the IESO in writing in advance of such expenses being incurred;
- (c) not be described in Section 3.5.2; and
- (d) in the case of new construction Projects, be limited to the incremental costs incurred over the cost of the equipment that would have been purchased by the Participant but

for the payment of the Participant Incentive. For these Projects, the Applicant is required to provide documented evidence of the baseline equipment or process(es) that would have been implemented in the absence of IESO funding under the XLerate.

3.5.2 INELIGIBLE COSTS

- (a) Eligible Costs will not include any costs that are not directly related to design, selection, procurement and installation of the Project. Without limitation, the following costs are not considered Eligible Costs:
 - (i) any costs already covered, or that will be covered, by funding or grants funded by a Governmental Authority, whether administered by the IESO, an LDC or gas distributor or any other Person, or rebates from manufacturers, wholesalers or other supply chain participants;
 - (ii) HST;
 - (iii) any costs related to financing, including without limitation, costs associated with leasing and lease-to-own procurement arrangements and such other financing costs associated with leasing or borrowing capital;
 - (iv) any costs arising from or relating to an LDC's investment in new infrastructure or replacement of existing infrastructure in an LDC's service territory, or a Project that an LDC uses to maximize the efficiency of its new or existing infrastructure, including without limitation, capacitor banks or reactive power compensation; and
 - (v) any other costs that are not deemed to be Eligible Costs by the IESO in its sole discretion.
- (b) Where the Third Party Participant is an affiliate of an LDC and LDC costs or payments are submitted as Eligible Costs, such costs shall be on a fully-allocated costs basis.

4. PROJECT M&V – MINIMUM REQUIREMENTS

The M&V Plan and subsequent M&V Reports for each Project will be developed by the Participant with optional support from the Technical Reviewer. The IESO reserves the right to limit the Technical Reviewer's support to any Participant at its sole discretion.

- (a) An M&V Plan details how Project performance will be measured and analyzed, including without limitation, both prior to and following Project implementation, to determine Electricity Savings. An M&V Report leverages the M&V Plan to report on the Project's performance through quantification of the Electricity Savings. The M&V Plan and M&V Reports for each Project must be adherent to the IPMVP.

- (b) The M&V Plan must be reviewed and approved by the IESO or its Technical Reviewer prior to issuing the Project Letter of Approval.
- (c) Provided that the Participant has fulfilled all of its obligations pursuant to the M&V Plan, and unless extended by the IESO in order to appropriately verify the Electricity Savings for reporting and payment of the Participant Incentive, the M&V reporting period for any Project shall be for a period of one year following the In-Service Date (the "M&V Reporting Period").
- (d) The Participant must deliver M&V Reports, in accordance with the M&V Plan, to the IESO and the Technical Reviewer. The first quarterly M&V Report (the "Q1 M&V Report") will be delivered within a reasonable timeframe following the end of the first quarter after the In-Service Date and the first annual M&V Report (the "Y1 M&V Report") will be delivered within a reasonable timeframe following the first anniversary of the In-Service Date.
- (e) The Participant must fulfil all of its obligations as required pursuant to the M&V Plan and provide the IESO and the Technical Reviewer with all reasonable access to the Facilities and other related buildings as the case may be, in order for the Technical Reviewer to confirm the information provided in the M&V Reports and/or to substantiate the installation of Eligible Measures.
- (f) The IESO may require additional M&V Reports for the Project and extend the applicable M&V Reporting Period in its sole discretion.

5. IESO RIGHTS

Without limiting any other section in these Program Requirements, the IESO may, in its sole discretion administer the XLerate as it determines to be in the best interest of achieving the objectives of the XLerate. The IESO may, in its sole discretion, exercise any or all of the following rights and options with respect to the XLerate:

- (a) at any time or times amend, supplement or change all or part of these Program Requirements;
- (b) reject or accept any Application;
- (c) require any Applicant to submit supplementary documentation clarifying or changing any matters contained in their Application or submit other additional information (within such time as set by the IESO), provided, however, that the IESO is not obliged to seek clarification of any aspect of any Application and may, in its sole discretion, request clarification from some but not all Applicants;

- (d) negotiate an Application with any Applicant (including without limitation, technical, commercial or legal matters), which negotiations may result in amendments to an Application. Negotiations may include negotiating changes, amendments or revisions to an Application or new matters identified by the IESO that were not previously included in the Program Requirements, provided that any changes, amendments or revisions to an Application shall not be made without the direction and approval of the IESO;
- (e) request to meet with an Applicant in connection with their Application or the matters provided for in the Program Requirements. The IESO may, in its sole discretion, visit the existing place or places of business of some or all Applicants for purposes of clarification or verification of matters in an Application; and
- (f) not approve an Application for a Project.

