



**DEMAND RESPONSE PROGRAM**

**DR3**

**PROGRAM RULES**

**Dated March 31, 2008**

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## 1.0 INTRODUCTION

### 1.1 Background to DR3

As a result of the success of its demand response demonstration programs for the Province of Ontario (the “**DRP**”), the Ontario Power Authority is implementing a contractual load reduction program for Direct Participants and Aggregators who are capable of providing a Curtailment of at least 5.0 MW and 25.0 MW, respectively. This contractual load reduction program (“**DR3**”) was developed by the Ontario Power Authority and, together with DR1 and DR2 and other demand reduction programs developed from time to time, shall constitute the DRP.

The rules applicable to DR3 are set out in this document and may be amended by the OPA from time to time (the “**DR3 Program Rules**”). Applicants whose Applications are accepted by the OPA under the DR3 Program Rules (individually an “**Applicant**”) will enter into a DR3 Contract and at least one DR3 Contract Schedule with the OPA, thereby becoming a Participant in DR3. Participants will be required to Curtail their respective Projects in response to Activation Notices issued to them by the OPA in the manner required by the DR3 Contract and the applicable DR3 Contract Schedules. Any conflict or inconsistency between the DR3 Contract and the DR3 Contract Schedules, on the one hand, and the DR3 Program Rules, on the other hand, shall be resolved in favour of the DR3 Contract and the DR3 Contract Schedules, and any conflict or inconsistency between the DR3 Contract and any DR3 Schedule shall be resolved in favour of the DR3 Contract.

### 1.2 Overview of the DR3 Contract

The DR3 Contract will be an enabling contract that sets out a number of general provisions with respect to the relationship between the Participant and the OPA. All of the details with respect to the Curtailment to be provided by a Participant will be set forth in one or more DR3 Contract Schedules that will specify such terms as the Monthly Contracted MW, the Contracted Dispatch Period, and the relevant Settlement Account. Once the DR3 Contract and at least one DR3 Contract Schedule have been executed, a Participant may consider, subject to the requirements of the DR3 Program Rules from time to time, submitting additional Applications from time to time for additional DR3 Contract Schedules to meet the Participant’s desired level of participation under DR3.

The maximum number of MW that a Participant may sign up for each Contributor to its Project shall be limited as follows: (i) where a different Monthly Contracted MW is set for each Contract Month, a Contributor’s contribution to the Monthly Contracted MW for a particular Contract Month shall be limited to that Contributor’s average hourly Load measured in MW by the Load meter for all Hours of Availability for the same month in the year immediately before the Contributor participated in DR3; or (ii) where the same Monthly Contracted MW is used for all Contract Months, a Contributor’s contribution to the Monthly Contracted MW shall be limited to that Contributor’s average hourly Load measured in MW by the Load meter for all Hours of Availability in the 12 month period immediately before the Contributor participated in DR3.

The DR3 Contract shall expire on the later of:

- (a) an initial 5 year term, as renewed at the end of the term for additional successive 5 year periods if the Participant is not in default of the DR3 Contract, and until such time as the OPA or the Participant has notified the other in writing at least 1 year before the end of the then-current 5 year term that the OPA or the Participant, respectively, has elected not to further extend the DR3 Contract Term; and
- (b) the expiry of the latest Schedule Term among all DR3 Contract Schedule(s);

(the “**DR3 Contract Term**”), subject to earlier termination in accordance with the terms of the DR3 Contract.

DR3 has been designed to provide Ontario with additional capability to cause economic based Curtailments that provide the greatest value to the operation of the IESO-controlled grid, directly or indirectly, given the target hours of operation. More specifically, DR3 has been designed to target those hours where the OPA has predicted the greatest value to the electricity system for both local and global considerations where additional demand reduction would have the greatest utility. Table 1 below sets out, by Season and by area in the electricity system (or local area within the electricity system) in Ontario, those hours during which such constraints are currently expected by the OPA to occur (the “**Hours of Availability**”); however, Table 1 is only set out for example purposes and interested parties are directed to the Website to determine the Season, the date range or month of the Season, the Hours of Availability, and the Designated Settlement Area(s) that are applicable for purposes of the DR3 Program Rules from time to time.

**Table 1 Example of Hours of Availability**

<b>Season</b>	<b>Date Range or Month</b>	<b>Hours of Availability (Business Days Only)</b>	<b>Designated Settlement Area(s)</b>
Winter	December 1 to March 31	4:00 p.m. to 9:00 p.m. EST	Each Designated Settlement Area
Summer	June 1 to September 30	12:00 p.m. to 9:00 p.m. EST	Each Designated Settlement Area
Shoulder	April, May, October, November	4:00 p.m. to 9:00 p.m. EST	Each Designated Settlement Area

As described in further detail in Section 5.2, the OPA will use various methodologies from time to time in determining whether to issue a Standby Notification and an Activation Notice to a Participant. The OPA currently intends to utilize the global and local Supply Cushion methodologies developed by the Independent Electricity System Operator (IESO) as such methodologies are currently viewed by the OPA as a reasonable predictor in determining the most valuable hours for Activation.

Depending on the Supply Cushion assessment, the Standby Notification, if any, issued by the OPA will either be a Fixed Standby Notification or an Open Standby Notification. Note that a Participant shall receive only one Standby Notification in respect of all DR3 Contract Schedules in the same Settlement Account, and if a Confirmation is required, such Confirmation shall be submitted in respect of all DR3 Contract Schedules in that Settlement Account.

If the Standby Notification is a Fixed Standby Notification, a Participant will not be required to respond with a Confirmation but will be required to Curtail upon Activation in accordance with the Participant's Monthly Contracted MW and the Participant's Contracted Dispatch Period unless one of the exemptions described in Section 5.4.1 applies. However, if the Participant will be unable to Curtail any or all of the Monthly Contracted MW for any or all of the Contracted Dispatch Period, including being unable to Curtail any or all of the Monthly Contracted MW for any or all of the Contracted Dispatch Period, and none of the exemptions described in Section 5.4.1 applies, then notwithstanding the foregoing, a Participant will be required to respond with a Confirmation to the Fixed Standby Notification.

If the Standby Notification is an Open Standby Notification, which is a request for Curtailment of an unspecified amount of MW that exceeds the Monthly Contracted MW and/or for a duration that exceeds the Contracted Dispatch Period (but within the Hours of Availability), and if the Participant will provide the Monthly Contracted MW for the Contracted Dispatch Period, then a Participant will not be required to respond with a Confirmation and will be required to Curtail upon Activation in accordance with the Participant's Monthly Contracted MW and the Participant's Contracted Dispatch Period. However, if the Participant will provide Curtailment other than for the Monthly Contracted MW for the Contracted Dispatch Period, and where none of the exemptions described in Section 5.4.1 applies, then the Participant will be required to respond with a Confirmation specifying the level and duration of any such Curtailment, and the Participant will be required to Curtail the Participant's Confirmed MW for the Confirmed Hours. However, in response to an Open Standby Notification, the amount of Confirmed MW that a Participant can Curtail is subject to an upper limit, as noted in Sections 7.2 and 7.3 and, as well, the Confirmed Hours must be within the Hours of Availability.

The OPA may, but shall not be obliged to, Activate the Participant by issuing an Activation Notice setting out the Activation MW and the Activation Period that the Participant will be required to deliver by Curtailment. Note that all DR3 Contract Schedules of a given Participant in the same Settlement Account shall, if Activated, be Activated at the same time under one Activation Notice.

The Participant acknowledges that the DR3 Schedule will set out a starting Interval in relation to the Settlement Account (the "**Start Interval**") that will be selected by the OPA in its sole and absolute discretion such that the Contracted Dispatch Period will commence anywhere between 15 minutes prior to, to 30 minutes past, the hour. Once the Start Interval is selected by the OPA for the initial DR3 Schedule in a Settlement Account, all subsequent DR3 Schedules in that same Settlement Account shall have the same Start Interval. The Start Interval will result in a corresponding shift in all start times and the periods of time associated with the Hours of Availability, Settlements, performance measures, Activation Notices, Activation Period, Contracted Dispatch Period, Not Fully Available for Curtailment, and all other applicable provisions in the DR3 Contract, except for the Day Ahead Window, the Day At Hand Window, Standby Notifications, and the deadlines for responding with a Confirmation where required, all of which will not be shifted. Without limiting the generality of the foregoing and by way of example, where a duration of time is specified (such as the Contracted Dispatch Period of four hours), then the end time shall shift in

parallel with any shift in the Start Interval such that the Contracted Dispatch Period remains exactly four hours in length.

The maximum amount of Curtailment in response to Activation Notices per calendar year in respect of a DR3 Contract Schedule (the “**Maximum Contract Hours**”) will be determined by a Participant by specifying in its Application whether it wishes to participate in Option A or Option B in respect of the Settlement Account to which such DR3 Contract Schedule will relate, and will also be subject to the qualifications set out in the paragraph below. Under Option A, the Maximum Contract Hours for a given calendar year shall be 100. Under Option B, the Maximum Contract Hours for a given calendar year shall be 200.

Notwithstanding the foregoing, once a DR3 Contract Schedule has been established for a given Settlement Account, then any subsequent DR3 Contract Schedule for that Participant in the same Settlement Account must elect the same Option A or Option B, as the case may be, as the initial DR3 Contract Schedule. Moreover, an initial DR3 Contract Schedule in a Settlement Account whose Contract Year does not coincide with the calendar year shall be assigned by the OPA, based on forecasts of the OPA (and not necessarily on a straight-line or pro-rated basis), a reduced number of Maximum Contract Hours for that part of the first Contract Year falling within the first calendar year, with the remaining number of Maximum Contract Hours being allocated to the portion of the last Contract Year falling within the last calendar year of the Schedule Term. In addition, subsequent DR3 Contract Schedules in the same Settlement Account whose Contract Years do not coincide with the calendar year shall be assigned the same number of Maximum Contract Hours remaining in that calendar year as remains under the existing DR3 Contract Schedule(s) for the Settlement Account in question. As a result of the foregoing, and given that the high probability of utilizing the Maximum Contract Hours for a given Settlement Account by end of the Summer would effectively prevent the Activation of incremental DR3 Contract Schedules to a Settlement Account which have a start date in the fall or winter of the calendar year, all incremental DR3 Contract Schedules to a Settlement Account are required to have Schedule Commencement Dates no later than September 1 of the calendar year.

The OPA shall be under no obligation to issue an Activation Notice to any one or more Participants and there can be no assurance that a DR3 Contract Schedule will, in fact, be Activated for its Maximum Contract Hours. Any excess hours of demand reduction beyond contracted values in response to an Open Standby Notification, as described above, shall not count towards the Maximum Contract Hours.

As a result of the foregoing, a Participant (whether a Direct Participant or an Aggregator) who wishes to have a Project with a different Option A/Option B election in the same Designated Settlement Area as an existing Project will be assigned a different Settlement Account, based on its own DR3 Contract Schedule of a minimum Monthly Contracted MW of 5.0MW, within the same Designated Settlement Area.

As more fully described in Section 7.0 – “Settlement and Payment”, the Settlement and payment under the DR3 Contract shall be based on the Settlement and payment by the OPA with respect to all Settlement Accounts under the DR3 Contract. Each Settlement Account is chosen by the Participant in its Application for the Project in accordance with the following rules:

- (a) for a Direct Participant, a Settlement Account shall refer:
- (i) to one specific Project referred to in a DR3 Contract Schedule, should the Direct Participant wish the Project to be considered to be a different Project from any other Project(s) located in the same Designated Settlement Area for the purposes of the DR3 Contract; or
  - (ii) more than one Project within a Designated Settlement Area, should the Direct Participant wish the Project to be considered together with some but not all other Projects located in the same Designated Settlement Area for the purposes of the DR3 Contract; or
  - (iii) to all Projects within an entire Designated Settlement Area, should the Direct Participant wish the Project to be considered together with all other Projects located in the same Designated Settlement Area for the purposes of the DR3 Contract; or
- (b) for an Aggregator, a Settlement Account shall refer:
- (i) to all Option A DR3 Contract Schedules, or all Option B DR3 Contract Schedules, in the same Designated Settlement Area such that Option A and Option B DR3 Contract Schedules cannot be contained within a single Settlement Account; or
  - (ii) otherwise, to an entire Designated Settlement Area.

Subject to the foregoing, a Participant may have more than one DR3 Contract Schedule in a given Settlement Account, in which case the Settlement of all DR3 Contract Schedules in that Settlement Account shall be based on (i) the total Monthly Contracted MW for all such DR3 Contract Schedules and (ii) the weighted average of each of the applicable payment and set-off rates over all such DR3 Contract Schedules, as weighted by the respective Monthly Contracted MW for each such DR3 Contract Schedule.

Participants who are not in default under their DR3 Contract will be entitled to receive a payment from the OPA for being available to Curtail during Hours of Availability (the “**Availability Payment**”), as well as a payment for Curtailment that the Participant actually provides in response to Activation Notices issued by the OPA (the “**Utilization Payment**”). In addition, Participants shall be entitled to payment from the OPA for certain Curtailment in excess of contractual requirements. Given the value attributed to the reduction of demand, in localized areas, the OPA may, in its sole and absolute discretion, apply an adjustment to the Availability Rate, by way of an Availability Premium or Availability Discount, in relation to certain Designated Settlement Areas on a prospective basis in order to encourage or discourage the development of demand reduction capacity in such Designated Settlement Areas, respectively. This may include the OPA declaring on the Website certain Non-Participation Area(s) where DR3 Contract Schedules will not be permitted on a prospective basis.

The payments to the Participant are subject to Performance Set-Offs and other consequences for the failure of the Participant to comply with the terms of the DR3 Contract. Without limiting the generality of the foregoing, a

Participant who is required to issue a Confirmation to the OPA pursuant to the DR3 Program Rules must meet, among other things, certain timeline requirements for issuing such Confirmation, must pass the Not Fully Available for Curtailment requirement for a prescribed four hour period prior to the Activation Period, and must maintain a minimum 95% Reliability Rate for each five minute interval within the Activation Period to avoid Performance Set-Offs, and must maintain minimum performance benchmarks expressed in percentages, defined in Sections 5.4.3 and 5.4.4 for Direct Participants and Aggregators, to avoid Material Non-Performance Events and Performance Breaches. For more detail regarding the calculation of payments, Performance Set-Offs, Material Non-Performance Events, and Performance Breaches, interested parties are referred to Section 5.0 – “Curtailed” and Section 7.0 – “Settlement and Payment”.

Continued inability to meet the terms of the DR3 Contract may lead, among other things, to termination at the OPA’s sole option, without limiting any other rights or remedies available to the OPA, of (A) all of the DR3 Contract Schedules in that Settlement Account; or (B) the DR3 Contract together with all DR3 Contract Schedules at all Settlement Accounts and, at the OPA’s further option, all other contracts between the Participant and the OPA.

### **1.3 Participation in DR3**

Participation in DR3 is open to both Direct Participants and Aggregators that satisfy the applicable Eligibility Requirements set forth in Section 2.0 – “Eligibility Requirements”. Interested parties are directed to Section 2.0 – “Eligibility Requirements” for a description of the eligibility requirements applicable to Direct Participants and Aggregators and their respective Projects.

#### **1.3.1 Direct Participants**

A Direct Participant whose Application is accepted by the OPA will enter into a DR3 Contract with the OPA with at least one DR3 Contract Schedule that has a term of either 1, 3 or 5 years as set out in the Application (the “**Schedule Term**”). The Schedule Term will commence on the Schedule Commencement Date, which is a date that will be specified by the OPA from time to time and based on the date of acceptance by the OPA of the DR3 Contract Schedule. The date of acceptance of a DR3 Contract Schedule will always be the first of a calendar month that provides sufficient time for the OPA to conduct its review of the Application for the Project in accordance with the DR3 Program Rules. For greater certainty, there will be no Ramping Period provided to a Direct Participant as there is to an Aggregator as described in Section 1.3.2 below.

Each DR3 Contract Schedule submitted with the Application must relate to an identified Settlement Account and must include an M&V Plan that relates exclusively to such Settlement Account. Once the DR3 Contract with at least one DR3 Contract Schedule of at least 5.0 MW has been executed, a Direct Participant shall have the option of submitting additional Applications, subject to compliance with the DR3 Program Rules in effect from time to time, to enter into additional DR3 Contract Schedules in any existing or new Settlement Account(s) under the DR3 Contract. A Direct Participant should note that, if accepted, a new DR3 Contract Schedule relating to an existing Settlement Account of that Direct Participant shall be bound by the same definitions of Season, Hours of

Availability, geographical range of Designated Settlement Areas and selection of Option in effect for that existing Settlement Account, but shall receive the prevailing compensation including any change to that for a Designated Settlement Area and be subject to the prevailing set-off rates at the time of exercise of acceptance of such new DR3 Contract Schedule. In contrast, a new DR3 Contract Schedule relating to a new Settlement Account for that Direct Participant shall be bound to the definitions of Season, Hours of Availability, Designated Settlement Areas, and the compensation and set-off rates prevailing at the time of acceptance by the OPA of the Application for such new DR3 Contract Schedule.

Direct Participants are encouraged, prior to entering a DR3 Contract and any DR3 Contract Schedules, to consider potential cyclical aspects of their operations. For example, a Participant in the manufacturing sector who presently wishes to provide 7.0 MW of Monthly Contracted MW under DR3 but anticipates reductions in its production schedule after one year may wish to enter into one 5.0 MW DR3 Contract Schedule for a 5 year term and a second 2.0 MW DR3 Contract Schedule for a 1 year term, in order to provide the initial 7.0 MW which will drop down to 5.0 MW in the second year.

### 1.3.2 Aggregators

In contrast to a Direct Participant's ability to submit Applications for DR3 Contract Schedules to the OPA at any time pursuant and subject to the DR3 Program Rules in effect from time to time, an Aggregator will only be able to submit an Application to the OPA for a DR3 Contract Schedule in those periods described below.

