

Industrial Conservation Initiative FAQ's– June 2017

Q: What is the Industrial Conservation Initiative (ICI)?

A: The Industrial Conservation Initiative (ICI), introduced by the Government of Ontario in 2010, is a form of demand response that allows participating customers to manage their global adjustment (GA) costs by reducing demand during peak periods. Rather than be charged on a volumetric basis, eligible customers have the option to be charged Global Adjustment (GA) based on their percentage contribution to the top five peak demand hours each year.

Ontario's electricity system is built to meet the highest demand periods of the year. By reducing demand during peak periods, ICI participants can both reduce their global adjustment costs and help defer the need for investments in new electricity infrastructure that would otherwise be needed. ICI eligibility requirements are established in [Ontario Regulation 429/04](#).

Effective January 1, 2017, the Government of Ontario expanded the ICI to include all electricity users with an average monthly peak demand over 1 MW. In addition, NAICS code requirements have been removed for customers with an average monthly peak demand above 1 MW.

Effective April 13, 2017, the amended regulation now includes:

- consumers in the manufacturing and industrial sectors, including greenhouses (with NAICS codes commencing with the digits "31", "32", "33" or "1114") with an average monthly peak demand of greater than 500 kW and equal or less than 1 MW are eligible to opt-in to the ICI.
- Existing Class A customers who participated in one or more of the programs specified in [Reg. 429/04](#) and dropped below the peak demand threshold during a base period for an adjustment period that began on or after July 1, 2016 may be eligible to opt back into the initiative.

For more information, please refer to the *Industrial Conservation Initiative Background* available on the IESO's Global Adjustment webpage: www.ieso.ca/globaladjustment

Q: How is a customer eligible for the new 500kW threshold?

A: In order to qualify for the ICI, a customer's monthly demand peaks must average above 500kW over a 12-month base period (with sector requirements). The monthly demand peak used in the calculation must be an hourly demand value and must include losses as defined in section 1(2) of O. Reg. 429/04. The customer may have some months with a peak demand under the eligibility threshold, but they are eligible if their 12 monthly peaks over the base period average out to more than the eligibility threshold (i.e. above 500 kW).

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

- Withdraw electricity from the same licensed distributor for the entire period

- Have a maximum hourly demand (peak) for electricity for the load facility in a month from the licensed distributor that exceeds an average greater than 500 kW (with sector requirements)
- Not supply more electricity to the distribution system than it drew from the same system (i.e. a net generator) over the entire period
- Provide information to the LDC related to the name and location of its head office and Class A load facility and written consent for the LDC to provide the information to the Ministry of Energy, and for the Ministry to publish that information

Q: How is a customer’s peak demand factor calculated?

A: Eligible customers are assessed on their percentage contribution to the top five peak demand hours in the province over a 12-month base period, which occurs each year from May 1 to April 30. These are also referred to as a customer’s “coincident peaks”.

The IESO confirms the values for the top five peaks by May 15 shortly after the end of each base period. Distributors then take the sum of a customer’s coincident peaks, divided by the sum of the confirmed system peaks to determine the customer’s peak demand factor (PDF).

The PDF is used to calculate the customer’s GA charge each month over the following 12-month adjustment period, which is from July 1 to June 30 each year. This is done simply by multiplying the monthly, Ontario-wide GA costs by the customer’s PDF.

Q: What is the timing like for a cycle of the ICI?

A: The customer would be assessed by its host LDC on its percentage contribution to the top five hours of peak demand in the province over the base period (i.e. “peak demand factor”), which occurs each year from May 1 to April 30. Eligibility is determined by the host LDC at the end of the base period. The IESO posts the values to be used for calculating peak demand factors by May 15. LDCs have until May 31 to calculate and issue Class A-eligible customers’ peak demand factors. Customers must then decide by June 15 if they would like to participate as a Class A for the upcoming adjustment period. If they decide to participate, they would be charged the GA each month over the year-long adjustment period (July 1 to June 30) based on their peak demand factor. The cycle repeats itself each year.

Key dates for the amended regulation:

- May 31, 2017: deadline for LDCs to calculate and issue the peak demand factors for eligible customers with an average peak demand of above 500 kW
- June 15, 2017: deadline for eligible customers in the >500 kW and ≤5MW range to opt in to participate
- June 15, 2017: deadline for eligible customers above 5MW to opt out (customers in this range are automatically considered Class A but can choose to opt out)
- July 1, 2017: customers that have opted in will be billed as Class A (i.e., the beginning of the next adjustment period)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016					BASE PERIOD →							
2017					OPT IN/ OUT	ADJUSTMENT PERIOD						
2018	→											

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

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

To be eligible to participate the customer must provide to the LDC:

- The customer’s company name or the name under which it carries on business
- The address and geographic location of the customer’s head office
- The address and geographic location of each of the customer’s Class A load facilities
- Written consent from the customer for the LDC to provide their information to the Ministry of Energy, and for the Ministry to publish that information

Q: Can a customer opt-in or opt-out during the adjustment period?

A: Opting in or out is not permitted during the adjustment period. The only opt in/out window is between June 1 and June 15 of each year.

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

A. The customer must re-qualify every year. If they drop below the eligibility threshold for a base period, they cannot be charged as a Class A customer for the upcoming adjustment period.

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

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

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

A: No, a customer's maximum hourly demand (peak) for electricity in a month from the licensed distributor shall be determined separately for each of its load facilities.

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

A: Section 6(1) O. Reg. 429/04 outlines the eligibility of regulated consumers:

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

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

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

A. No, the governing regulation requires that the customer be supplied by the same distributor through the applicable base period.

Q: What happens when a Class A customer ceases to be a customer of the host distributor in the middle of a month during an adjustment period?

A: The host distributor would calculate the GA costs that the customer would pay for the full month, multiplied by the ratio of the number of days in the month during which the customer was still drawing electricity from the distributor's network. The IESO must be notified of the change and make adjustments accordingly by updating the LDC's peak demand factor.

Q: Are there any circumstances under which a Class A could opt out during the adjustment period?

A: A Class A customer may opt out of ICI if it experiences an extraordinary event as defined in O.Reg. 429/04 as a fire or natural disaster or strike that damages or adversely affects their operations or facilities or if they experience an extraordinary event in the public interest designated as such by the Minister of Energy. See section 18(1) of O. Reg. 429/04 for more details.

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

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

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

A: No, the top five peak hours and determining a customer's peak demand factor can only be established at the end of the base period (after April 30). Activation for DR is determined through the energy market for

both the winter and summer commitment periods. Please visit the IESO website or contact Customer Relations for additional information.

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

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

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

A: The better that a Class A customer can predict the top five hours of peak demand and shift their demand accordingly, the more they will be able to take advantage of this initiative. The following resources are currently available to provide background information on the ICI:

- ICI and Global Adjustment backgrounders
- Brochures: *Demand Response* and *The Bottom Line on Energy Management: Making Ontario's Electricity Market Work for Your Business*
- Updated Peak Tracker Tool on the IESO website (www.ieso.ca/peaktracker)

Additional information is available on the *Industrial Conservation Initiative Backgrounder* available on the IESO's Global Adjustment webpage: www.ieso.ca/globaladjustment

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