6. PROGRAM SPECIFIC DEFINITIONS

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

“Actual Eligible Costs” means those Eligible Costs that are confirmed by the Technical Reviewer and approved by the IESO.

“Anticipated Electricity Savings” means the Project’s estimated electricity consumption reduction as defined in the Letter of Approval, pro-rated to the duration of the M&V Reporting Period in question (i.e. Q1 or Y1). For seasonal or other Measures with varying impact, the Anticipated Electricity Savings will be defined by month in the M&V Plan and subsequently referenced in the appropriate M&V Report.

“Applicable Law” means any applicable law, including any statute, legislation, treaty, regulation and any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority and any applicable Governmental Approvals.

“Applicant” means any Person who has submitted an Application to the XLerate Program.

“Application” means any form of request that must be completed by a Person in order to participate in the XLerate and receive a Participant Incentive.

“Approved Amount” is the estimated Participant Incentive approved by the IESO and communicated to the Participant in the Letter of Approval.

“Balance Payment” means the final Participant Incentive payment (if any) to be received by the Participant from the IESO in accordance with Appendix 1.

“Commercially Available” means actual technology proven through successful deployment in an operational setting, as defined in the Innovation, Science and Economic Development Canada ISC Technology Readiness Level (TRL) 9.

“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.

“eDSM” means electricity demand-side management.

“Electricity Savings” means the annualized electricity consumption reduction in relation to a Project. Note that for calculation of the Participant Incentive for a Project, the Electricity Savings is an estimated value until an actual value is verified in the Q1 M&V Report and the Y1 M&V Report.

“Electricity Savings Period” has the meaning given to it in Section 3.4.1 (c).

“Eligible Costs” means those costs that satisfy the requirements of Section 3.5.

“Eligible Measures” means those Measures that are eligible to be included in the Project pursuant to Section 3.4.1.

“Estimated Eligible Costs” means the estimated Eligible Costs included in the Application and confirmed in the Letter of Approval.

“Facility” or **“Facilities”** means the building(s), premises or lands, or part thereof, over which the Participant has all required authorization and approvals to carry out the Project and which meets the eligibility requirements set out in Section 3.2.

“First Payment” means the first Participant Incentive payment (if any) to be received by the Participant from the IESO in accordance with Appendix 1.

“Generation” means a process used to produce energy in the form of electricity, that is for the Participant’s own use and the impact of which is measured in accordance with the M&V Plan.

“Good Engineering Practices” means any of the practices, methods and activities adopted by a significant portion of North American industries as good practices applicable to the design, building, and operation of projects of similar type, size and capacity or any of the practices, methods or activities which, in the exercise of skill, diligence, prudence, foresight and

reasonable judgment by a prudent engineer in light of all the facts known at the time the decision was made, could reasonably have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, expedition and Applicable Law; Good Engineering Practices are not intended to be the optimum practices, methods or acts to the exclusion of all others, but rather are intended to delineate acceptable practices, methods or acts generally accepted in North American industries.

“Governmental Approval” means any declaration, filing or registration with, notice to or license, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority pertaining to a Project.

“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 Ontario Energy Board, the Electrical Safety Authority, the Environmental Commissioner’s Office, and any Person acting under the authority of any of the foregoing.

“HST” means any tax payable under Part IX of the *Excise Tax Act* (Canada).

“Identified Local Need Areas” mean areas that represent local needs identified by the IESO through review of regional planning outcomes, where there is potential to benefit from further energy efficiency above and beyond the level accounted for in the regional planning forecast (to either manage system conditions until infrastructure can come into service or help defer long-term local transmission investments).

“IESO” means the Independent Electricity System Operator established under Part II of the Electricity Act, 1998 (Ontario), and any successor thereto.

“IESO-Controlled Grid” has the meaning ascribed to it by 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, guidelines and interpretation bulletins issued by the IESO.

“Industrial Process” means any process or system that: (a) involves the extraction, growth, refining, processing, production, manufacture, preparation, or transformation of materials, substances, or energy, including but not limited to manufacturing, HVAC, pumping, or treatment operations (and includes select processes used in industrial, institutional, municipal, or other non-residential settings); and (b) which consumes electricity.