The period in 2007 in which Aggregators will be invited to submit Applications for a DR3 Contract and one or more DR3 Contract Schedules (an "**Aggregator Procurement Period**") will commence on the DR3 program launch date to be set out on the Website, and will end on January 11, 2008. Only one Application under DR3 will be permitted per Aggregator per Aggregator Procurement Period. There will be an Aggregator Procurement Period set for 2008. The 2008 Aggregator Procurement Period is intended for Aggregators participating for the first time in the DR3 Program, or Aggregators participating in the 2007 Aggregator Procurement Period whose rights to an Aggregator's Offer have expired. Notwithstanding the foregoing, the availability and timing of the Aggregator Procurement Periods described above are subject to change as set out and updated from time to time on the Website pursuant to the DR3 Program Rules.

An Aggregator whose Application is accepted by the OPA may enter into a DR3 Contract with the OPA with one or more DR3 Contract Schedule(s), each with a minimum of 5.0 MW, for a total Monthly Contracted MW of 25.0 MW and for a Schedule Term of either 1, 3, or 5 years. As is the case with Direct Participants, the Schedule Term will commence on the Schedule Commencement Date, but Aggregators with Schedule Terms of 3 or 5 years will be able to ramp their demand reduction capacity, during the first nine calendar months after the commencement of the Schedule Term, to the full Monthly Contracted MW across all Designated Settlement Areas for the full Contracted Dispatch Period. For greater certainty, Aggregators with a Schedule Term of 1 year have no such Ramping Period and must be capable of providing the full Monthly Contracted MW for the full Contracted Dispatch Period effective from the Schedule Commencement Date.

For each Contract Month during such Ramping Period, the Aggregator must provide to the OPA no later than ten (10) Business Days prior to the commencement of such Contract Month, an updated Monthly Contracted MW along with an updated M&V Plan for each Settlement Account. If Activated in any Contract Month during the Ramping Period, the Aggregator will be required to provide the portion of the Monthly Contracted MW relating to that Contract Month, and failure to do so will result in the Performance Set-Offs and any other remedies of the OPA described in Section 7.0 – “Settlement and Payment”. After the Ramping Period expires, the Aggregator must provide the full Monthly Contracted MW for the remaining balance of the Schedule Term.

Aggregators who:

- (a) participate in the 2007 Aggregator Procurement Period; and
- (b) have a Schedule Term of 3 or 5 years; and
- (c) provide the full Monthly Contracted MW by the end of the Ramping Period;

may submit an offer to the OPA, by no later than thirty (30) calendar days after the end of such Ramping Period, to provide to the OPA additional Monthly Contracted MW in a total amount between 10.0 MW and 25.0 MW, inclusive, through one or more DR3 Contract Schedule(s) for a Schedule Term of 1, 3 or 5 years (the “**Aggregator’s Offer**”). The Aggregator’s Offer shall also include one or more DR3 Contract Schedule(s) and M&V Plan(s) that demonstrate that the Aggregator is able to provide such additional demand reduction capacity.

The OPA shall consider the Aggregator’s Offer and supporting documentation and advise the Aggregator of the OPA’s receipt of the Aggregator’s notice whether or not the OPA, in its sole and absolute discretion, accepts the Aggregator’s Offer. The OPA will endeavour to advise the Aggregator within sixty (60) calendar days or such longer time as the OPA considers reasonable under the circumstances. The OPA’s consideration of the Aggregator’s Offer and supporting documentation shall include, without limitation, the following factors:

- whether the additional DR3 Contract Schedule(s) and M&V Plan(s) satisfy the DR3 Program Rules then in effect and reasonably demonstrate that the Aggregator is able to provide such additional demand reduction capacity; and
- whether there is a need for additional Monthly Contracted MW at the Designated Settlement Area in which the proposed Settlement Account is located; and
- whether the Participant has been subject to any Performance Set-Offs, Material Non-Performance Events and/or Performance Breaches under the DR3 Contract to date; and
- whether the OPA has generally stopped accepting offers from Aggregators for additional Monthly Contracted MW under DR3.

If the Aggregator's Offer is accepted by the OPA, the additional DR3 Contract Schedule(s), along with the original DR3 Contract Schedule(s), shall be attached to the DR3 Contract, on the understanding that an additional DR3 Contract Schedule in an existing Settlement Account for that Aggregator shall be bound by the same definitions of Season, Hours of Availability, and geographical range of Designated Settlement Areas applicable to that existing Settlement Account, but shall receive the prevailing compensation including any change to that of a Designated Settlement Area and the prevailing set-off rates in effect on the date of the receipt by the OPA of the Aggregator's Offer. In contrast, a new DR3 Contract Schedule relating to a new Settlement Account for that Aggregator shall be bound to the definitions of Season, Hours of Availability, Designated Settlement Areas, and compensation and set-off rates prevailing on the date of the receipt by the OPA of the Aggregator's Offer.

The commencement date with respect to the demand reduction capacity to be provided under the Aggregator's Offer shall be the first day of a calendar month to be specified by the OPA. The Aggregator shall also be entitled to a Ramping Period for the provision of the additional Monthly Contracted MW under additional DR3 Contract Schedule(s) with a 3 or a 5 year Schedule Term, and if the additional Monthly Contracted MW is provided in full by the end of the Ramping Period, the Aggregator shall be entitled to submit a subsequent Aggregator's Offer to the OPA on the same terms as those applicable to the prior Aggregator's Offer.

Interested parties should note that while the Aggregator's Offer will be made available for Aggregators who participate in the 2007 Aggregator Procurement Period, there is no assurance that the Aggregator's Offer will be made available in relation to the 2008 Aggregator Procurement Period.

#### **1.4 Administration of DR3**

DR3 is a program that will be operated and managed by the OPA. However, the OPA may, at its sole option, request the assistance of one or more representatives to assist the OPA from time to time in performing some of the different operational and administrative functions described in the DR3 Program Rules and the DR3 Contract including, without limitation, functions and duties relating to Standby Notifications and Activation, measurement and verification, and Settlement. By way of example, and for purposes of Section 5.0 – Curtailment, the OPA currently intends to utilize the global and local Supply Cushion methodologies developed by the IESO, although the OPA has reserved the right to amend or replace the methodologies used for purposes of DR3 from time to time.

## 2.0 ELIGIBILITY REQUIREMENTS

2.1.1 To be eligible to participate in DR3, a Participant:

- (a) must be registered or otherwise qualified to carry on business in the Province of Ontario; and
- (b) must be either:
  - (i) a Direct Participant who owns each Contributor and who will be able to Curtail an Eligible Project; or
  - (ii) an Aggregator with Enforceable Rights over each Contributor that will enable the Aggregator to Curtail an Eligible Project.

Notwithstanding Section 2.1.1(b)(ii), an Aggregator may submit an Application proposing to create a Project from a list or description of Contributors over which the Aggregator does not have Enforceable Rights on the date of the Application, provided that it also includes all of the following documentation with the Application:

- (1) a reasonable forecast, for each Settlement Account, of the expected Monthly Contracted MW for each Contract Month in the Ramping Period; and
- (2) a list or description of the Contributor(s) or types of Contributors to be secured and aggregated, the reasonable likelihood of the Aggregator attaining Enforceable Rights over such Contributor(s) by the first day after the end of the Ramping Period, and explanations supporting the assessment of such reasonable likelihood.

Provided that the OPA is satisfied with the Application including the additional documentation required above, and provided further that the proposed Project of the Aggregator meets all of the other requirements of the DR3 Program Rules at the time the Application is accepted by the OPA, then the OPA may, in its sole and absolute discretion, accept such an Application. Notwithstanding the OPA's acceptance of such Application, if the Aggregator in fact does not obtain Enforceable Rights necessary to meet the Monthly Contracted MW by the first day after the end of the Ramping Period, then the OPA may, at its sole option and without limiting any other remedies it may have, terminate (A) all of the DR3 Contract Schedules in that Settlement Account; or (B) the entire DR3 Contract with all DR3 Contract Schedules at all Settlement Accounts and, at the OPA's further option, all other contracts between the Participant and the OPA.

- (c) must not be prohibited from entering into the DR3 Contract or any DR3 Schedules by virtue of any restrictions in any contract that is implemented, administered, or supported by the OPA.

2.1.2 For purposes of Section 2.1.1, an “**Eligible Project**” is a Project:

- (a) that is composed of one or more Contributors that are each either:
  - (i) an “**Interruptible Load**”, being a Contributor, other than a Behind the Meter Generator, that is a Load for which a measure is or measures are undertaken to reduce electricity consumption in response to an Activation. A typical Interruptible Load might involve the use of Control Equipment that will, for example, allow lighting and appliances, such as air conditioners, to be cycled on and off; or
  - (ii) a “**Behind the Meter Generator**” being a Contributor, other than an Interruptible Load, that:
    - (1) is either:
      - (A) an embedded generator to a Load which produces electricity in response to an Activation and whose impact is measured through the Load meter for the purposes of DR3 (a “**Non-Submetered Generator**”), instead of being measured through a separate revenue grade submeter. For greater certainty, any net metered electricity generation from a Behind the Meter Generator into the IESO-controlled grid or Local Distribution System shall also be eligible to be considered as a Curtailment for purposes of DR3 and compensated in accordance with the DR3 Contract and DR3 Contract Schedule; or
      - (B) an embedded generator to a Load which produces electricity in response to an Activation but whose impact is measured through a separate revenue grade sub-meter located behind the Load meter for the purposes of DR3 (a “**Sub-Metered Generator**”); and
    - (2) has all required permits and approvals to operate in accordance with the applicable DR3 Contract Schedule(s) including, without limitation, all permits and approvals that may be required for the operation of the generator from the Ontario Ministry of the Environment pursuant to the *Environmental Assessment Act* (Ontario) and the *Environmental Protection Act* (Ontario); and
    - (3) meets all of the relevant requirements for a behind the meter generator under the Market Rules including, without limitation, the requirements described in any amendments to the Market Rules from time to time; and
    - (4) either:

- (A) whose embedded generator(s) have an aggregate Nameplate Capacity that does not exceed the annual peak demand of the Load in which such generator(s) are embedded, as confirmed in the M&V Plan; or
- (B) where the embedded generator(s) have an aggregate Nameplate Capacity that exceeds annual peak demand of the Load in which such generator(s) are embedded, as confirmed in the M&V Plan, such generators have appropriate technology in place, subject to approval by the OPA, such that electricity generated from such embedded generator(s) cannot be injected into the IESO-controlled grid or Local Distribution System;

and

- (b) that satisfies each of the following additional requirements:
  - (i) the Project is located in Ontario and is connected under all conditions to the IESO-controlled grid, directly or indirectly; and
  - (ii) the Project for a Direct Participant:
    - (1) has:
      - (A) a minimum Monthly Contracted MW for a given Settlement Account of 5.0 MW and a maximum of 125.0 MW (or such other minimum and maximum amounts as may be set by the OPA from time to time) during the applicable Hours of Availability in the Summer; and
      - (B) a minimum Monthly Contracted MW for a given Settlement Account of 4.0 MW and a maximum of 125.0 MW (or such other minimum and maximum amounts as may be set by the OPA from time to time) during the applicable Hours of Availability in the Winter; and
      - (C) a minimum Monthly Contracted MW for a given Settlement Account of 3.3 MW and a maximum of 125.0 MW (or such other minimum and maximum amounts as may be set by the OPA from time to time) during the applicable Hours of Availability in each of the Shoulder Seasons.

Notwithstanding the foregoing, if the Direct Participant is proposing to add the Project in a Settlement Account already being used by an existing DR3 Contract Schedule that has not expired, then the minimum Monthly Contracted MW for

the additional Project in that Settlement Account shall only be 0.5 MW for the Summer, 0.4 MW for the Winter, and 0.3 MW for each of the Shoulder Seasons in lieu of the 5.0 MW, 4.0 MW, and 3.3 MW set out in subsections (A), (B), and (C) above, respectively; and

- (2) that is based on aggregating multiple Contributors to meet the Monthly Contracted MW, must have each Contributor that is: (i) an Interruptible Load having a minimum Load of 0.5 MW in the Summer, 0.4 MW in the Winter, and 0.3 MW in each of the Shoulder Seasons, or (ii) a Behind the Meter Generator, consisting of a Non-Submetered Generator or Sub-Metered Generator, and having a minimum capability to Curtail or produce Generator Output, respectively, of 0.5 MW in the Summer, 0.4 MW in the Winter, and 0.3 MW in each of the Shoulder Seasons. For greater certainty, the OPA shall have the right to audit the Direct Participant and all Contributors to confirm that the Monthly Contracted MW was provided only by those Contributors owned by the Direct Participant; and
- (3) must demonstrate the capability of each Contributor to provide its stated contribution to the Monthly Contracted MW based on historical meter data, pursuant to Section 6.3.1; and
- (4) is capable of being dispatched by Settlement Account separately and independently of any other Settlement Account.

(iii) the Project for an Aggregator:

- (1) has a Monthly Contracted MW, across all Settlement Accounts and following the completion of each Ramping Period, of:
  - (C) 25.0 MW, plus any additional Monthly Contracted MW added pursuant to an Aggregator's Offer, during the applicable Hours of Availability in the Summer; and
  - (D) 80% to 100% of the Monthly Contracted MW calculated in respect of (A) above, during the applicable Hours of Availability in the Winter; and
  - (E) 66% to 100% of the Monthly Contracted MW calculated in respect of (A) above, during the applicable Hours of Availability in each of the Shoulder Seasons; and

- (2) has, for each Settlement Account, a minimum Monthly Contracted MW of 5.0 MW for the Summer, and a minimum of 80% and 66% of such minimum Monthly Contracted MW for Winter and each of the Shoulder Seasons, respectively. Notwithstanding the foregoing, if a Settlement Account is being used by an existing DR3 Contract Schedule of an Aggregator, then the minimum Monthly Contracted MW for the additional Project for that Settlement Account will only be 50 kW; and
- (3) must be based on Contributors that are each either: (i) an Interruptible Load with a minimum Load of 50 kW, or (ii) a Behind the Meter Generator, consisting of a Non-Submetered Generator or a Sub-Metered Generator, and having a minimum capability to Curtail or produce Generator Output, respectively, of 50 kW. For greater certainty, an Aggregator is permitted to provide the Monthly Contracted MW through a portfolio of multiple Contributors, each of whom may contribute in the Curtailment of the Monthly Contracted MW for any duration or any periods of time, provided, however, that the OPA shall have the right to audit the Aggregator and all Contributors to confirm that the Monthly Contracted MW was provided only by those Contributors who are contractually obligated to the Aggregator in that regard; and
- (4) must demonstrate the capability of each Contributor to provide its stated contribution to the Monthly Contracted MW based on historical meter data, pursuant to Section 6.3.1; and
- (5) is capable of being dispatched by Settlement Account separately and independently of any other Settlement Account; and
- (iv) the Project must participate in all Seasons, namely Summer, Winter, and each of the Shoulder Seasons, to the amount of Monthly Contracted MW set out in Section 2.1.2(b)(ii)(1) for a Direct Participant, or to the amount of Monthly Contracted MW set out in Sections 2.1.2(b)(iii)(1) and (2) for an Aggregator, as the case may be; and
- (v) where the Participant is a Direct Participant, the Project is not the subject of more than one DR3 Schedule either on behalf of the Participant or any other participant with a DR3 Contract; or where the Participant is an Aggregator, to the Participant's best knowledge and belief after due inquiry, the Project is not the subject of more than one DR3 Schedule either on behalf of the Participant or any other participant with a DR3 Contract; and
- (vi) where the Participant is a Direct Participant, the Project or any Contributor or Facility that is a part of such Project is not the subject of, or where the Participant is an

Aggregator, to the Participant's best knowledge and belief after due inquiry, the Project or any Contributor or Facility that is a part of such Project is not the subject of:

- (1) a current contract arising from the Ontario Hydro Non-Utility Generation program, the Province of Ontario's or the OPA's requests for proposals for clean energy supply or renewable energy supply, or any OPA-administered standard offer program; or
  - (2) a current physical or financial power purchase agreement or other similar contract relating to the generation of electricity by the Project; or
  - (3) an OPA contract for equipment that would facilitate demand reduction; and
- (vii) the Project is capable of Curtailing the Monthly Contracted MW during Hours of Availability for the Contracted Dispatch Period, and that such Curtailment is not offset by, does not result in, or in any way not cause an increase in electricity load elsewhere on the IESO-controlled grid or on any Local Distribution System, either directly or indirectly.

### 3.0 APPLICATION

3.1.1 Participants who wish to participate in DR3 shall submit to the OPA a completed Application in such form(s) as may be designated and posted on the Website by the OPA from time to time, together with the following supporting documentation:

- (a) a Project summary outlining a detailed description of the Project, Control Equipment and/or DR Measures to be installed and implemented, as applicable, indicating how such Control Equipment and/or DR Measures will enable the Participant to Curtail as a result of the operation of the Control Equipment and/or DR Measures; and
- (b) a completed DR3 Contract Schedule, or more than one completed DR3 Contract Schedule, with each DR3 Contract Schedule describing the Settlement Account, Monthly Contracted MW, Option A/Option B, as the case may be, and the Schedule Term relating to such DR3 Contract Schedule; and
- (c) an M&V Plan for each Settlement Account in compliance with Section 6.0 – “Measurement & Verification Plan Requirements”, including without limitation the amount of Curtailment to be provided by each Contributor and justification for such amounts; and
- (d) a statement of the Participant’s ability to provide the DR3 Prudential Security in accordance with the requirements set out in Section 4.1.4; and
- (e) if the Applicant is an Aggregator and does not have Enforceable Rights on the date of the Application, a forecast, per Settlement Account, of the expected Monthly Contracted MW for each Contract Month in the Ramping Period, and a list or description of the Contributor(s) or types of Contributors to be secured and aggregated, the reasonable likelihood of the Aggregator attaining Enforceable Rights over such Contributor(s) by the first day after the end of the Ramping Period, and explanations supporting the assessment of such reasonable likelihood; and
- (f) if the Contributor is a Behind the Meter Generator, a list of all required permits and approvals required for the Contributor to operate in accordance with the applicable DR3 Contract Schedule(s), and reasonable evidence that all such permits and approvals have been obtained; and
- (g) a declaration subject to complying with Section 2.1.2(b)(v) and (vi), of whether, and if so the extent to which, the Project or any Contributor thereto is or will become involved in or bound under any other demand response or generation program or other programs or initiatives (whether or not created or administered by the OPA) that is implemented, administered, or supported by the IESO, the OPA or any branch or agency of the federal, provincial, or municipal government, or a LDC that provides an availability, capacity, energy, or utilization payment for the same

availability, capacity, energy, or utilization provided at the same point in time as those provided under DR3; and

- (h) any other information as may be requested by or on behalf of the OPA from time to time.
- 3.1.2 The Application shall be deemed to include, in Section 2 of the DR3 Contract Schedule, those rates posted on the Website at the time that the Application is accepted by the OPA.
  - 3.1.3 It is a condition subsequent to the DR3 Contract Schedule for the benefit of the OPA, that the OPA select a Start Interval, which shall be applicable to the Project.
  - 3.1.4 Interested parties are advised to check the Website prior to submitting an Application to confirm that they are using the most current version of the Application and its related forms. Only one Application under DR3 will be permitted per Aggregator per Aggregator Procurement Period.

## 4.0 ACCEPTANCE

4.1.1 Acceptance of each Application, including all supporting documentation required in Section 3.0 – “Application”, shall be subject to the approval of the OPA in its sole and absolute discretion. The DR3 Program Rules are not intended to obligate the OPA to any potential Participant in any manner in respect of DR3, whether express or implied, unless and until a DR3 Contract and/or a DR3 Contract Schedule is executed. An Applicant may withdraw its Application for any reason by notice in writing provided that such notice is received by the OPA prior to acceptance by the OPA of the Application. The OPA reserves the right to reject any Application for any reason, whether or not disclosed, including, without limitation, incomplete Applications, Applications in respect of which the information contained in the Application is not satisfactory to the OPA or its advisors in any respect, and Applications in respect of which the OPA deems the Applicant or the Project(s), or any parts thereof, to be ineligible for DR3. Without limiting the generality of the foregoing, and for purposes of information only:

- (a) an Applicant’s Project summary will be reviewed in detail by the OPA to confirm the completeness and veracity of the Application and all constituent elements thereof and to confirm that the Participant and the Project satisfy the Eligibility Requirements in Section 2.0 – “Eligibility Requirements”; and
- (b) an Applicant’s M&V Plan must satisfy the requirements set out in the DR3 Program Rules in Section 6.0 – “Measurement & Verification Plan Requirements”, and all M&V Plans submitted by Applicants with their Applications will be reviewed by and subject to the approval of the OPA; and
- (c) the Applicant's Project must satisfy any additional Project requirements and any additional DR3 requirements that may affect the Project that may not be referenced in the DR3 Program Rules but that have been posted on the Website and are in effect as of the date of the OPA’s acceptance of the Application including, without limitation, any additional requirements, restrictions, or limitations that are intended to promote global and/or local system reliability (collectively, the "**Additional Requirements**"); and
- (d) the OPA reserves the right to accept an Application for a Project if the declaration of the Participant in Section 3.1.1(g) states that the Project or any Contributor is involved in another program, on the understanding that the DR3 Contract may require the Participant to deliver to or credit the OPA with the amount of all remuneration from such program; and
- (e) the OPA reserves the right to assess each Application on its merits and to accept or reject any Project contained in an Application for any reason, whether specific or general. Without limiting the generality of the foregoing, the OPA may withhold its approval to any proposed Project if the

OPA has determined in its sole and absolute discretion that the nature of the business conducted by the Project is not appropriate for purposes of the DR3 Program or otherwise.

- 4.1.2 The OPA intends to process Applications and enter into DR3 Contracts in general accordance with a DR3 Process Document to be posted on the Website. However, despite the posting of the DR3 Process Document, interested parties are advised that the application process and timing as outlined in the DR3 Process Document may be delayed and may vary from the process and timing set out in the DR3 Process Document as a result of a number of factors including, but not limited to, the number and complexity of Applications received and the complexity of the associated M&V Plans. As part of the selection process, the OPA may require meetings or other forms of communication with an Applicant to clarify certain matters set out in an Application. The OPA may, as a condition of acceptance, request that an Applicant modify its proposed Project and Application in any manner. All such communications or meetings relating to an Application will be confidential and may not be disclosed by the Applicant without the prior written consent of the OPA.
- 4.1.3 Except where otherwise provided for within the DR3 Program Rules, each DR3 Contract Schedule will reflect the version of the DR3 Program Rules that is in effect at the date of the OPA's acceptance, in writing, of such DR3 Contract Schedule.
- 4.1.4 The DR3 Contract will require the Participant to deliver, on or before the date each DR3 Contract Schedule takes effect, a letter of credit to the OPA in a form acceptable to the OPA (the "**DR3 Prudential Security**") in an amount equivalent to the highest Monthly Contracted MW for such DR3 Contract Schedule in any Season multiplied by \$10,000 per MW. If the Participant exercises a Buy-Down, the DR3 Prudential Security will be recalculated and the Participant shall deliver the recalculated DR3 Prudential Security to the OPA. By way of example, if a Participant enters into a DR3 Contract with a DR3 Contract Schedule with a Monthly Contracted MW in the Summer of 10.0 MW, and a Monthly Contracted MW in the Winter of 15.0 MW, then the amount of DR3 Prudential Security required would be  $\$10,000/\text{MW} \times 15.0 \text{ MW} = \$150,000$ .

## 5.0 CURTAILMENT

### 5.1 Standby Notification and Confirmation

Prior to the OPA issuing any Activation Notice, the OPA will issue a Standby Notification in respect of the Day Ahead or Day at Hand to a Participant for a given Settlement Account. As Participants may have multiple DR3 Contract Schedules in a given Settlement Account, Standby Notifications will be issued based upon the aggregate Monthly Contracted MW of the Participant for that Settlement Account.

As further described below, the content of the Standby Notification will depend on whether the Standby Notification is a Fixed Standby Notification or an Open Standby Notification. Neither a Fixed Standby Notification nor an Open Standby Notification require a response from the Participant if the Participant will be able to Curtail the Monthly Contracted MW for the Contracted Dispatch Period, or if the Participant is not required to respond to a Standby Notification due to any of the circumstances described in Section 5.4.1. Otherwise, the Participant will be required to respond with a Confirmation, specifying both the Confirmed MW and Confirmed Hours (even if the Confirmed MW and/or the Confirmed Hours will be zero), if:

- (a) the Participant receives a Fixed Standby Notification and will Curtail for an amount and/or period that is less than the Monthly Contracted MW or the Contracted Dispatch Period, respectively; or
- (b) the Participant receives an Open Standby Notification and will Curtail for an amount and/or period that is different from the Monthly Contracted MW or the Contracted Dispatch Period, respectively.

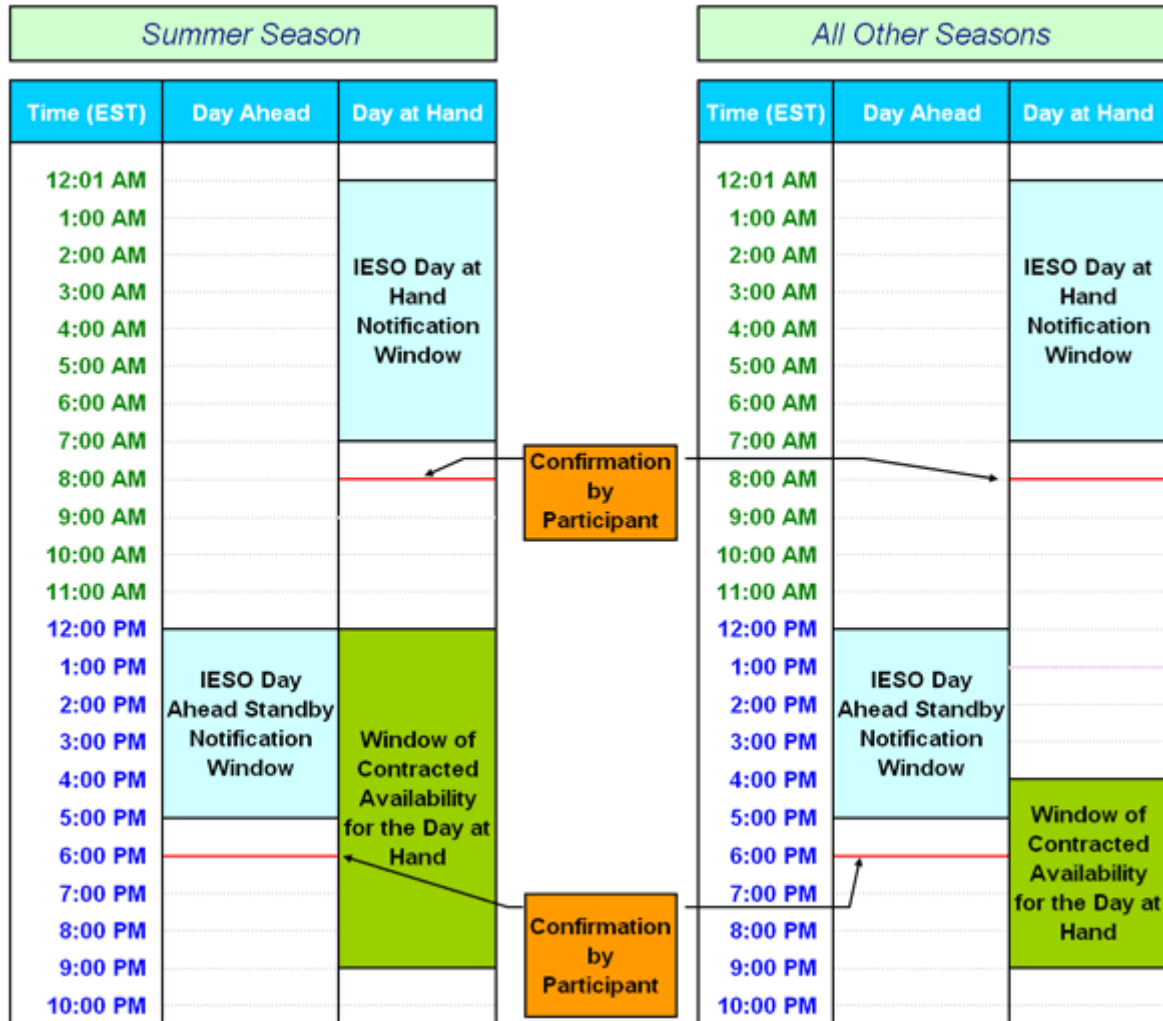
The OPA will have two windows within which it can decide to issue a Standby Notification in respect of a given Daily Schedule. The Day Ahead Window will be between the hours of 12:00 p.m. and 5:00 p.m. EST on the Day Ahead. If the OPA issues a Standby Notification during the Day Ahead Window, and if the Participant is required to issue a Confirmation to the OPA, then the Participant will issue such Confirmation by no later than one hour after the end of the Day Ahead Window or be subject to a Performance Set-Off and any other rights or remedies available to the OPA described in the DR3 Contract. A Confirmation received after one hour after the end of the Day Ahead Window, and offering to provide more than the Monthly Contracted MW and/or a duration that exceeds the Contracted Dispatch Period in response to an Open Standby Notification will be deemed to be a Confirmation received within the Day Ahead Window for an amount equal to the Monthly Contracted MW and for a period equal to the Contracted Dispatch Period. The Day at Hand Window will be between the hours of 12:00 a.m. and 07:00 a.m. EST on the Day at Hand. If the OPA issues a Standby Notification during the Day at Hand Window, and if the Participant is required to issue a Confirmation to the OPA, then the Participant must issue a Confirmation, if required, by no later than one hour after the end of the Day at Hand Window or be subject to a Performance Set-Off and any other rights or remedies available to the OPA described in the Contract. A Confirmation in response to an Open Standby Notification, received after one hour after the end of the Day at Hand Window, and offering to provide more than the Monthly Contracted MW and/or a duration that exceeds the Contracted Dispatch Period in response to an Open Standby Notification will be deemed to be a Confirmation received within the Day at Hand

Window for an amount equal to the Monthly Contracted MW and for a period equal to the Contracted Dispatch Period.

If the OPA issues a Fixed Standby Notification to the Participant during the Day Ahead Window, and the OPA also issues an Open Standby Notification to the Participant for the same Settlement Account during the Day at Hand Window, then the Participant may, at its option, issue a Confirmation in response to the Open Standby Notification or, alternatively, disregard the Open Standby Notification. However, if the Participant issues a Confirmation in response to the Open Standby Notification under the circumstances described in the previous sentence, then the Confirmation for the Open Standby Notification shall automatically be deemed to replace and supersede the Confirmation for the Fixed Standby Notification.

A graphical example of the Standby Notification timelines is set out in Table 2 below.

**Table 2: Standby Notification Timelines**



Some of the various factors that the OPA will consider in determining whether to issue a Standby Notification are described in detail in Section 5.2 below.

### 5.1.1 Fixed Standby Notification

A Fixed Standby Notification will be issued in circumstances where the OPA is looking to cause a Curtailment of the Monthly Contracted MW of a given Settlement Account within the Hours of Availability to address global Supply Cushion requirements and/or local area requirements. The circumstances under which the Participant will be required to respond to a Fixed Standby Notification with a Confirmation are set out in Section 5.1(a) above. For greater certainty, the delivery of a Fixed Standby Notification by the OPA shall not obligate the OPA to deliver an Activation Notice.

Sample Curtailments for three Participants after a Fixed Standby Notification has been issued are set out in Table 3 below.

**Table 3: Sample Curtailments from 3 Participants in response to a Fixed Standby Notification**

Fixed Standby Notification				
<i>Monthly Contracted MW</i>		10	50	20
<i>Participant #</i>		1	2	3
<i>Hour #</i>	1	10	50	20
	2	10	50	20
	3	10	50	20
	4	10	50	20

### 5.1.2 Open Standby Notification

An Open Standby Notification will be issued by the OPA in circumstances where the OPA is looking to cause a Curtailment of MW and/or for hours beyond the aggregate Monthly Contracted MW and/or Contracted Dispatch Periods (but within the Hours of Availability) for a given Settlement Account. The circumstances under which the Participant will be required to respond to an Open Standby Notification with a Confirmation are set out in Section 5.1(b) above.

In the event that the OPA issues an Open Standby Notification, a Participant may indicate in a Confirmation that it is available to deliver Confirmed MW that exceeds its Monthly Contracted MW and/or to Curtail for Confirmed Hours that exceed its Contracted Dispatch Period but that are within the Hours of Availability. For greater certainty, an Open Standby Notification is an opportunity for a Participant to increase its level of participation above its contracted amounts, but no Participant will be obliged to provide Curtailment in excess of its contracted values in response to an Open Standby Notification. Furthermore, the delivery of an Open Standby Notification by the OPA shall not obligate the OPA to deliver an Activation Notice, or deliver an Activation Notice for the Confirmed MW

and the Confirmed Hours; instead, the Activation Notice may simply be for the Monthly Contracted MW and/or for the Contracted Dispatch Period.

Sample Curtailments for three Participants in response to Open Standby Notifications are set out in Table 4 below.

**Table 4: Sample Curtailments from 3 Participants in response to Open Standby Notifications**

Open Standby Notifications				
<i>Monthly Contracted MW</i>		10	50	20
<i>Participant #</i>		1	2	3
<i>Hour #</i>	1	10	55	20
	2	10	60	25
	3	10	55	27
	4	10	50	28
	5	5	30	15
	6	5	20	5

5.1.3 Activation Notices

The OPA may, in its sole and absolute discretion, choose to do one of the following with respect to any Settlement Account for a given Participant:

- (a) in the case of a Fixed Standby Notification (i) not issue an Activation Notice, or (ii) issue an Activation Notice for the Confirmed MW for the Confirmed Hours; or
- (b) in the case of an Open Standby Notification (i) not issue an Activation Notice, (ii) issue an Activation Notice only for the Monthly Contracted MW for the Contracted Dispatch Period, or (iii) issue an Activation Notice for the Confirmed MW for the Confirmed Hours.

Under no circumstances will the OPA be required to issue any Activation Notice to any Participant. If an Activation Notice is issued to a Participant, the OPA may only issue one Activation Notice to that Participant relating to the Hours of Availability in a given Daily Schedule.

Unless prior written notice of a Planned Non-Performance Event has been given to the OPA in accordance with the DR3 Program Rules, a Participant must comply with any Activation Notice received at least 2.5 hours in advance of the commencement of the Activation Period. If an Activation Notice is received by the Participant between 2.5 hours and 1.0 hours in advance of the commencement of the Activation Period specified in the Activation Notice, and in the absence of a Planned Non-Performance Event for which prior written notice was given to the OPA in accordance with the DR3 Contract, the Participant at its sole option may (but will not be required to) Curtail in response to such Activation Notice. If such Participant nevertheless elects to Curtail in response to such Activation Notice, such Participant shall notify the OPA in writing of such election as well as the amount of the Curtailment no

later than 30 minutes prior to the commencement of the Activation Period, and the Participant will be required to comply with the Activation Notice as if it had received that Activation Notice at least 2.5 hours in advance of the commencement of the Activation Period.

#### 5.1.4 Appointment of Dispatcher

As more particularly set out in the DR3 Contract, the OPA shall be entitled, without the consent of the Participant, to appoint any one or more Persons from time to time throughout the DR3 Contract Term and for any stated length of time up to the balance of the DR3 Contract Term to exercise the OPA's rights to issue Standby Notifications and/or Activation Notices to the Participant under the DR3 Contract or in respect of any one or more Settlement Account(s), in the place of the OPA. Standby Notifications and Activation Notices would be issued by the dispatcher with respect to such Settlement Account(s) in accordance with the parameters set out in the DR3 Contract, except that the methodology in determining whether to issue a Standby Notification and/or an Activation Notice to the Participant may not be the same or similar to the methodology used by the OPA with any other Participant under DR3.