“In-Service Date” means the first day that a Project is fully installed in accordance with the M&V Plan and delivers Electricity Savings, as confirmed by the IESO.

"IPMVP" means the Efficiency Valuation Organization's International Performance Measurement and Verification Protocol Core Concepts, March 2022, EVO 10000 – 1:2022 (or later).

"LDC" means local electricity distribution company.

"Letter of Approval" means a letter issued by the IESO approving a Project Feasibility Study Application or a Project Application, as applicable.

"Lighting" means light bulbs, lighting fixtures, exit signs and other illuminated signage, LED strips, lighting controls, and any other system with the primary purpose of producing or controlling light.

"M&V" means measurement and verification.

"M&V Plan" means the measurement and verification plan submitted by the Participant that is approved by the IESO, outlining the methodology and activities to be undertaken to quantify and verify Electricity Savings achieved by a Project.

"M&V Report" means a measurement and verification document submitted by the Participant (in accordance with the M&V Plan) that is approved by the IESO, that contains an analysis of the quantified Electricity Savings delivered by the Measure or Measures included in a Project, during the M&V Reporting Period.

"M&V Reporting Period" has the meaning given to it in Section 4(c).

"Measure" means any activity undertaken for the primary purpose of obtaining or effecting, directly or indirectly, eDSM, including without limitation, the installation, retrofit, replacement, modification or commissioning of equipment, systems, processes or behaviours that consume or result in the consumption of electricity, or any equipment, system or product related to the foregoing.

"MWh" means megawatt hour.

"Non-Residential Customer" means electricity customers in Ontario that are not classified as residential in the most recent Yearbook of Electricity Distributors published by the Ontario Energy Board.

"Participant" means a Person who meets the eligibility requirements set out in Section 3.1 and has been issued a Letter of Approval in connection with the Program.

"Participant Incentive" means the financial incentive paid to a Participant pursuant to the XLerate.

“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.

“PFS T&Cs” means the Project Feasibility Study Terms and Conditions issued by the IESO that set out the terms and conditions of the Participant’s in the XLerate, which Applicants must agree to be bound by in order to receive a PFS Funding Amount.

“Program” has the meaning given to it in Section 1.

“Project” means one or more Measures, which, when implemented in respect of an Industrial Process, is expected to deliver Electricity Savings.

“Project Benefits” means the dollar amount which is the sum of all benefits to be generated from the implementation of the Project during the Electricity Savings Period, including Electricity Savings and benefits not related directly to Electricity Savings, including from reducing other energy consumption, use of alternative fuels, positive and negative differences in operating and maintenance costs and other avoided costs.

“Project Feasibility Study” means a detailed study of the consumption of electricity of a Project, that meets the requirements of the Project Feasibility Study Minimum Requirements (set out in Appendix 2, Exhibit 1) and is intended to assess and evaluate: (a) Measures, or their implementation, that could result in Electricity Savings; or (b) WER Generation that could reduce the electricity consumption of a Facility.

“Project Payback” means the number of years it will take a Project to recover the Eligible Costs of such Project through the receipt of Project Benefits, calculated by: (a) subtracting from the lower of the Estimated Eligible Costs and the Actual Eligible Costs the Participant Incentive; and (b) dividing the difference thereof by the annualized Project Benefits, such amounts to be actual or estimated, as the case may be, at such time of determination.

“Project T&Cs” means the Project Terms and Conditions issued by the IESO that set out the terms and conditions of the Participant’s participation in the XLerate, which Applicants must agree to be bound by in order to receive a Participant Incentive for a Project.

“Q1 M&V Report” has the meaning given to it in Section 4(d).

“Release Waiver and Consent” means the Release Waiver and Consent issued by the IESO which Participants must agree to in order to participate in the Program.

“Summer Peak Demand Reduction” means the average load reduction in electricity demand between the base case and the energy efficient case occurring between 3 p.m. to 9 p.m. on business days, June 1 through September 30. For Measures that are weather dependent,

Summer Peak Demand Reduction shall be considered as occurring at peak design load conditions.

“Technical Reviewer” means a Person retained by the IESO with the necessary experience and qualifications to carry out certain functions under the XLerate.

“Third Party Contributions” means any financial or other contribution (including without limitation, the value of contributions in kind) towards the costs of a Project (which qualify as Eligible Costs under the XLerate) from or by any Person other than the Participant or the IESO, including but not limited to federal initiatives or gas incentives.

“Third Party Participant” has the meaning given to it in Section 3.1 of these Program Requirements.

“Uncertainty” means the range of savings values in which the true savings value is estimated to lie, given a statistical confidence level as defined in the Efficiency Valuation Organization’s International Performance Measurement and Verification Protocol (IPMVP) Uncertainty Assessment for IPMVP, July 2019, EVO 10100 – 1:2019.

“Waste Energy Recovery” or **“WER”** means the Generation of electricity primarily from energy sources that are waste by-products of the Facility, including but not limited to waste heat, combustible off-gasses, or waste-derived fuels, which would otherwise be vented, flared, dissipated, or discarded without recovery.

“XLerate” has the meaning given to it in Section 1.

“Y1 M&V Report” has the meaning given to it in Section 4(e).

APPENDIX 1 – PARTICIPANT INCENTIVE PAYMENTS

In addition to any other requirements set out in these Program Requirements, a Participant Incentive will only be paid by the IESO if the conditions set out below are met:

Payment	Amount	Condition to be Satisfied
First Payment	50% of the Participant Incentive	• The Technical Reviewer has reviewed, and the IESO has approved, the Participant's Q1 M&V Report. • The First Payment is calculated based on the Electricity Savings documented in the Q1 M&V Report and pursuant to Section 2 of the Program Requirements. • The Q1 M&V Report must demonstrate Electricity Savings greater than 50% of the Anticipated Electricity Savings for the Q1 period. Projects that achieve less than 50% of the Anticipated Electricity Savings for the Q1 period will not be eligible for the First Payment. The Project's performance will be reassessed during the Y1 M&V Report.
Balance Payment	Balance of the Participant Incentive	• The Technical Reviewer has reviewed, and the IESO has approved, the Participant's Y1 M&V Report. • The Balance Payment is the difference between the Participant Incentive, calculated on the basis of the Y1 M&V Report and pursuant to Section 2 of the Program Requirements, and the total payments made to date (if any). • The Y1 M&V Report must demonstrate Electricity Savings greater than 50% of the Anticipated Electricity Savings for the Y1 period. Projects that achieve less than 50% of the Anticipated Electricity Savings for the Y1 period will not be eligible for any Participant Incentive payments (i.e., First Payment or Balance Payment). In cases where the IESO previously issued the First Payment pursuant to this Appendix 1, that First Payment will be recoverable by the IESO from the Participant.

APPENDIX 2 – PROJECT FEASIBILITY STUDY

1. DESCRIPTION – PROJECT FEASIBILITY STUDY

Participants (other than Third Party Participants) may be eligible to obtain funding to conduct a Project Feasibility Study of potential Electricity Savings that could be achieved by a Project under the Program.

An Application for a Project Feasibility Study must be approved by the IESO prior to commencing the Project Feasibility Study. Upon approval of a Project Feasibility Study Application, the IESO shall provide a Letter of Approval to the Participant indicating:

- the PFS Funding Amount (see below); and
- the approved Project Feasibility Study scope of work, based on the Technical Reviewer's Project Feasibility Study Application review report.

As noted in Section 3.3(a) of the Program Requirements, a Project Feasibility Study is not mandatory in order for a Participant to make a Project Application. If a Project Application is submitted without a Project Feasibility Study, the Applicant shall provide equivalent information and data that meet the minimum requirements set out in this Appendix 2.

2. PARTICIPANT INCENTIVE FOR PROJECT FEASIBILITY STUDY (PFS FUNDING AMOUNT)

The Participant Incentive for a Project Feasibility Study (referred to as a “**PFS Funding Amount**”) will cover 50% of the costs incurred by a Participant to complete a Project Feasibility Study, subject to a maximum that is the lesser of: (a) \$100,000; or (b) 10% of the estimated total Project Eligible Costs (as set out in the Project Feasibility Study), unless otherwise approved by the IESO in its sole discretion.

A Participant is not eligible for the PFS Funding Amount unless the Project Feasibility Study is approved by the IESO on or before the earlier of: (a) eight months from the date of Project Feasibility Study Letter of Approval; and (b) April 30th, 2027.

The PFS Funding Amount is payable upon approval of the Project Feasibility Study by the IESO and receipt of sufficient documentation to support and substantiate the PFS Funding Amount, as determined by the IESO.