## 5.2 Global and Local Supply Cushion Considerations

In determining the greatest value for demand reduction, the OPA will use various methodologies from time to time in connection with its decision of whether or not to issue Standby Notifications and Activation Notices. Participants are advised that the OPA currently intends to use the supply metrics and other factors set out below developed by the IESO as reflecting the OPA's current approach to evaluating the need for demand reduction, but that such metrics and factors are subject to change in real time subject to system conditions without notice to any Participants, may be subject to amendment or replacement by the OPA from time to time, and therefore may not be relied upon by the Participant for any purpose including calculating the likelihood or value of receiving Standby Notifications or Activation Notices with respect to any Contributor, Project, Settlement Account, or DR3 Contract Schedule under DR3. Moreover, there is no guarantee or assurance whatsoever that the OPA will issue Activation Notices for any given Settlement Account, within any given Season, and/or up to the Maximum Contract Hours for a DR3 Contract Schedule within any calendar year.

### 5.2.1 Forecasting the Appropriate Supply Cushion Threshold Level

While the Supply Cushion calculations set out in Section 5.2.2 below and the analysis of local area requirements in Section 5.2.3 below should provide the OPA with an excellent indication of value for both the Day Ahead and Day at Hand, additional forecasts are required in order to predict the future Supply Cushion and to properly allocate demand reduction resources to periods of greatest value.

Currently the OPA intends to use a forecast measure developed by the IESO known as "Reserve Above Requirement". This measure is published quarterly for each week during the relevant period of study and is used to support the IESO's quarterly 18-month outlook. The Reserve Above Requirement is calculated as follows:

$$\text{Reserve Above Requirement (\%)} = \frac{\text{Reserve Above Requirement (MW)}}{\text{Required Resources (MW)} + \text{Required Reserve (MW)}} \times 100$$

The Reserve Above Requirement (expressed in MW) is the system supply capability that exceeds the electricity supply necessary to meet system demand taking into account operating reserve requirements and the uncertainty of forecasts and other factors such as unplanned outages.

Since the pre-dispatch Supply Cushion is calculated from offer data that has been updated for unplanned outages and forecasts closer to real time, calculating the Reserve Above Requirement provides a reasonable proxy for the OPA to use in developing demand reduction targets for future Seasons.

#### *Adjusting the Dispatch Threshold to Meet Target Hours*

The Supply Cushion thresholds that are developed by the OPA through its analysis of the Reserve Above Requirement will allow the OPA to estimate how demand reduction hours will be allocated among the Seasons taking into account the demand reduction available from Participants in DR3.

The OPA will, on a monthly basis, compare the total number of Activation Hours against the forecasted number of Activation Hours under each of Option A and Option B in order to determine whether any adjustments need to be made to the Supply Cushion threshold going forward. In making its determination as to whether the Supply Cushion threshold should be adjusted, the OPA will take into account any discrepancies between the real time data and the data that was used in establishing the Supply Cushion target for the relevant period. For example, a change in the weather or the existence of unseasonable or extreme weather conditions will likely influence the OPA's decision making with respect to any adjustment to the Supply Cushion target.

Interested parties are advised that the weekly granularity of the Reserve Above Requirement analysis makes it difficult to manage different Supply Cushion thresholds for the 100 hour demand reduction resources available from Participants under Option A and for the 200 hour demand reduction resources available from Participants under Option B. Therefore, the OPA currently anticipates, subject to change, that the same Supply Cushion threshold may be used for all DR3 Contract Schedules irrespective of their designation as an Option A or an Option B DR3 Contract Schedule. As a result, DR3 Contract Schedules under Option A may reach their Maximum Contract Hours earlier than DR3 Contract Schedules reach their Maximum Contract Hours under Option B.

#### 5.2.2 Real-Time Supply Cushion

The proportion of available electricity supply, less the available electricity resources required to meet electricity demand and reserve requirements, is referred to as the "real-time supply cushion" or the "Supply Cushion". Among other factors, the OPA is expected to calculate the Supply Cushion to be able to target those 100 or 200 hours, as the case may be, where the reduction of demand has the greatest value to the Province.

For purposes of this Section 5.2.2, the Supply Cushion is calculated as follows:

$$\text{Supply Cushion}(\%) = \frac{EO - (ED + OR)}{ED + OR} \times 100$$

where,

EO = total amount of available electricity offered

ED = total amount of electricity demanded

OR = operating reserve requirements

The Supply Cushion at each of the following three different timeframes shall be determined by the IESO:

- (a) at the conclusion of the Day Ahead Predispatch of Record (PDofR), as defined by the IESO, for the next day's Day Ahead Window. This calculation of the Supply Cushion will be used to help the OPA determine whether a Standby Notification could be issued to one or more Participants in anticipation of the next Daily Schedule. If the PDofR is indicating shortfall hours during the next Daily Schedule that span greater than four consecutive hours, or if the Supply Cushion threshold is exceeded by more than the total number of Monthly Contracted MW for all Participants under DR3 in any one or more Settlement Accounts, then Open Standby Notifications may be issued by the OPA for the Day Ahead Window. If the PDofR indicates shortfall hours during the next Daily Schedule do not span greater than four consecutive hours, or if the Supply Cushion threshold is not exceeded by an amount greater than the total number of Monthly Contracted MW for all Participants under DR3 for any one or more Settlement Accounts, then Fixed Standby Notifications may be issued by the OPA for the Day Ahead Window for one or more Settlement Accounts; and
- (b) at the conclusion of the Day at Hand HE (hour ending) 7 run of the constrained Predispatch (PD) sequence, as defined by the IESO, for the Day at Hand Window. This calculation of the Supply Cushion will be used to determine whether a Standby Notification may be issued to one or more Participants to in anticipation of the Daily Schedule for that day. If the HE 7 PD is indicating shortfall hours during the Daily Schedule that span greater than four consecutive hours, or if the Supply Cushion threshold is exceeded by more than the total number of Monthly Contracted MW for all Participants under DR3 for any one or more Settlement Accounts, then Open Standby Notifications may be issued by the OPA for the Day at Hand Window. If the HE 7 PD is indicating shortfall hours during the Daily Schedule that do not span greater than four consecutive hours, or if the Supply Cushion threshold is not exceeded by greater than the total number of Monthly Contracted MW for all Participants under DR3 for any one or more Settlement Accounts, then Fixed Standby Notifications may be issued for the Day at Hand Window for one or more Settlement Accounts; and
- (c) at the conclusion of every run of the constrained PD sequence, at each hour on the Day at Hand starting from three hours prior to start of the Day at Hand Window until the last possible PD that

would allow an Activation Notice to be issued at least 2.5 hours in advance of the commencement of the relevant Activation Period. For example, for the Day at Hand Window of HE 17 through 21 in the Summer, the Supply Cushion calculation will be done under this paragraph 5.2.2(c) at each of the HE 14 and HE 15 runs of the PD to determine whether an Activation Notice is required.

### 5.2.3 Local Area Requirements

The OPA will also look to the specific needs of local areas in determining whether to issue Standby Notifications and Activation Notices under DR3. Local area requirements would use a similar methodology as the global Supply Cushion and would be intended to target those 100 or 200 hours, as the case may be, where the reduction of demand has the greatest value to the Province for that local area.

### 5.2.4 Managing Activation Hours

Participants will be responsible for managing the total number of Activation Hours for each of their DR3 Contract Schedules.

If the Participant has selected Option A with respect to a Settlement Account, the Participant should notify the OPA in writing, by 6:00 p.m. EST on the same day that the 90<sup>th</sup> hour has been or will be reached for the Settlement Account in the calendar year, if the Participant will participate with respect to that Settlement Account beyond the 100 Maximum Contract Hours of Option A; otherwise, the OPA may not issue Standby Notifications to the Participant once the 100 hours have been met. Similarly, if the Participant has selected Option B with respect to a Settlement Account, the Participant should notify the OPA in writing, by no later than 6:00 p.m. EST of the same day that the 190<sup>th</sup> hour has been or will be reached for the Settlement Account in the calendar year, if they will participate with respect to that Settlement Account beyond the 200 Maximum Contract Hours of Option B; otherwise, the OPA may not issue Standby Notifications to the Participant once the 200 hours have been met.

Despite the fact that the Participant does not wish to participate in DR3 for that Settlement Account beyond the Maximum Contract Hours of the DR3 Contract Schedule, the OPA may nevertheless continue to send Standby Notifications and Activation Notices, but the Participant shall no longer be required to comply with any Standby Notification issued in excess of the Maximum Contract Hours. However, if the Participant advises the OPA that it will participate beyond the 100 or 200 Maximum Contract Hours of the DR3 Contract Schedule, as the case may be, then the OPA may (but shall not be obligated to) continue to send Standby Notifications and Activation Notices and the Participant shall be required to comply with all subsequent Standby Notifications until the Settlement Account has been activated (i) an additional 7 times if the Maximum Contract Hours of the DR3 Contract Schedule for that Settlement Account is 100, or (ii) an additional 14 times if the Maximum Contract Hours of the DR3 Contract Schedule for that Settlement Account is 200, and the Participant will be considered to be entitled to certain compensation as set out in Section 7.0 – “Settlement and Payment”, but will also be subject to Performance Set-Offs and other remedies for non-performance pursuant to the DR3 Contract.

### **5.3 Availability Premiums and Availability Discounts**

As noted in Section 1.2, the OPA may, in its sole and absolute discretion and in consideration of changing system conditions and requirements from time to time, apply an adjustment to the Availability Rate, by way of an Availability Premium or Availability Discount, in relation to certain Designated Settlement Areas of the IESO-controlled grid in order to encourage or discourage development of demand reduction capacity in such Designated Settlement Areas, respectively. Those Designated Settlement Areas subject to an Availability Premium or an Availability Discount, and any Non-Participation Area(s), shall be identified on the Website from time to time.

The OPA reserves the right to redefine such Designated Settlement Areas from time to time as system conditions change, and to apply, withdraw, or modify any Availability Premium, Availability Discount and/or designation of Non-Participation Area(s); however, any such redefinition or other changes shall only impact those DR3 Contract Schedules that were, at the time that such redefinition or change was identified on the Website, not accepted by the OPA in accordance with the DR3 Program Rules, and shall not impact any DR3 Contract Schedules that were accepted by the OPA in accordance with the DR3 Program Rules at the time such redefinition or change was identified on the Website. For greater certainty, those Availability Premiums, Availability Discounts or Non-Participation Area(s) in effect as of the date of the OPA's acceptance of that DR3 Contract Schedule shall continue to apply to that DR3 Contract Schedule throughout the Schedule Term, and any Availability Premiums, Availability Discounts and designated Non-Participation Area(s) or changes thereto that are introduced after the date of the OPA's acceptance of that DR3 Contract Schedule will not be applied to the Availability Rates for that DR3 Contract Schedule.

The Participant must state the Monthly Contracted MW of each Settlement Account as part of its Application and M&V Plans for DR3 Contract Schedule(s). Availability Premiums and Availability Discounts will apply to a Designated Settlement Area where the Monthly Contracted MW for such DR3 Contract Schedule(s) in that Designated Settlement Area is at least 5.0 MW for Summer, at least 4.0 MW for the Winter, and at least 3.3 MW for each of the Shoulder Seasons, and the Monthly Contracted MW for such DR3 Contract Schedule(s) is capable of being Activated for that Settlement Account separately and independently of any other Settlement Account.

### **5.4 Performance Exemptions, Planned Non-Performance Events, Material Non-Performance Events, Performance Breaches and Buy-Downs**

#### **5.4.1 Performance Exemptions**

A Participant in DR3 shall be required to reply to Standby Notifications where required pursuant to Section 5.1 and shall be required to comply with Activation Notices received by it in respect of a Settlement Account, unless:

- (a) an Activation Notice has been issued for three consecutive Business Days for that Settlement Account and Activation has been provided by the Participant in accordance with the Activation Notices. For greater certainty, on the third and each subsequent consecutive Business Day of

Activation, the Participant must confirm in writing to the OPA by 6:00 p.m. EST its intent to participate on the fourth and each subsequent consecutive Business Day, as the case may be, failing which the Participant will be deemed to have advised the OPA that the Participant will not be available on the next Business Day. If the Participant has not provided such written notice by the deadline as set out in the previous sentence, the Participant may disregard without consequence any Standby Notification or Activation Notice that is received with respect to Activation of such Settlement Account for such fourth and subsequent consecutive Business Day, as the case may be; or

- (b) the Participant has provided the OPA with prior notice, as required under Section 5.4.2, that it will be experiencing a Planned Non-Performance Event for that Settlement Account during the relevant period of time; or
- (c) a Planned Non-Performance Event for that Settlement Account has occurred as contemplated in Section 5.4.2; or
- (d) the Participant has been Activated with respect to that Settlement Account for the Maximum Contract Hours and, pursuant to Section 5.2.4, does not wish to participate in respect of that Settlement Account beyond the Maximum Contract Hours.

#### 5.4.2 Planned Non-Performance Events

Each Participant will be permitted to use Planned Non-Performance Events in accordance with the applicable criteria set out below, provided that the Participant notifies the OPA in writing of such Planned Non-Performance Event in a form and manner acceptable to the OPA and including the MW reduction from the Baseline, no later than a time to be specified by the OPA on the Business Day prior to the day of a Single Day Planned Non-Performance Event, and 12:01 a.m. (EST) on the fifth Business Day prior to the first day of an Extended Period Planned Non-Performance Event.

Such notice shall be irrevocable and may not be withdrawn by the Participant once given to the OPA. For greater certainty, a Planned Non-Performance Event must relate to an entire Settlement Account, even though that Settlement Account may in fact be composed of one or more Contributors, some of whom in fact would otherwise have been able to Curtail.

The Participant, whether an Aggregator or a Direct Participant, may take one Extended Period Planned Non-Performance Event per Settlement Account per calendar year, if the M&V Plan includes a request for such Extended Period Planned Non-Performance Event together with reasonable evidence in writing satisfactory to the OPA that the Extended Period Planned Non-Performance Event is for the purpose of regularly scheduled maintenance activities and at least 75% of the Participant's Monthly Contracted MW for that Settlement Account has taken such Extended Period Planned Non-Performance Event in each of the previous two calendar years. If an Extended Period

Planned Non-Performance Event is used by the Participant and has ended earlier than expected, the Participant shall deliver a notice in writing to the OPA confirming when such Planned Non-Performance Event has ended, but in such circumstance, the Participant shall not be entitled to use as a performance exemption at any subsequent time in the calendar year any days that had not been used in that Extended Period Planned Non-Performance Event.

The Participant may take Single Day Planned Non-Performance Events per Settlement Account in a calendar year, on the following basis:

- (a) a Participant who is an Aggregator may take one Single Day Planned Non-Performance Event per calendar year; or
- (b) a Participant who is a Direct Participant may take one or more Single Day Planned Non-Performance Event(s) per calendar year, if the M&V Plan includes a request for such Single Day Planned Non-Performance Event(s) and identifies the Project(s) that resulted in the request for the Single Day Planned Non-Performance Event(s), together with reasonable evidence in writing acceptable to the OPA that:
  - (i) the number of requested Single Day Planned Non-Performance Events are reasonable based upon the number of Planned Outage days that were taken on Business Days during the previous calendar year; and
  - (ii) such maintenance days resulted in a production equipment shutdown equivalent to a minimum of 75% of the Monthly Contracted MW in that calendar month in respect of the Settlement Account, and such shutdown occurred during a portion of the period in which (A) the Hours of Availability, or (B) the applicable period assessed for purposes of Not Fully Available for Curtailment, would have occurred,

provided that the Participant may request additional Single Day Planned Non-Performance Events subject to the approval of the OPA in its sole discretion.

#### 5.4.3 Material Non-Performance Events

A Material Non-Performance Event is defined as an event in relation to a given Settlement Account where:

- (a) the average Confirmed MW over all hours in the Contracted Dispatch Period where the Participant has been Activated for that Settlement Account is less than 75% of the Monthly Contracted MW for that Settlement Account; or
- (b) the Actual Activated MWh for any hour in an Activation Period for that Settlement Account is less than 75% of the Activation MW multiplied by one hour, provided that for purposes of determining a Performance Breach under Section 5.4.4, no more than one Material Non-Performance Event will be counted per Activation Period. Notwithstanding the foregoing, if the

Participant is an Aggregator, the reference to “75%” in this Section 5.4.3(b) shall refer to “60%” if the Aggregator’s Summer Monthly Contracted MW for the Settlement Account is under 10.0 MW; or

- (c) If a Participant who is an Aggregator, with respect to any given Activation, has failed to send activation notices to a sufficient number of its Contributors such that the sum of the stated contributions to the Monthly Contracted MW of each such Contributor (as set out in the M&V Plan) who received an activation notice from the Participant is less than the Confirmed MW, then the amount of Confirmed MW shall be automatically reduced to an amount equal to the sum of the stated contributions set out in the M&V Plan to the Monthly Contracted MW of each Contributor that did receive an activation notice from the Participant with respect to such Activation, unless such reduction will result in a lower Availability Set-Off and/or Utilization Set-Off than would result if such reduction did not occur. In addition, such failure shall also be considered a Material Non-Performance Event and the reduced amount of Confirmed MW may result in a Performance Set-Off.

#### 5.4.4 Performance Breaches

A Performance Breach is defined in relation to a given Settlement Account as:

- (i) the occurrence of the third Material Non-Performance Event for that Settlement Account in a given calendar year; or
- (ii) the Actual Activated MWh in the calendar year to the date of such determination divided by the sum of the Activation MW for each hour that the Participant was Activated in the calendar year to the date of such determination for that Settlement Account is less than 90%; or
- (iii) the weighted average, over all Confirmed Hours in the calendar year to the date of such determination, of the Confirmed MW for the Contracted Dispatch Period divided by the Monthly Contracted MW for that Settlement Account is less than 90%; or
- (iv) the failure of the Participant to provide to the OPA a complete set of weekly data for a Settlement Account by the fourth week after the deadline, as required pursuant to Section 7.4.5; or
- (v) the failure to cure a Contributor Loss in accordance with the DR3 Contract after the Contributor Loss Cure Period expires.

For greater certainty, each Performance Breach shall be evaluated using the most up-to-date meter data aggregated from all DR3 Contract Schedules in that Settlement Account. While the number of Material Non-Performance Events for a Settlement Account is reset to zero upon the first day of each calendar year, Performance Breaches are

cumulative to, and shall be applied to, all DR3 Contract Schedule(s) in that Settlement Account over the Schedule Term.

In the event of the first Performance Breach in the Schedule Term for that Settlement Account, and without limiting any other remedies available to the OPA, the Availability Payment for all of the DR3 Contract Schedules in that Settlement Account for the Contract Month following the month in which the Performance Breach occurred shall be deemed to be zero (unless the Performance Breach occurs in the last month of any Schedule Term in which case the total Availability Payment for the Contract Month in which the Performance Breach occurred shall be deemed to be zero in relation to that Settlement Account). Notwithstanding the foregoing, the Participant shall not be excused from continuing to comply with any of its obligations under all of the DR3 Contract Schedules under that Settlement Account, as if such Performance Breach had not occurred. The Participant and OPA shall use reasonable efforts prior to the end of the M&V Review Period to agree on the necessary remedial action as a result of the Performance Breach; however, failing such agreement by the end of the M&V Review Period, all of the DR3 Contract Schedules for that Settlement Account shall be terminated.

In the event that there is a second Performance Breach in the Schedule Term for that Settlement Account, and without limiting any other remedies available to the OPA, the Availability Payment for all of the DR3 Contract Schedules in that Settlement Account for the Contract Month following the month in which the Performance Breach occurred shall be deemed to be zero (unless the Performance Breach occurs in the last month of any Schedule Term in which case the total Availability Payment for the Contract Month in which the Performance Breach occurred shall be deemed to be zero in relation to that Settlement Account), and the OPA reserves the right to pursue another M&V Review Period or, at its sole option and without limiting any other remedies it may have, terminate all of the DR3 Contract Schedules in that Settlement Account.

If there is a third Performance Breach for that Settlement Account, and without limiting any other rights or remedies available to the OPA, the OPA at its sole option may terminate all of the DR3 Schedules in that Settlement Account; or terminate the entire DR3 Contract with all DR3 Schedules in all Settlement Accounts and, at the OPA's further option, all other DR3 Contracts between the Participant and the OPA, and the Availability Payment for all of the DR3 Schedules in that Settlement Account for the Contract Month in which the Performance Breach occurred shall be deemed to be zero. In addition, the OPA may be paid, as of the effective date of such termination, an early termination payment from the Participant in relation to all such DR3 Schedules so terminated.

Moreover, the Participant shall be prohibited from entering into any other demand response contracts or schedules (including any further DR3 Contracts or DR3 Schedules) under any new or existing demand response or load shifting programs with the OPA for a period of two (2) years from the date of such any termination pursuant to this Section 5.4.4.

#### 5.4.5 Buy-Downs

Where an event occurs which reduces the Project's ability to Curtail, and such event was not caused by the Participant, and either such event or the results thereof could not have been prevented by the Participant using Commercially Reasonable Efforts (as defined in the DR3 Contract), the Participant shall have one opportunity in the Schedule Term (i) to reduce the Monthly Contracted MW to a number of MW that is not less than 5.0 MW, or to reduce it entirely to 0 MW; and/or (ii) to designate from one to three Daily Schedules per week to be excluded from the days on which the Participant is required to be available to participate (such reductions are referred to as "**Buy Downs**"). To obtain a Buy-Down, Participants will be required to pay a Buy Down Amount (Monthly Contracted MW) or Buy Down Amount (Hours of Availability), as applicable. Interested parties are referred to Section 3.3 of the DR3 Contract for further information.

## **6.0 MEASUREMENT & VERIFICATION PLAN REQUIREMENTS**

### **6.1 Overview**

6.1.1 As noted in Section 3.1.1(c), the Participant must submit an M&V Plan for each Settlement Account which:

- (a) describes the data acquisition procedure and the analytical methodology that will be used by the Participant to determine the delivery of Curtailment by the Project; and
- (b) is reviewed and approved by the OPA.

For greater certainty, if a Participant maintains Projects in multiple Settlement Accounts, then each such Settlement Account must have its own M&V Plan.

6.1.2 The Participant must submit a revised and replacement M&V Plan with any Application for a DR3 Contract Schedule for a Settlement Account in which the Participant already has one or more Projects.

6.1.3 The M&V Plan should be simple, easy to understand and implement, and provide predictability and consistency. The measurement and verification methodology should be accurate and verifiable.

6.1.4 The Direct Participant shall at no time modify, vary, or amend in any material respect any of the features or specifications of any Project, and (ii) an Aggregator shall not (a) consent to a Contributor modifying, varying, or amending in any material respect any of the features or specifications of any Project, or (b) add, delete or substitute any Contributor Contract (other than as a result of a Contributor Loss) to any such Project during its respective Schedule Term without the Direct Participant or the Aggregator first notifying the OPA in writing, providing all information and documentation required by the OPA including a proposed revised replacement M&V Plan, and obtaining the OPA's prior written approval to such Project Amendment including the replacement M&V Plan, which approval may not be unreasonably withheld.

6.1.5 The OPA shall have the right, at any time and from time to time, to verify and audit all technical, financial, and operational data and systems for the Project and for any Contributor, and to visit Contributor and/or Participant site(s) to ensure that there is no Project Amendment that has not been consented to as required in Section 6.1.4. Without limiting the generality of the foregoing, a Participant who is an Aggregator shall maintain a record of activation notices sent to its Contributors specifying the start and stop times and dates of Activation as well as a record of Contributor Contracts demonstrating the eligible portion of the Monthly Contracted MW that the Contributor is providing to the Participant under DR3. If a Participant who is an Aggregator, with respect to any given Activation, has failed to send activation notices to sufficient of its Contributors such that: (i) the sum of the stated contributions set out in the M&V Plan to the Monthly Contracted MW of each such Contributor receiving an activation notice from the Participant exceeds (ii) the Confirmed MW, then notwithstanding anything to the contrary and without limiting any other rights or remedies available to the OPA, the amount of Confirmed MW shall be automatically reduced to total the

sum of the stated contributions set out in the M&V Plan towards the Monthly Contracted MW of each such Contributor that did receive an activation notice from the Participant.

## **6.2 Submission and Approval of the M&V Plan**

6.2.1 The process of submitting an M&V Plan for approval is as follows:

- (a) The Participant must submit, with its Application, only one proposed M&V Plan for each Settlement Account. For greater certainty, a Settlement Account may contain more than one Project.
- (b) The OPA will review the proposed M&V Plan for compliance with the DR3 Program Rules, and the Participant acknowledges that requests for additional information will be issued by OPA, as required.
- (c) The OPA will notify the Participant whether the M&V Plan is approved or whether the M&V Plan is rejected. For each M&V Plan accepted by the OPA, the OPA will issue a 20-character alphanumeric summary identification number, or such other unique identification number, which will represent the Settlement Account to which the M&V Plan relates.
- (d) After the acceptance of any M&V Plan, if at any time there is a proposed Project Amendment as described in Section 6.1.4, or if a new DR3 Schedule is added to this DR3 Contract, or if there are any proposed amendments or modifications to a Project's Measurement & Verification Plan, then the Participant shall submit a revised and replacement M&V Plan for the applicable Settlement Account in a timely manner for review and acceptance by the OPA, and the Participant acknowledges that no such proposed amendment or modification to a Project's Measurement & Verification Plan shall be effective without the prior written acceptance of the OPA. In addition, and without limiting the generality of the foregoing, a Participant that is an Aggregator must submit a revised M&V Plan for all DR3 Schedules in each Contract Month in the Ramping Period, and whenever there is any change to the list of Contributors, subject to receipt of the prior written approval of the OPA in relation to such change in the list of Contributors.
- (e) The Participant may send proposed M&V Plans to the OPA for review by the OPA from time to time.

## **6.3 M&V Plan Information**

6.3.1 The content of M&V Plan submission must also conform to the following requirements:

- (a) Each M&V Plan submission shall be complete.

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- (b) Each Participant must supply sufficient information in order for the OPA to review the M&V Plan, including the following:
- (i) the names, telephone numbers, and e-mail addresses of the Participant's contact person(s) with respect to the M&V Plan; and
  - (ii) a description of the Project; and
  - (iii) proposed DR3 Contract Schedules and references to a Settlement Account; and
  - (iv) a description of how the Curtailment will reduce demand on the IESO-controlled grid, directly or indirectly; and
  - (v) a description of the physical location, names and description of the Contributor included; and
  - (vi) a single line diagram (SLD) if specifically requested by the OPA and whenever, in the discretion of the OPA, the Load can be transferred to another source that is not set out in the M&V Plan; and
  - (vii) a declaration of transferability of the Load, being a declaration of whether the Load can be transferred to another source that is not set out in the M&V Plan; and
  - (viii) for Direct Participants, two years of historical data to support any request for a Extended Period Planned Non-Performance Event and to support justification of the capacity of each Contributor to the Project to provide its portion of the Monthly Contracted MW; and
  - (ix) for Aggregators, at least one year of historical data to support justification of the capacity of each Contributor to the Project to provide its portion of the Monthly Contracted MW, together with a nine month forecast, corresponding to the Ramping Period, of the portion of the Monthly Contracted MW relating to each Contributor; and
  - (x) with respect to each Contributor (whether to an Aggregator or a Direct Participant):
    - A. meter type, model and version; and
    - B. meter reference number (badge); and
    - C. utility reference number or OPA reference number (where appropriate); and
    - D. brief description of the Interruptible Load or Behind the Meter Generator measured; and
    - E. feeder number (where appropriate); and
    - F. seal expiry date(s); and
    - G. confirmation of ability to deliver Interval data; and
    - H. instrument transformer information, including model numbers, Measurement Canada approval references, ratios, accuracy; and
    - I. commissioning report (signed); and

- J. routine test plan when requested by the OPA, including meter spot checks, instrument transformer ratio tests, and data reconciliation.

The Participant shall note within the M&V Plan, per Contributor, where some portion of the required information is not readily available and reasonable efforts have been undertaken to secure such information, and shall be subject to acceptance or rejection at the sole and absolute discretion of the OPA.

- (c) The OPA will use one or more summary meter(s) as part of its settlement tools with respect to a Settlement Account. The OPA will:
- (i) map all meter point data streams to the Settlement Account such as channels 1 and 3 or equivalent channel numbers; and
  - (ii) issue site registration reports (SRR) to the Participant for signature and confirmation of their acceptance of the settlement map.

Not all combinations of meter data submission will be allowed by the OPA. Direct Participants who participate in the Ontario wholesale electricity markets will be considered by the OPA to have Class 1 meter data, Aggregators will be considered by the OPA to have Class 2 meter data, and Direct Participants who participate in the Ontario retail electricity markets will be considered by the OPA to have Class 3 data, and the allowable forms and combinations of meter data submission with respect to a Settlement Account will be as follows:

- one and only one of Class 1<sup>n</sup>, Class 2, or Class 3<sup>n</sup> meter data; and
  - Class 1<sup>n</sup> and Class 3<sup>n</sup> which may be aggregated meter data, where 1<sup>n</sup> means Class 1 meter data from 1 to n sources.
- (d) The following additional principles shall apply to the development and evaluation of the M&V Plan:
- (i) measurement error correction of the data is not permitted; and
  - (ii) loss adjustment of metering data is not permitted; and
  - (iii) all load reductions must be metered using wholesale or retail revenue meter or sub-meters and complying with Measurement Canada standards; statistical methods, operational meters, SCADA (supervisory control and data acquisition) and other non-meter means are not permitted.

## 6.4 M&V Baseline Methodology

Curtailement will be calculated for each applicable hour as the difference between the Project's calculated Baseline and the Project's measured consumption (or net production) of electricity, and shall be as set out below for different types of Contributors, namely Interruptible Loads of Direct Participants, Interruptible Loads of Aggregators, and Behind the Meter Generators, as applicable, and subject to adjustment in accordance with Section 6.5.

### 6.4.1 Direct Participant Interruptible Load

The Baseline for a Contributor that is an Interruptible Load in a Settlement Account for a Direct Participant shall be determined as follows:

- (a) The OPA shall calculate a Baseline for each and every Confirmed Hour of an Activation.
- (b) To allow the OPA to determine the Baseline, Settlements, Performance Set-Offs, Material Non-Performance Events and Performance Breaches, the Participant must submit to the OPA retail revenue meter data for all calendar days from and including Saturday to Friday of a week ending Friday, by 3:00 p.m. (EST) on the first Business Day of the following week. Meter data shall comprise a single feed (of one or more channels as required by the OPA) of validated raw data (V0), and shall include a feed of validated, edited, and estimated (VEE) data (V1) if the raw data requires edits for each retail revenue meter that contributes to a Settlement Account. The Participant shall indicate which Intervals have been edited or estimated and the reasons why. Revisions to the metering data – called V2 metering data – can be submitted to the OPA after the submission of the weekly meter data, provided it is received by 3:00 p.m. (EST) on the last Business Day of the month following the month to which the data relates. VEE shall be in accordance with the Market Rules. Meter data must be a CSV (comma separated values) file in engineering units, and the unit of measurement is kWh delivered. Where the revenue meter is bi-directional, as required for Behind the Meter Generators, the unit of measurement shall be net kWh delivered, calculated as kWh delivered less kWh received. Metering data must also be in MV90 format in setting out the date and time and use kWh, in the format of “YYYY/MM/DD, HH:MM, kWh”. As an example the format would be expressed as “2007/07/09, 11:05, 833.1”.
- (c) Baseline hour calculation:
  - (i) The Baseline calculation shall be based on Business Days, excluding any Business Day in respect of which:
    - A. the Interruptible Load in a Settlement Account underwent a Planned Non-Performance Event; or

- B. the Participant claimed an “Outage Day” for a Settlement Account, being a Business Day in respect of which: (i) the Participant did not receive a Standby Notification or an Activation Notice by the required deadlines for the Settlement Account, (ii) the Interruptible Load, in whole or in part, underwent an Outage (including, for greater certainty, a Planned Outage or a Forced Outage), (iii) the Participant notified the OPA in writing as part of its weekly metered data submission that the Participant has claimed such Business Day to be an Outage Day. For purposes of the Baseline calculation, the Participant may not claim more than one Outage Day per week to a maximum of five per Contract Month; or
- C. the OPA issued an Activation Notice; or
- D. the Participant has responded to the OPA with a Confirmation Notice for less than the Monthly Contracted MW and/or the Contracted Dispatch Period. For greater certainty, although such Business Day will be excluded for purposes of the calculation of the Baseline, the Participant will nevertheless be subject to any applicable Performance Set-Offs and other rights or remedies available to the OPA.

For greater certainty, a Business Day shall not be excluded by reason of the participation of a Project in any other demand response or generation program or other programs or initiatives (whether or not created or administered by the OPA) that is implemented, administered, or supported by the IESO, the OPA or any branch or agency of the federal, provincial, or municipal government, or a LDC that is not prohibited under the DR3 Contract.

Any Business Day that has not been excluded in accordance with the above-noted rules will be considered a “**Suitable Business Day**”.

- (ii) The Baseline value for any Confirmed Hour of an Activation shall be the average of the highest fifteen (15) values for the same hour as those of the Activation, in the last twenty (20) Suitable Business Days prior to the Activation.
- (iii) The Baseline calculation for any Confirmed Hour of an Activation shall go back to a maximum of thirty-five (35) Business Days prior to the day of the Activation to establish twenty (20) Suitable Business Days.
- (iv) If there are insufficient Suitable Business Days within the previous thirty-five (35) Business Days from which to establish a Baseline, then the OPA may elect to utilize only

available Suitable Business Days within the previous thirty-five (35) Business Days. If the Baseline established in accordance with the rules set out in this section, including the rule set out in the previous sentence, is determined by the OPA to be unsuitable, then the OPA may direct the Participant to propose an alternative methodology for calculating the Baseline for that Activation which shall be subject to OPA approval.

#### 6.4.2 Aggregator Interruptible Load

The Baseline for a Contributor that is an Interruptible Load in a Settlement Account for an Aggregator shall be calculated as set out in Section 6.4.1, with the exceptions that:

- (a) Meter data shall comprise a single feed (of one or more channels as required by the OPA) of validated, edited, and estimated (VEE) data (V1) for all Contributors to each Settlement Account. This V1 data shall be submitted to the OPA for all calendar days Saturday to Friday of a week ending Friday, by 3:00 pm (EST) on the first Business Day of the following week. On a monthly basis, the Aggregator shall submit to the OPA all Interval (V0) data and Interval meter data (VEE) for each Contributor, referencing any required Confirmation sent by the Aggregator and the associated Settlement Account, by 3:00 p.m. (EST) on the last Business Day of the month following the month to which the data relates. Meter data must be raw data and VEE data in a CSV (comma separated values) format. The Aggregator shall indicate which intervals have been edited or estimated and the reasons why. Revisions to the metering data – called V2 metering data – can be submitted to the OPA after the submission of the weekly meter data, provided it is received by 3:00 p.m. (EST) on the last Business Day of the month following the month to which the data relates. VEE shall be in accordance with the Market Rules; and
- (b) The Aggregator shall submit by 3:00 p.m. (EST) on the last Business Day of the month following the month to which the data relates, a log, by Settlement Account, of each Contributor that was requested by the Aggregator to Curtail, the date and time of the request, duration of request, amount (in MW) of such request, and the Contributor’s name. Failure to deliver a full and completed log as required may result in the OPA exercising its rights under Section 9.2.1(a); and
- (c) Section 6.4.1(c)(i)(B) does not apply.