3. ELIGIBILITY CRITERIA

3.1 PARTICIPANT ELIGIBILITY

The Participant must meet the Participant eligibility criteria under Section 3.1 of the Program Requirements. A Third Party Participant is not eligible to participate and receive a PFS Funding Amount.

3.2 FACILITY ELIGIBILITY

The Facility must meet the criteria under Section 3.2 of the Program Requirements.

3.3 PROJECT AND MEASURES ELIGIBILITY

A proposed Project Feasibility Study described in an Application must relate to a Project that will meet the Project eligibility criteria and Measure eligibility criteria set out in Sections 3.3 and 3.4, respectively, of the Program Requirements, with the exception that a Project Feasibility Study may also investigate an opportunity with the potential for a Project Payback of less than one year.

3.4 PROJECT FEASIBILITY STUDY ELIGIBLE COSTS

The eligible costs for the PFS Funding Amount are the actual costs incurred by the Participant to complete the Project Feasibility Study, as approved by the IESO. To be eligible, costs must be directly related to the investigation, assessment, analysis, conceptualization, design, specification, estimation and reporting required for the development of a Project and the completion of a Project Feasibility Study.

The following costs may be eligible:

- Applicable labour costs billed at reasonable hourly rates by the approved independent consultant(s) and their subcontractors, as identified in the Technical Reviewer's Project Feasibility Study Application review report, including time for:
 - Communications with the Participant, facility personnel, the IESO and the Technical Reviewer following the approval of the Project Feasibility Study Application;
 - Site visits to obtain information, conduct meetings and interviews, and present results; and
 - Investigation, assessment, analysis, conceptualization, design, specification, estimation and reporting.
- The costs of performing a Connection Impact Assessment, if applicable, to develop the cost estimate of a WER Generation Project to sufficient accuracy.

- Non-labour costs incurred by the approved independent consultant(s) and their subcontractors, including:
 - Administrative costs for printing, presenting, etc.
 - Reasonable travel expenses, including accommodation and excluding meals.
- Expenses for measurement and data collection, including contractors, temporary meter rentals, or other purchases approved by the IESO.
- Costs that a Participant seeks to claim as eligible should be supported by invoices. Any costs incurred before the IESO issues a Letter of Approval for the Project Feasibility Study are not eligible, unless otherwise approved by the IESO in writing.

4. SPECIFIC DEFINITIONS

In addition to terms that are defined in the Program Requirements, the following terms are used in this Appendix 2:

"PFS Funding Amount" has the meaning in Section 2 of this Appendix 2.

"Project Feasibility Study Application" means an application by the Participant for a PFS Funding Amount from the IESO for completion of a Project Feasibility Study.

"Project Feasibility Study Minimum Requirements" means the minimum requirements to be met with respect to the preparation and content of Project Feasibility Study Report, as set out in Exhibit 1 to this Appendix 2.

EXHIBIT 1 - PROJECT FEASIBILITY STUDY MINIMUM REQUIREMENTS

PURPOSE

This Exhibit contains the Project Feasibility Study Minimum Requirements for a Project Feasibility Study Application and Project Feasibility Study.

PROJECT FEASIBILITY STUDY APPLICATION REQUIREMENTS

The Project Feasibility Study Application must include the following information:

- (i) Provide a brief description of the Project to be studied, why the Project was chosen and how it will reduce electricity use.

[This could include approximate motor HP, hours of operation, control method (if any), annual electricity consumption of the Project (if known), and any preliminary estimates of Electricity Savings and Project costs. Where applicable this section of the proposal could simply reference a previous study.]
- (ii) Clearly define the Project Feasibility Study scope and deliverables, including a description of the methodology/approach that will be used to determine the Electricity Savings and capital costs for the Measure(s).

[This could include energy models (such as spreadsheets), design drawings, data logs, etc. as well as the proposed approach for data collection and analysis.]
- (iii) Provide a baseline data collection plan and methodology for calculating the annual electricity consumption baseline.
- (iv) A breakdown of travel costs and other expenses, if applicable. [Participants must adhere to the current Ontario Management Board of Cabinet Travel, Meal and Hospitality Expenses Directive (for more information, please visit <https://www.ontario.ca/page/travel-meal-and-hospitality-expenses-directive>).]
- (v) The independent firm/consultant's information. [This should include legal business name, alternate names, contact information and primary contact person, as well as names and credentials (licenses and/or certification numbers, as applicable) of key technical staff that will contribute to the study].