#### 6.4.3 Behind the Meter Generator

The Baseline for a Contributor or Contributors that are a Behind the Meter Generator shall be based on the following considerations:

- (a) where a Project consists entirely of Non-Submetered Generators, then the Baseline shall be established as per Section 6.4.1 except the term “Interruptible Load” therein is replaced by the term “Non-Submetered Generator”, as applicable; or

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- (b) where a Project consists entirely of Sub-Metered Generators, then such Baseline shall be established as per Section 6.4.1 except that in 6.4.1(c)(ii), the word “highest” shall be replaced with the word “lowest”, the term “Interruptible Load” therein is replaced by the term “Sub-Metered Generator”; or
  - (c) where a Settlement Account consists of multiple installations comprised of a mixture of Interruptible Loads, Non-Submetered Generators, and/or Sub-Metered Generators, then the Baseline shall be established as in Section 6.4.1 using the sum of the meters involved, but respecting the exclusion of Section 6.4.1(c)(i)(B) as applicable. However, when assessing for performance, electricity used by the Interruptible Load or the Load in which the Behind the Meter Generator is embedded shall be assigned a positive value, and the Generator Output of a Sub-Metered Generator or electricity injected into the IESO-controlled grid or Local Distribution System as may occur from time to time from a Non-Submetered Generator shall be assigned a negative value.

## 6.5 Baseline Adjustment Methodology

Each of the Baseline calculations set out in Sections 6.4.1, 6.4.2, 6.4.3(a) and 6.4.3(c) above, as applicable, shall be adjusted automatically for any Settlement Account where a Participant can justify within their M&V Plan, the need for such adjustment due to a significant portion of the Curtailment in the Settlement Account being heavily influenced by weather, and in accordance with the following principles:

- (a) Baselines shall be adjusted using the measured demand prior to the Curtailment hour;
- (b) The Baseline calculation shall be adjusted in accordance with the following:
  - (i) for the 15 of the 20 Suitable Business Days prior to the Curtailment Hour, apply the Baseline methodology referred to in the appropriate Section 6.4.1, 6.4.2, 6.4.3(a) or 6.4.3(c) to determine the average of the same four hours prior to the Curtailment hour (BSL1) and the measured four hours prior to the actual Curtailment hour (“**Avg4**”); and
  - (ii) determine the difference (“**Diff**”), if positive, between Avg4 and the calculated unadjusted baseline (“**BSL1**”) (i.e.,  $\text{Diff} = \text{Avg4} - \text{BSL1}$ ). If Diff is a negative value or equal to zero, then there shall be no adjustment to the Baseline and Section 6.5(b)(iii) shall not be applicable; and
  - (iii) add 80% of Diff to BSL1 for each Curtailment hour of the Activation (e.g., HE 14 = BSL14 plus 80% of Diff).

## 6.6 Timely Delivery of Meter Data

Without the timely receipt of meter data by the OPA, Baseline development, determination of payments, Performance Set-Offs, and other metrics cannot be determined as required under DR3. Where a complete set of weekly data for a Settlement Account is not received by the OPA by 3:00 p.m. (EST) on the first Business Day of the following week, the Meter Data Set-Off set out in Section 7.4.5 shall apply.

## 7.0 SETTLEMENT AND PAYMENT

### 7.1 Settlement Issues

All Settlements under the DR3 Contract shall be prepared by the OPA based on the OPA's compensation rates offered under DR3, the Participant's meter data, and Settlement calculations summarized within this section of the DR3 Program Rules and Baseline calculations in Section 6.0 – "Measurement & Verification Plan Requirements". Applicants are directed to Exhibit E of the DR3 Contract for details as to the Settlement calculation. In the event of a discrepancy between a Participant's calculations of Settlement amounts and those of the OPA, then the Settlement calculation of the OPA shall, subject to the Participant's right to dispute same pursuant to the DR3 Contract, be considered to be correct. Without limiting the generality of the foregoing, all DR3 Contract Schedules shall be settled according to the OPA's calculations in each Settlement Account.

To the extent that a Participant has multiple DR3 Contract Schedules in a given Settlement Account, all such DR3 Contract Schedules must all be for the same Option, i.e. whether Option A or Option B, and all such DR3 Contract Schedules shall be aggregated for Settlement purposes. Where the Availability Rate, Utilization Rate, Availability Premium, Availability Discount, Performance Set-Off or other amount applicable to any DR3 Contract Schedules with respect to a Settlement Account is different, then such amount shall be calculated based on the weighted average of such amount as weighted by the Monthly Contracted MW for each such DR3 Contract Schedule.

Participants who disagree with any Settlement or calculation will be entitled to challenge the calculation using the dispute resolution provisions to be referenced in the DR3 Contract, which will initially allow the issue to be resolved. However, in the event that the dispute cannot be resolved within a set period of time, then the matter will become subject to the applicable dispute resolution provisions to be referenced in the DR3 Contract.

### 7.2 Availability Payments for Delivery and Over-Delivery

#### 7.2.1 Availability Payment

Participants shall receive a monthly Availability Payment for each Settlement Account. A Participant's Availability Payment for a given Settlement Account for a given Contract Month shall be calculated as follows:

$$\text{Availability Payment}[\$] = \sum_{A=1}^{A=month} (\text{Monthly Contracted MW [MW]} \times \text{Adjusted Availability Rate } [\$/\text{MW}])$$

Where "A" represents each Hour of Availability in a Contract Month.

#### 7.2.2 Availability Over-Delivery Payment

In addition to the Availability Payment set forth above, a Participant will also be entitled to receive an Availability Over-Delivery Payment for each hour in a Contract Month that the Participant is available to "Over Deliver" in respect of an Open Standby Notification (i.e. that its Confirmed MW and/or Confirmed Hours will exceed its

Monthly Contracted MW and/or its Contracted Dispatch Period, respectively, for a given Settlement Account). For greater certainty, no Availability Over-Delivery Payment shall be payable in respect of any over-delivery that may be stated by a Participant in response to a Fixed Standby Notification.

A Participant's Availability Over-Delivery Payment for a Settlement Account for a Contract Month shall be calculated as follows:

$$\text{Availability Over-Delivery Payment}[\$] = \sum_{A=1}^{A=month} (\text{Confirmed MW} - \text{Monthly Contracted MW}) \times \text{Availability Over-Delivery Rate } [\$/\text{MW}]$$

where "A" represents each of the Hours of Availability in the Contract Month where the Confirmed MW exceeded the Monthly Contracted MW, and the Availability Over-Delivery Payment shall not be less than zero. Note that the number of Confirmed MW in the formula above will be limited to the lesser of (A) the Monthly Contracted MW plus 15 MW and (B) 130% of the Monthly Contracted MW.

For greater certainty, a Participant shall continue to be entitled to Availability Over-Delivery Payments for a Settlement Account after the 100 or 200 Maximum Contract Hours of DR3 Contract Schedule(s) in that Settlement Account is exceeded, but only for the Confirmed MW in excess of the Monthly Contracted MW set out in the DR3 Contract Schedule and only until and including such time that the Settlement Account has been Activated an additional 7 times within the calendar year if the Maximum Contract Hours is 100, and an additional 14 times if the Maximum Contract Hours is 200.

### 7.3 Utilization Payment

In addition to the Availability Payment in Section 7.2, Participants shall also be entitled to receive Utilization Payments for the Actual Activated MWh relating to each Settlement Account. The Utilization Payment for all Intervals in all Activation Periods in a Contract Month "m" shall be calculated as follows:

$$\text{Utilization Payment}[\$] = \left( \sum_{AP=1}^{AP=m} \text{Actual Activated MWh } [\text{MWh}/\text{Interval}] \right) \times \text{Utilization Rate } [\$/\text{MWh}] - \text{Net Generation Recapture}$$

where "AP" represents each Activation Period in the Contract Month. Refer to the definition of "Actual Activated MWh" which notes that the amount of Actual Activated MWh shall not exceed: (i) the product of the Activation MW and the Activation Period, plus (ii) the lesser of (A) an additional 15% of the Activation MW per hour of the Activation Period, or (B) 15 MWh per hour of the Activation Period.

For greater certainty, a Participant shall continue to be entitled to Utilization Payments relating to the Settlement Account after the 100 or 200 Maximum Contract Hours are exceeded, only until and including such time as the Settlement Account has been Activated an additional 7 times if the Maximum Contract Hours is 100, and an additional 14 times if the Maximum Contract Hours is 200.

Notwithstanding the foregoing, if and to the extent that any Contributor is a Behind the Meter Generator that is eligible pursuant to Section 2.1.2(a)(ii)(4)(A) and that provides net generation during the Activation Period, then the Utilization Payment will be reduced by the Net Generation Recapture, being an amount equal to the product of: (i) the Hourly Ontario Electricity Price up to a maximum of the Utilization Rate, and (ii) the MWh of such net electricity generated.

#### 7.4 Performance Set-Offs

The DR3 Contracts will be relied upon by the OPA when assessing adequacy, forecasting demand to dispatch resources, and for purposes of managing system performance. Consequently, Participants will be required to maintain a Reliability Rate of at least 95% for each and every Interval of an Activation Hour for each Settlement Account, and fulfil other requirements set out below, in order to avoid the imposition of Performance Set-Offs. For greater certainty, Performance Set-Offs may apply despite the fact that a Material Non-Performance Event or a Performance Breach has not occurred.

##### 7.4.1 Calculation of the Reliability Rate

The Reliability Rate with respect to such Interval “i” shall be calculated as follows:

$$\text{Reliability Rate}_i = \frac{\text{Actual Activated MWh (MWh per Interval)}}{\text{Activation MW} \times 1/12^{\text{th}} \text{ of an hour}} \times 100$$

The resulting Reliability Rate<sub>i</sub> shall not be permitted to exceed 100%.

For greater certainty, where more than one DR3 Contract Schedule is located in a given Settlement Account, then the Reliability Rate<sub>i</sub> set out above shall be calculated on the aggregate Actual Activated MWh and Activation MW of all DR3 Contract Schedules in that Settlement Account.

##### 7.4.2 Availability Set-Off

An Availability Set-Off for a given Settlement Account will be applied against the Availability Payment in one or more of the following circumstances:

- (a) where the Reliability Rate for a given Settlement Account is less than 95% during any Interval of an Activation Hour, or where the Participant is Not Fully Available for Curtailment, an Availability Set-Off (Reliability) for each such Activation Hour in the Activation Period shall be calculated as follows:

$$\text{Availability Set-Off(Reliability)} = \text{Performance Set-Off Factor} \times \text{Adjusted Availability Rate} \times \text{Monthly Contracted MW}$$

and thus dropping below a 95% Reliability Rate for any one or more Intervals in an Activation Hour results in an Availability Set-Off(Reliability) for the entire Activation Hour. The total Availability Set-Off (Reliability) under this Section 7.4.2(a) shall be the sum of the Availability Set-Off (Reliability) for each Activation Hour in the Activation Period. For certainty, the Availability Set-Off (Reliability) shall not apply where the Participant was not Activated during the Contract Month; and

- (b) where the Participant, regardless of Activation, has failed to deliver, or delivers late, a Confirmation that is required by the OPA pursuant to the DR3 Program Rules, an Availability Set-Off (Timely Confirmation) shall be calculated for each hour of the Contracted Dispatch Period as follows:

***Availability Set-Off(Timely Confirmation)*** = Performance Set-Off Factor x Adjusted Availability Rate x Monthly Contracted MW

and thus the sum of the Availability Set-Off (Timely Completion) for each hour of the Contracted Dispatch Period will be the set off; and

- (c) where the Confirmed MW is less than 95% of the Monthly Contracted MW for any Confirmed Hour of the Contracted Dispatch Period, then an Availability Set-Off (Low Confirmation) shall be calculated as the sum of the Availability Set-Off (Low Confirmation) for all such Confirmed Hours in the Contracted Dispatch Period, as follows:

***Availability Set-Off (Low Confirmation)*** = Performance Set-Off Factor x Adjusted Availability Rate x (Monthly Contracted MW – Confirmed MW)

and for greater certainty, the Availability Set-Off (Low Confirmation) will continue to be applied in respect of Confirmed Hours notwithstanding that the Actual Activated MWh may be equal to or greater than the Monthly Contracted MW on an Interval basis for each Interval in the hour. The total Availability Set-Off (Low Confirmation) shall be the sum of the Availability Set-Off (Low Confirmation) for each Confirmed Hour in the Contracted Dispatch Period.

Notwithstanding the foregoing, if more than one of the Availability Set-Offs set out in Sections 7.4.2 (a), (b), and (c) are applicable to a Settlement Account, then the highest Availability Set-Off shall be applied as the Availability Set-Off for purposes of this Section 7.4.2. In the event that the Availability Set-Off exceeds the Availability Payment, then such excess will be considered to be owing by the Participant to the OPA.

In addition to the foregoing, the DR3 Contract has a Planned Non-Performance Availability Set-Off (as defined in the DR3 Contract) that is calculated using two different formulas depending on whether the OPA sent any Activation Notices for the Settlement Account on the day in which such non-performance was in effect. Participants are directed to Section 4.3 of Exhibit E of the DR3 Contract for details as to this calculation.

The Planned Non-Performance Availability Set-Off also applies to the following events, which are, for the purposes of Exhibit E considered to be Single Day Planned Non-Performance Events:

- (a) a Business Day in which a Participant either declares a Forced Outage or experiences a Forced Outage (which, for greater certainty, includes a Forced Outage caused by an event of Force Majeure) during any portion of the Hours of Availability;
- (b) each Business Day where a Participant who is a Direct Participant experiences a Forced Outage (which, for greater certainty, includes a Forced Outage caused by an event of Force Majeure) during the four hours prior to receiving an Activation Notice, or during the 4 hours prior to Curtailment, as applicable, and does not recover from such Forced Outage before such applicable four hour period ends; and
- (c) each weekday selected for a Buy-Down of a Daily Schedule, to the extent that it falls on a Business Day.

For greater certainty, where a Participant who is an Aggregator experiences a Forced Outage (which, for greater certainty, includes a Forced Outage caused by an event of Force Majeure) during the four hours prior to Curtailment, such day shall not be considered to be a Single Day Planned Non-Performance Event nor eligible for Force Majeure relief under the DR3 Contract.

#### 7.4.3 Utilization Set-Off

In addition to the Availability Set-Off and the Planned Non-Performance Availability Set-Off in Section 7.4.2, a Utilization Set-Off will be applied to the Utilization Payment for each Settlement Account in each of the following circumstances:

- (a) where the Reliability Rate for a given Settlement Account is less than 95% during any Interval of an Activation Hour, a Utilization Set-Off (Reliability) with respect to that Activation Hour shall be calculated as follows:

$$\textit{Utilization Set-Off(Reliability)} = \text{Performance Set-Off Factor} \times \text{Utilization Rate/hr} \times \text{Monthly Contracted MW}$$

and the total Utilization Set-Off (Reliability) under this Section 7.4.3(a) shall be the sum of the Utilization Set-Off (Reliability) for each such Activation Hour in the Activation Period; and

- (b) where the Participant, regardless of Activation, has failed to deliver, or delivers late, a Confirmation that is required by the OPA pursuant to the DR3 Program Rules, a Utilization Set-Off shall be calculated for each hour of the Contracted Dispatch Period as follows:

$$\textit{Utilization Set-Off(Timely Confirmation)} = \text{Performance Set-Off Factor} \times \text{Utilization Rate} \times \text{Monthly Contracted MW}$$

and thus the sum of the Utilization Set-Off (Timely Confirmation) for each hour in the Contracted Dispatch Period will be the set off; and

- (c) where the Confirmed MW are less than the Monthly Contracted MW for a Confirmed Hour of a Contracted Dispatch Period, a Utilization Set-Off shall be calculated as follows:

$$\text{Utilization Set-Off (Low Confirmation)} = \text{Performance Set-Off Factor} \times \text{Utilization Rate} \times (\text{Monthly Contracted MW} - \text{Confirmed MW})$$

and the total Utilization Set-Off (Low Confirmation) shall be the sum of the Utilization Set-Off (Low Confirmation) for each Confirmed Hour in the Contracted Dispatch Period.

For greater certainty, this Utilization Set-Off (Low Confirmation) will continue to be applied in respect of Confirmed Hours notwithstanding that the Actual Activated MWh may be equal to or greater than the Monthly Contracted MW on an Interval basis for each Interval in the hour.

Notwithstanding the foregoing, if more than one of the Utilization Set-Offs set out in Sections 7.4.3 (a), (b), and (c) are applicable to a Settlement Account, then the highest Utilization Set-Off shall be applied as the Utilization Set-Off for purposes of this Section 7.4.3. In the event that the Utilization Set-Off exceeds the Utilization Payment for the Contract Month, then such excess will be considered to be owing by the Participant to the OPA.

7.4.4 Performance Set-Off Factors

Table 5 below sets out the Performance Set-Off Factors to be applied in connection with the Availability Set-Offs and Utilization Set-Offs set forth above.

**Table 5: Performance Set-Off Factors**

Performance Set-Off Factor	Circumstances in which the Performance Set-Off Factor is to be Applied
2.0	<ul style="list-style-type: none"> <li>• The Reliability Rate in any one or more Intervals is less than 95%; or</li> <li>• If a Confirmation is required and where the Participant has been Activated, the OPA has not received such Confirmation three or more hours prior to the commencement of the Activation Period to which the Standby Notification relates. Notwithstanding the foregoing, this bullet shall not apply to a Confirmation for more than the Monthly Contracted MW in response to an Open Standby Notification; or</li> <li>• The Participant has advised the OPA, less than three hours prior to the commencement of the Activation Period to which the Standby Notification relates, that the Participant is Not Fully Available for Curtailment; or</li> <li>• The OPA has determined that the Participant was Not Fully Available for Curtailment in relation to the Activation Period to which the</li> </ul>

	Standby Notification relates.
1.50	<ul style="list-style-type: none"> <li>• If a Confirmation is required and where the Participant has been Activated, the OPA has received such Confirmation more than 30 minutes late, but more than three hours prior to the commencement of the Activation Period to which the Standby Notification relates, <u>and</u> the Confirmed MW for any one or more Confirmed Hours within the Contracted Dispatch Period is less than 95% of the Monthly Contracted MW. Notwithstanding the foregoing, this bullet shall not apply to a Confirmation for more than the Monthly Contracted MW in response to an Open Standby Notification; or</li> <li>• The Participant has advised the OPA, three or more hours prior to the commencement of the Activation Period to which the Standby Notification relates, that the Participant is Not Fully Available for Curtailment.</li> </ul>
1.25	<ul style="list-style-type: none"> <li>• If a Confirmation is required, the OPA has received such Confirmation 30 minutes late or less. Notwithstanding the foregoing, this bullet shall not apply to a Confirmation for more than the Monthly Contracted MW in response to an Open Standby Notification; or</li> <li>• If a Confirmation is required, the Confirmed MW for any one or more Confirmed Hours within the Contracted Dispatch Period is less than 95% of the Monthly Contracted MW.</li> </ul>

#### 7.4.5 Meter Data Set-Off

In addition to the Availability Set-Off in Section 7.4.2 and the Utilization Set-Off in Section 7.4.3, a “**Meter Data Set-Off**” will be applied against the Availability Payment for a Settlement Account if a complete set of weekly data and proof any Forced Outages for that Settlement Account is not received by the OPA by 3:00 p.m. (EST) on the first Business Day of the following week. The amount of this Meter Data Set-Off shall equal to 20% of the Availability Payment for that Settlement Account, as pro-rated for that week in question. For each of the next two weeks that the full data remains undelivered to the OPA, the Meter Data Set-Off shall be 33%, then 50%, respectively, of such Availability Payment. Meter data not received by the fourth week after the deadline shall result in a Meter Data Set-Off of 100% of such Availability Payment, and shall also be considered to be a Performance Breach under Section 5.4.4(d).

#### 7.4.6 Not Fully Available for Curtailment

For the purposes of Sections 7.4.2 and 7.4.4, the Participant shall be evaluated to determine whether the Participant was Not Fully Available for Curtailment, either over the four hour period prior to Curtailment, or over the four hour period prior to receiving an Activation Notice, as set out in subparagraphs 7.4.6(a)(i) or 7.4.6(a)(ii) below. The Participant, with respect to a particular Settlement Account, and subject to the additional provisions set out below, shall be considered to be “Not Fully Available for Curtailment” under the following circumstances, as applicable:

- (a) for a Settlement Account that is composed of Contributors that are Interruptible Loads, or that is a mixture of Contributors that are Interruptible Loads and Non-Submetered Generators, if the capacity (in MW) of the Project's Interruptible Load, or the Load in which the Non-Submetered Generator is embedded (where such generators are available for use as part of a Participant's Curtailment), averaged over the four hour period prior to Curtailment or averaged over the four hour period prior to receiving an Activation Notice (as determined pursuant to subparagraphs 7.4.6(a)(i) or 7.4.6(a)(ii)), is found to be less than the product of 95% and the Monthly Contracted MW in effect for that Contract Month. For purposes of the previous sentence:
- (i) a Participant who is a Direct Participant shall be entitled to elect, in its DR3 Schedule for each Settlement Account, whether the Not Fully Available for Curtailment evaluation will be performed using the four hour period prior to Curtailment or the four hour period prior to receiving an Activation Notice; provided, however, that where the Direct Participant selects to be evaluated on the four hour period prior to Curtailment, the Participant's Interruptible Loads, or the Load in which any Non-Submetered Generator is embedded, shall not be permitted to increase beyond a level normally expected during any one hour of the four hour period prior to Curtailment when compared with similar periods of non-Curtailment days; and
  - (ii) notwithstanding the previous subparagraph 7.4.6(a)(i), a Participant who is a Direct Participant and also a Wholesale Market Participant with the IESO shall be assessed for purposes of determining Not Fully Available for Curtailment using the four hour period prior to receiving an Activation Notice; and
  - (iii) a Participant who is an Aggregator shall be assessed for purposes of determining Not Fully Available for Curtailment using the four hour period prior to Curtailment; or
- (b) for a Settlement Account that is composed of Contributors that are Sub-Metered Generators, with a Baseline established as per Exhibit B of the DR3 Contract, if the rated output capacity for such Sub-Metered Generators less the average generated MW from such Sub-Metered Generators over the four hour period of the Not Fully Available for Curtailment evaluation is less than the product of 95% and the Monthly Contracted MW in effect for that Contract Month for that Settlement Account; or
- (c) for a Settlement Account that is composed of a mixture of Interruptible Loads and Non-Submetered Generators set out in Section 7.4.6(a) as well as Sub-Metered Generators set out in Section 7.4.6(b), if the sum of the capacity calculations set out in Sections 7.4.6(a) and (b) (and for greater certainty, irrespective of whether the period of evaluation for purposes of Section 7.4.6(a) was that four hour period prior to Activation or that four hour period prior to an Activation Notice) is less than the product of 95% and the Monthly Contracted MW in effect for that Contract Month for that Settlement Account.
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The determination of Not Fully Available for Curtailment shall be subject to the following additional provisions, as applicable:

- (a) a Participant shall be excused from meeting the Not Fully Available for Curtailment requirement due to a Planned Non-Performance Event; and
- (b) where a Participant who is a Direct Participant experiences a Forced Outage (which, for greater certainty, includes a Forced Outage caused by an event of Force Majeure) during the four hours prior to receiving an Activation Notice, or during the 4 hours prior to Curtailment, as applicable, and does not recover from such Forced Outage before such applicable four hour period ends, then for purposes of Exhibit E of the DR3 Contract, such day shall be treated as a Single Day Planned Non-Performance Event. Where such Direct Participant recovers prior to the end of the applicable four hour period, then the Not Fully Available for Curtailment determination shall be performed as an average of those Intervals of actual operation during such four hour period that were not affected by the Forced Outage, or on another four hour period accepted by the OPA on the same day; and
- (c) where a Participant who is an Aggregator experiences a Forced Outage (which, for greater certainty, includes a Forced Outage caused by an event of Force Majeure) during the four hours prior to Curtailment, such Forced Outage shall not relieve the Participant from the determination of Not Fully Available for Curtailment, nor shall such day be considered to be a Single Day Planned Non-Performance Event, nor eligible for Force Majeure relief under the DR3 Contract; and
- (d) where the Direct Participant is also a Wholesale Market Participant, and;
  - (i) for the four hour period prior to receiving an Activation Notice, is fully dispatchable by the IESO and has actually submitted bid(s) for each Interval in such four hour period into the IESO administered markets for at least the Monthly Contracted MW at a price lower than the MMCP, then the Direct Participant shall be excused from meeting the Not Fully Available for Curtailment requirement; and
  - (ii) for any twelve (12) or more Intervals (whether consecutive or non-consecutive) within the four hour period prior to receiving an Activation Notice, is not fully dispatchable such that one or more bids were removed from the market, or have been accepted at a price equal to the MMCP, then the Direct Participant shall be assessed for the Not Fully Available for Curtailment in this Section 7.4.6.

## **7.5 Utilization and Availability Rates**

Table 6 below sets forth the initial Utilization and Availability Rates that the OPA is considering for in each of the Hours of Availability set out in Section 1.2, but which will be confirmed and updated on the Website from time to time pursuant to the DR3 Program Rules. In addition to the Utilization and Availability Rates set out below, the

OPA may specify certain Availability Premiums and Availability Discounts to be applied from time to time. The OPA may also from time to time, specify a Designated Settlement Area to be a Non-Participation Area where participation in DR3 by new DR3 Contract Schedules is not permitted.

**Table 6: Utilization and Availability Rates**

	Option A for 100 h			Option B for 200 h		
	95%					
Reliability Rate	95%					
Schedule Term [Years]	1	3	5	1	3	5
Availability Rate [\$ /MW]	35	50	65	40	60	80
Adjusted Availability Rate (Premium) [\$ /MW]	44	63	81	50	75	100
Adjusted Availability Rate (Discount) [\$ /MW]	18	25	33	20	30	40
Availability Over-Delivery Rate [\$ /MW]	10			10		
<b>Consecutive Hour of Utilization</b>	<b>Utilization Rate [\$ /MWh]</b>					
1	200					
2	200					
3	200					
4	200					
5	300					
6	300					
7	300					
8	300					
9	300					

The OPA reserves the right to make adjustments to the Utilization and Availability Rates from time to time in response to changing market conditions and such other factors as the OPA may determine in its sole and absolute discretion.

## 8.0 CONFIDENTIALITY

### 8.1 CONFIDENTIALITY REQUIREMENT

8.1.1 All information provided by or obtained from the OPA in any form in connection with DR3, either before and after the issuance of a DR3 Contract, is the sole property of the OPA and must be treated as confidential, and

- (a) is not to be used for any purpose other than applying to participate in DR3 and the performance by the Participant under the DR3 Contract; and
- (b) must not be disclosed without the prior written authorization of the OPA; and
- (c) shall be returned by the Applicant or Participant (as applicable) to the OPA immediately upon the request of the OPA.

8.1.2 The Applicant acknowledges that the confidentiality of any information provided by the Applicant or Participant (as applicable) will be maintained by the OPA except that:

- (a) the OPA will disclose the Applications and any other information required by the OPA in respect of DR3 or the DR3 Contract as the OPA shall determine from time to time in relation to DR3 and its other mandated activities, on a confidential basis to the OPA's counsel, consultants, advisors, and representatives, and including without limitation the OEB and the Ministry of Energy (Ontario); and
- (b) the OPA may make public the names of all Applicants and Participants; and
- (c) the OPA may publish aggregate data relating to DR3; and
- (d) where an order by the Office of the Information and Privacy Commissioner of Ontario, a court, or a tribunal requires the OPA to do otherwise; and
- (e) information provided by an Applicant or a Participant is subject to, and may be released in accordance with, the provisions of the *Freedom of Information and Protection of Privacy Act* (Ontario) ("FIPPA"). At the option of the Applicant, the Applicant will clearly indicate in a separate confidentiality statement, in a form included in the Application, those portions of the Application that contain proprietary or confidential information for which confidentiality is to be maintained by the OPA. In the event that no confidentiality statement is provided, the Applicant will be automatically deemed, by submission of the Application, to certify to the OPA that no portion of the Application contains proprietary or confidential information for which confidentiality is to be maintained by the OPA. Notwithstanding any confidentiality statement provided by the Applicant, the OPA may be required to disclose information which is provided to

the OPA by an Applicant or Participant and which is otherwise not protected from disclosure through an exemption in FIPPA or any other applicable legislation, regulation or policy. Applicants should not assume that such an exemption is available.

8.1.3 Notwithstanding the foregoing, a party receiving information under this Section 8.0 – “Confidentiality” shall not be required to maintain the confidentiality of any information that:

- (a) is or becomes generally available to the public without fault or breach on the part of the receiving party of any duty of confidentiality owed by that party to the other party or to any third party; or
- (b) the receiving party can demonstrate that it has rightfully obtained such information from a third party who had the right to transfer or disclose it to the receiving party free of any obligation of confidence; or
- (c) the receiving party can demonstrate that it had been rightfully known by or in the possession of the receiving party at the time of disclosure, free of any obligation of confidence when disclosed; or
- (d) has been independently developed by the receiving party.

8.1.4 The Applicant shall, from time to time and if requested by the OPA, promptly execute and deliver any further assurances to the OPA in order to fully perform and to more effectively implement and carry out the terms of this Section 8.0 – “Confidentiality”.

## **9.0 ADDITIONAL RULES AND DR3 CONTRACT PROVISIONS**

### **9.1 Additional Rules**

9.1.1 In addition to the foregoing, the following rules apply to DR3, all Applications, Applicants and Participants:

- (a) There is no guarantee or assurance that the OPA will issue Activation Notices for Activation MW to any given Participant, for any given Settlement Account, or within in any given Season, or up to the Maximum Contract Hours within the calendar year as stipulated by the Participant under Option A or Option B.
- (b) The OPA reserves the right to verify and audit all technical, financial, and operational data and systems of the Project, the Participant, any Contributor, and any other Person as required by the OPA in connection with such verification and audit including, without limitation, the Load in which a Sub-Metered Generator may be embedded. Such verification and audit methodologies will be determined by the OPA and may include the verification and audit of real-time and Baseline measurements as well as visits or inspections to the site of any Project, Participant, Contributor, or any other Person, as required by the OPA in connection with such verification and audit.
- (c) The OPA reserves the right to amend or modify the DR3 Program Rules from time to time, and to implement any other procurement processes from time to time with respect to demand response programs in addition to DR3 or the DRP.
- (d) A DR3 Contract(s), if any, to be executed by the OPA and any Participant will not be an exclusive contract(s) for the provision of the Participant's deliverables under the DR3 Contract. In submitting an Application, an Applicant will be deemed to have acknowledged that the OPA may contract with others on the same or similar terms and by other means and on different terms.
- (e) Each Application will be prepared at the sole cost and expense of the Applicant, including without limitation any costs incurred in the review of the DR3 Program Rules, the DR3 Contract, and all related documents.
- (f) The OPA shall not be liable to pay any Applicant costs under any circumstances. In particular, the OPA shall not reimburse the Applicant in any manner whatsoever in the event of rejection of any or all Applications or in the event of the cancellation or suspension of DR3 at any time. By submitting an Application, the Applicant irrevocably and unconditionally waives any claims against the OPA relating to the Applicant's costs and expenses.

- (g) The OPA reserves the right, but not the obligation, at any time, to seek clarification and to request additional information, documentation, and statements in relation to Applications and all supporting documentation required under the DR3 Program Rules. Any such requested clarification, information, documentation, and statements must be submitted to the OPA within five (5) Business Days of the date of such request or such other time frame as may be requested by the OPA.
- (h) The OPA may prepare a written interpretation of any aspect of an Application and seek the respective Applicant's acknowledgement of that interpretation. Written interpretations which have been acknowledged by the relevant Applicants shall be considered to form part of the Applications of those Applicants. The OPA is not obliged to seek clarification or interpretation of any aspect of an Application.
- (i) The OPA reserves the right, in its sole and absolute discretion, to reject any Application in whole or part whether or not completed properly, and whether or not it contains all necessary information and reserves the right to discuss different or additional terms to those included in any Application.
- (j) The OPA reserves the right to cancel DR3 for any reason or to suspend DR3 for any reason, including, without limitation, in the event of a market suspension, for such period of time as the OPA shall determine in its sole and absolute discretion, in each case without any obligation or any reimbursement to the Applicants or Participants. Without limiting the generality of the foregoing, DR3 shall be deemed to be automatically suspended at any time and for the entire duration of any period during which the IESO has made "Declarations of Suspension of Market Operations" in accordance with the Market Rules.
- (k) The OPA may verify with any Applicant or with a third party any information set out in an Application.
- (l) The OPA may complete reference checks of any Applicant.
- (m) The OPA may at any time make changes, including substantial changes, to the DR3 Program Rules. All such changes will be prospective only to all DR3 Contract Schedules accepted by the OPA after such change has been made.

These reserved rights are in addition to any other express rights or any other rights which may be implied in the circumstances, and the OPA shall not be liable for any expenses, costs, losses or any direct or indirect damages incurred or suffered by any Participant or any third party resulting from the OPA exercising any of its express or implied rights under DR3.

By submitting an Application, the Applicant authorizes the collection by the OPA of the information set out in the Application and otherwise collected in accordance with the terms hereof.

## 9.2 Additional DR3 Contract Provisions

9.2.1 The OPA currently intends that the DR3 Contract will also include, without limitation, the following provisions:

- (a) The OPA reserves the right to withhold payment of all or any part of the Monthly Payment under the DR3 Contract until it is satisfied that the relevant Curtailment in respect of which such amount was being withheld was a bona fide and verified reduction of demand in compliance with the DR3 Program Rules and the DR3 Contract.
- (b) The Participant shall not participate or be subject to any program, schedule, contract, or agreement referenced in Sections 2.1.2(b)(v) or (vi). Subject to compliance with this restriction, if the Participant is, intends to, or becomes involved in or bound under any other demand response or generation program or other programs or initiatives (whether or not created or administered by the OPA) that is implemented, administered, or supported by the IESO, the OPA or any branch or agency of the federal, a provincial, a municipal government, or a LDC, that provides an availability, capacity, energy, or utilization payment for the same availability, capacity, energy, or utilization provided at the same point in time as those that are being provided under the DR3 Contract and any DR3 Schedule with respect to a given Project (including any Contributor thereto), then the Participant shall forthwith advise the OPA of such involvement and all details thereof as requested by the OPA and shall, at the OPA's option, deliver to or credit the OPA with the amount of all remuneration from such programs or initiatives while the DR3 Schedule for such Project remains in force.
- (c) If requested by the OPA at any time after execution of a DR3 Contract, each Participant shall provide, from and after the expiry of a 12 month notice period and at no cost to the OPA, all meter data for each such Contributor, on a real-time basis, and all necessary equipment and systems required to allow the provision of such meter data in a manner to be set out in the DR3 Contract.
- (d) A Participant who is an Aggregator shall be required to comply with the OPA's Aggregator's Code of Conduct to be set out in the DR3 Contract.
- (e) If the DR3 Contract is terminated for any reason, a Participant who is an Aggregator shall assign all of its right, title and interest in and to its Contributor Contracts relating to all Settlement Accounts established pursuant to such terminated DR3 Contract to another Aggregator(s) having a DR3 Contract with the OPA within 90 days of the termination of such DR3 Contract. Where the Aggregator has not assigned its Contributor Contracts within such 90 day period as aforesaid, the Aggregator, within three Business Days of receipt of a direction from the OPA to do so, shall assign all of its right, title and interest in and to its Contributor Contracts to another Aggregator(s) having a DR3 Contract with the OPA at the direction of the OPA.