- (vi) A proposed high-level schedule of major tasks covering key milestones such as Project Feasibility Study start date, proposed site visit date(s), baseline collection period, analysis timelines, draft and final Project Feasibility Study submission.
- (vii) A description of the approach to be used to quantify any non-energy benefits. [This could include lower operating and maintenance costs.]
- (viii) Disclosure of any real or perceived conflict of interest for the potential Project, or acknowledgment that there are none.

Depending on the scope of the Project Feasibility Study, the Applicant's internal processes and investment criteria, there may be a need for additional work and deliverables before an Application for a Project can be submitted. The following declarations are intended to provide transparency as to the expected outcomes at completion of the Project Feasibility Study, and must be addressed in the Application:

- (i) A statement indicating the expected level of Project definition from the final deliverables (e.g. feasibility, budget authorization, or bid/tender-ready) will include:
 - (a) Electricity Savings estimates to an accuracy of +/-25% and Project cost estimates to +/- 25%;
 - (b) An indication of the additional work required for budget authorization and/or XLerate Project Application, following completion of the Project Feasibility Study;
- (ii) Confirmation of agreement with the Technical Reviewer on the proposed baseline data collection plan, or acknowledgement that additional data collection may be required; and,
- (iii) In the case of a WER Project, an indication that the Project Feasibility Study will include: (a) a completed Connection Impact Assessment report; (b) acknowledgement of the risk of not being able to connect the Project to the Distribution System and connection cost uncertainty; or (c) an explanation that a Connection Impact Assessment is not required.

PROJECT FEASIBILITY STUDY REQUIREMENTS:

The following information must be included in a Project Feasibility Study:

(i) Base Case and Industrial Process Studied

Provide a detailed description of the existing Industrial Process studied, including:

- Existing equipment details (e.g. make, model, # of units, rated power, rated capacity, year installed, run hours).
- An assessment of the condition of the existing equipment and the expected remaining life.
- An overview of existing equipment operating modes or cycles (e.g. production vs. non-production), identification of high-use periods and seasonal variances (if applicable), an estimate of the true operating demands (often different than what is currently supplied by the system) based on available operating parameters (e.g. flow, pressure, temperature, production).
- Identifying how the Industrial Process is currently operating/controlled (e.g. automated vs. manual).
- A description of any planned changes to the Industrial Process or Facility (e.g. expansions) that would occur in the absence of the Project that would impact the 'base case'.

(ii) Provide an estimation of the baseline electricity consumption of the Industrial Process, based on power/load measurements for an appropriate period representative of a full operating cycle of the Industrial Process. This baseline period may be based on a metering period of as short as one week for systems with consistent, year-round (8760-hour) operation. For systems with seasonal or variable loads, a longer metering period may be required to capture a representative operating cycle.

- Collaborate with the Technical Reviewer to develop or confirm agreement on the baseline data collection plan and share baseline data once available to confirm adherence to plan.
- Calculate the annual consumption according to (or cross-referenced with) equipment operating logs (run-times, on/off) or other operating data (e.g. flow), if available for a longer duration than power/load measurements.

(iii) Measure Analysis

- Provide a Project description, including, the scope of modifications and future operating logic (e.g. modulating speed to match flow demand, based on feedback signal).
 - Calculation of:
 - Annual Electricity Savings (i.e. provide a sample of the calculation with an explanation of the methodology, and justification for any assumptions); and
 - Summer Peak Demand Reduction following Good Engineering Practices.
 - Estimate of other benefits or costs associated with implementing the Project (e.g., operations and maintenance cost savings). If there are no additional benefits (or costs), this should be stated along with a brief justification.
- (iv) Provide a detailed description of Project cost and installation, including:
- A breakdown of costs by equipment, installation and other capital costs (design and engineering, project management, commissioning). Where available, provide budgetary quotes for equipment, installation and other related costs.
- (v) Provide a high-level installation schedule and propose a realistic In-Service Date.

It is expected that the Project Feasibility Study includes realistic assumptions based on accurate data or strong rationale with a clear and concise guide to Project implementation in a timely manner.

The Project Feasibility Study must be completed and signed by a qualified professional (Professional Engineer, Certified Energy Manager, Certified Engineering Technologist, or other as approved by the IESO) in good standing, who is not an employee of the Participant.