- (f) If a Contributor Loss occurs, a Participant who is an Aggregator may apply to the OPA for a Contributor Loss Cure Period during which time such Participant may attempt to remedy the Contributor Loss without suffering Availability Set-Offs or Utilization Set-Offs.
- (g) The OPA may set off any amounts payable by the Participant to the OPA against any payments due to the Participant under the DR3 Contract, including, at the OPA's option, by drawing on the DR3 Prudential Security, or any part thereof, and requiring the Participant to replace such drawn security with new security.

## APPENDIX A – DEFINITIONS

In addition to the terms defined elsewhere herein, the following capitalized terms shall have the meaning stated below when used in the DR3 Program Rules:

**“Activate”**, **“Activated”** or **“Activation”** means that the Participant has received an Activation Notice from the OPA to Curtail the Activation MW for the Activation Period.

**“Activation Hour”** means any twelve consecutive Intervals within an Activation Period. For greater certainty, an Activation Hour shall commence on the Start Interval as set out in the DR3 Schedule.

**“Activation MW”** means the number of MW, if any, in respect of which the OPA issues an Activation Notice to the Participant, and shall be: (i) the Confirmed MW, where a Fixed Standby Notification has been issued to the Participant, or (iii) either the Monthly Contracted MW where the Monthly Contracted MW is less than the Confirmed MW, or the Confirmed MW, at the election of the OPA, where an Open Standby Notification has been issued to the Participant.

**“Activation Notice”** means a request, in a form to be determined by the OPA from time to time, from the OPA to the Participant for Curtailment of Activation MW for the Activation Period.

**“Activation Period”** means the period of time, if any, in respect of which the OPA issues an Activation Notice to the Participant, and shall be, at the election of the OPA: (i) the Confirmed Hours, where a Fixed Standby Notification has been issued to the Participant, or (iii) either the Contracted Dispatch Period where the Contracted Dispatch Period is less than the Confirmed Hours, or the Confirmed Hours, at the election of the OPA, where an Open Standby Notification has been issued to the Participant.

**“Actual Activated Hour”** means any given hour within the Confirmed Hours in which a Participant has Curtailed in response to an Activation Notice.

**“Actual Activated MWh”** or **“Curtailment”** means the number of MWh, if any, that have been Curtailed by a Participant within an Actual Activated Hour, as measured through the use of electricity meter(s) in accordance with the M&V Plan, and for the purpose of the DR3 Program Rules and the DR3 Contract, such number shall not exceed: (i) the product of the Activation MW and the Activation Period, plus (ii) the lesser of (A) an additional 15% of the Activation MW per hour of the Activation Period, or (B) 15 MWh per hour of the Activation Period.

**“Additional Requirements”** has the meaning given to it in Section 4.1.1(c).

**“Adjusted Availability Rate”** means an amount equal to the Availability Rate, expressed in \$/MW, as increased by the Availability Premium or as decreased by the Availability Discount, as the case may be.

**“Aggregate Maximum Monthly Contracted MW”** has the meaning given to it in Section 4.1.4.

**“Aggregator”** means a Person who is not a Direct Participant and aggregates more than one Contributor using Enforceable Rights to provide a portion of the Aggregator’s Monthly Contracted MW for the Contracted Dispatch Period as outlined in the Aggregator’s DR3 Contract Schedule.

**“Aggregator’s Offer”** means the offer of an Aggregator under Section 1.3.2 to increase the Monthly Contracted MW by a further amount between 10.0 MW and 25.0 MW, inclusive, and subject to the Ramping Period.

**“Aggregator Procurement Period”** means that period of time during which the OPA will procure demand reduction capacity as set out in Section 1.3.2.

**“Applicant”** means a Person submitting an Application to participate in DR3.

**“Application”** means an Applicant’s application to be accepted into DR3 having the form and content established in Section 3.0 – “Application” of the DR3 Program Rules.

**“Availability Discount”** means a discount of the Availability Rate in the amount as specified by the OPA from time to time on the Website pursuant to the DR3 Program Rules.

**“Availability Over-Delivery Payment”** means the over-delivery payment calculated in accordance with the formula in Section 7.2.2.

**“Availability Over-Delivery Rate”** means the over-delivery rate, expressed in \$/MW, in the amount as specified by the OPA from time to time on the Website pursuant to the DR3 Program Rules.

**“Availability Payment”** means the payment to the Participant as determined and calculated pursuant to Section 7.2.1.

**“Availability Premium”** means a premium to the Availability Rate in the amount as specified by the OPA from time to time on the Website pursuant to the DR3 Program Rules.

**“Availability Rate”** means the availability rate, expressed in \$/MW, in the amount as specified by the OPA from time to time on the Website pursuant to the DR3 Program Rules.

**“Availability Set-Off”** means the availability set-off calculated pursuant to Section 7.4.2.

**“Baseline”** means the profile of a Project determined using the methods set out in Sections 6.4 and 6.5, as applicable to the Project.

**“Behind the Meter Generator”** means a Contributor that satisfies the criteria set out in Section 2.1.2(a)(ii).

**“Business Day”** means a day other than a Saturday or Sunday or statutory holiday in the Province of Ontario.

**“Buy-Down”** has the meaning given to it in Section 5.4.5.

**“Buy-Down Amount (Monthly Contracted MW)”** means an amount calculated in \$ as:

- (i) the reduction in the Monthly Contracted MW, expressed in MW;  
multiplied by
- (ii) the Buy-Down Rate;  
multiplied by
- (iii) the number of Hours of Availability that have elapsed in the Schedule Term as of the date that the reduction took effect.

**“Buy-Down Amount (Hours of Availability)”** is an amount calculated in \$ as:

- (i) (i) The Monthly Contracted MW multiplied by the number of Business Days per week from which the Hours of Availability are to be removed, divided by (ii) 5;  
multiplied by
- (ii) the Buy-Down Rate;

multiplied by

- (iii) the number of Hours of Availability that have elapsed in the Schedule Term as of the date that the reduction took effect.

**“Buy-Down Rate”** means those rates determined with reference to the Website and calculated in the DR3 Contract Schedule.

**“Commercially Reasonable Efforts”** means efforts which are designed to enable a party, directly or indirectly, to satisfy a condition to, or otherwise assist in the consummation of, a transaction, activity or undertaking contemplated by the DR3 Contract and which do not require the performing party to expend any funds or assume liabilities other than expenditures and liabilities which are reasonable in nature and amount in the context of the transaction contemplated by the DR3 Contract.

**“Confirmation”** means:

- (i) if required to be sent in writing as described in the DR3 Program Rules, a response delivered to the OPA in the form determined by the OPA from time to time and available on the Website in response to a Standby Notification; or
- (ii) if not required to be sent in writing as described in the DR3 Program Rules, a deemed confirmation given by the Participant to the OPA in response to a Standby Notification;

that, in either event, defines the Confirmed MW and Confirmed Hours available for Curtailment.

**“Confirmed Hours”** means the number of consecutive hours available for Curtailment as specified by the Participant in the Confirmation, and such number:

- (i) shall be no greater than the Contracted Dispatch Period, where the Standby Notification is a Fixed Standby Notification; and
- (ii) shall be no greater than the Hours of Availability, where the Standby Notification is an Open Standby Notification.

**“Confirmed MW”** means the number of MW available for Curtailment by the Participant, and which shall be equal to the Monthly Contracted MW, unless a Confirmation to the OPA is required pursuant to the DR3 Program Rules in which case the Confirmed MW will be such other amount as set out in the Confirmation delivered to the OPA.

**“Contract Month”**, in respect of a DR3 Contract Schedule, means any calendar month in a Contract Year.

**“Contract Year”**, in respect of a DR3 Contract Schedule, means a period of 12 Contract Months starting at 00:00 hours (EST) on the Schedule Commencement Date.

**“Contracted Dispatch Period”** means four consecutive hours collectively containing 48 Intervals, with the first Interval commencing on the Start Interval. Each Contracted Dispatch Period shall occur within the Hours of Availability, and shall occur within and no more than once in accordance with the Daily Schedule.

**“Contributor”** means an Interruptible Load or Behind the Meter Generator:

- (i) that is owned by a Direct Participant;
- (ii) with whom an Aggregator has Enforceable Rights;

and, in either case, who will provide a portion of the Monthly Contracted MW for the Contracted Dispatch Period as outlined in the DR3 Contract Schedule.

**“Contributor Contract”** means a contract between an Aggregator and a Contributor relating to the Contributor’s participation in DR3 as a Contributor who has granted Enforceable Rights to an Aggregator.

**“Contributor Loss”** occurs where a Contributor who is at arm’s length to an Aggregator and whose contribution to the Aggregator’s Monthly Contracted MW accounts for a minimum of 20 percent of the Aggregator’s Monthly Contracted MW at a Settlement Account is permanently unable or unwilling to Curtail such Contributor’s contribution to the Monthly Contracted MW at that Settlement Account. Provided, however, a Contributor Loss shall not include an inability or unwillingness to Curtail that (i) is permitted in a Contributor Contract; (ii) arises due to circumstances that are within the Aggregator’s reasonable control; (iii) are caused by the Aggregator’s lack of funds or other financial cause; or (iv) is caused by a breach by the Aggregator of the Contributor Contract.

**“Contributor Loss Cure Period”** means the period of time beginning on the day that the Aggregator delivers the Contributor Loss Notice and running for the rest of the month in which the Contributor Loss Notice was delivered and the immediately following months up to a maximum of five months, and ending on the last Business Day of the last month in the period.

**“Contributor Loss Notice”** means a written notice delivered by the Aggregator to the OPA within ten Business Days after the Aggregator becomes aware or ought to have known that a Contributor Loss has occurred or will occur, which notice shall describe such Contributor Loss together with reasonable evidence thereof, and state the quantity (MW) of the Contributor Loss.

**“Control Equipment”** means the equipment (which may include generating facilities), software and associated services of the Project that enable the Participant to provide Curtailment.

**“Curtail”**, or **“Curtailing”** or **“Curtailment”** means the act of using the Control Equipment and DR Measures at the Project in order to deliver the Confirmed MW by reducing Interruptible Load and/or the Load, and/or by providing net electricity output from a Behind the Meter Generator where the generator’s Nameplate Capacity is not greater than the annual peak demand of the Project’s Load in accordance with Section 2.1.2(a)(ii)(4)(A) of these DR3 Program Rules.

**“Daily Schedule”** means the Hours of Availability for each Business Day that the Participant is contractually bound to maintain the Contracted Dispatch Hours pursuant to the DR3 Contract.

**“Day Ahead”** means the day prior to the Day at Hand.

**“Day Ahead Window”** means the five hour period in the Day Ahead within which the OPA may issue a Standby Notice to the Participant.

**“Day at Hand”** means the day of the proposed Curtailment within which the OPA may issue a Standby Notice to the Participant.

**“Day at Hand Window”** means the seven hour period in the Day at Hand within which the OPA may issue a Standby Notice to the Participant.

**“Designated Settlement Areas”** means specific and mutually exclusive areas of the IESO-controlled grid that are delineated by the OPA from time to time as a Designated Settlement Area by notice on the Website. For greater certainty, any area on the IESO-controlled grid that is subject to an Availability Premium, Availability Discount or Non-Participation Area shall be considered to be a Designated Settlement Area.

**“Direct Participant”** means a Participant who participates under DR3 and whose Contributors are owned by the Participant and the Facilities in which the Contributors reside are controlled by the Participant. For greater certainty, a Participant who is a Direct Participant under the DR3 Contract must be a Direct Participant with respect to all DR3

Schedules forming part of the DR3 Contract, and such Participant may not be an Aggregator for any purpose under the DR3 Contract.

**“DR Measures”** means the demand reduction measures or protocols that are implemented by the Participant as part of the Project in order to provide Curtailment.

**“DR3”** means the contractual load reduction program created by the OPA under the DR3 Program Rules.

**“DR3 Contract”** means the agreement between a Participant and the OPA, in the form posted by the OPA on the Website, enabling the Participant to transact to provide demand reduction of such quantity and on the specific terms contained within a DR3 Contract Schedule.

**“DR3 Contract Schedule”** means one or more transaction schedules to the DR3 Contract which binds the Participant and the OPA to specific terms of demand reduction including, but not limited to, the Schedule Commencement Date, Schedule Term, Monthly Contracted MW, any applicable Options, Settlement Accounts, and payment terms.

**“DR3 Contract Term”** has the meaning given to it in Section 1.2.

**“DR3 Process Document”** means the document pertaining to the processing of Applications by the OPA with respect to DR3 developed by the OPA from time to time and posted on the Website.

**“DR3 Program Rules”** means these rules for DR3, as posted on the Website, and as may be amended from time to time by the OPA.

**“DR3 Prudential Security”** means the security described in Section 4.1.4.

**“DRP”** means the demand response program created by the OPA, of which DR3 forms a part.

**“Eligible Project”** means the security described in Section 2.1.2.

**“Enforceable Rights”** means, in respect of a Project of an Aggregator, that the Aggregator has rights enforceable by contract to cause Curtailments by its Contributors, which rights shall be subject to verification and audit from time to time.

**“EST”** means Eastern Standard Time.

**“Extended Period Planned Non-Performance Event”** means a Planned Non-Performance Event that lasts for:

- (i) two consecutive weeks, or
- (ii) two non-consecutive weeks, where each week may occur in a different Season.

**“Facilities”** means a building or buildings controlled by a Direct Participant at a specified street address with postal code.

**“FIPPA”** means the *Freedom of Information and Protection of Privacy Act* (Ontario), as amended from time to time.

**“Fixed Standby Notification”** means a Standby Notification from the OPA to the Participant to stand by, subject to the Participant’s receipt of an Activation Notice, for a potential Curtailment of the Monthly Contracted MW for the Contracted Dispatch Period.

**“Forced Outage”** means an Outage that is not a Planned Outage.

**“Generator Output”** means the electricity output of a Sub-Metered Generator that will be assessed at its sub-meter for purposes of the DR3 Contract in respect of its contribution to the Monthly Contracted MW.

**“Hours of Availability”** means those hours specified by the OPA on the Website from time to time within which a Participant shall maintain a Contracted Dispatch Period to be available for potential Curtailment of that Participant’s Monthly Contracted MW, as such hours may be shifted to start with the Start Interval.

**“IESO”** means the Independent Electricity System Operator of Ontario, or its successor.

**“IESO-controlled grid”** means the IESO-controlled grid as defined by the Market Rules.

**“Interruptible Load”** means a Contributor that satisfies the criteria set out in Section 2.1.2(a)(i).

**“Interval”** means a 5 minute period, with such 5 minute period being one of the twelve, five minute periods occurring within a clock hour.

**“kW”** means kilowatt.

**“Load”** means the load or loads directly associated with an end-user’s consumption of electricity which may be Curtailed by the Participant as a direct result of the operation of the Control Equipment or DR Measures.

**“Local Distribution Company”** or **“LDC”** means a Person licensed by the OEB as a Distributor in connection with a Local Distribution System, but shall not include any affiliate with respect to such Person as the term affiliate is defined in the Affiliate Relationships Code for Electricity Distributors and Transmitters, as amended from time to time.

**“Local Distribution System”** means a system for conveying electricity at voltages of 50 kilovolts or less and includes any structures, equipment or other things used for that purpose.

**“M&V Plan”** or **“Measurement & Verification Plan”** means the measurement and verification plan prepared and submitted by an Applicant and approved by the OPA, in accordance with the requirements set out in the DR3 Program Rules, and outlining in detail the methodology and all activities to be undertaken to measure and verify Curtailment delivered for a Settlement Account.

**“M&V Review Period”** means one calendar month immediately following notice by the OPA of a Performance Breach during which the OPA and Participant together shall review solutions relating to Material Non-Performance Events.

**“Market Rules”** means the rules made under section 32 of the *Electricity Act, 1998* (Ontario), as amended from time to time.

**“Material Non-Performance Event”** has the meaning set out in Section 5.4.3.

**“Maximum Contract Hours”** has the meaning given to it in Section 1.2.

**“Meter Data Set-Off”** has the meaning given to it in Section 7.4.5.

**“Monthly Contracted MW”** means the MW of demand reduction capacity for a specific Contract Month during the DR3 Contract Term as identified in one or more DR3 Contact Schedule(s).

**“Monthly Payments”** means amounts payable to a Participant for aggregate monthly Curtailment in accordance with Exhibit E of the DR3 Contract.

**“MW”** means megawatt, being a capacity value that is independent of time.

“**MWh**” means a capacity value dependent on time such that 1.0 MW consumed over one hour is 1.0 MWh. Similarly, 24.0 MW consumed over five minutes or one Interval, is equivalent to 2.0 MWh of electricity.

“**Nameplate Capacity**” means, with respect to a Behind the Meter Generator, the rated, continuous load-carrying capability net of parasitic or station service loads, expressed in MW, of the Behind the Meter Generator to generate and deliver electricity at a given time.

“**Non-Participation Area(s)**” means any Designated Settlement Area(s) that are identified by the OPA on the Website from time to time as being Designated Settlement Area(s) in which the OPA will not offer participation in DR3 on a prospective basis.

“**Non-Submetered Generator**” has the meaning given to it in Section 2.1.2(a)(ii)(1)(A).

“**Not Fully Available for Curtailment**” is the test to establish whether a Participant has the capacity to Curtail the Monthly Contracted MW for a Settlement Account as described in Section 7.4.6.

“**OEB**” means the Ontario Energy Board, or its successor.

“**OPA**” means the Ontario Power Authority, or its successor.

“**Open Standby Notification**” means a Standby Notification from the OPA delivered to the Participant allowing the Participant to submit a Confirmation for a MW quantity that exceeds the Monthly Contracted MW and/or to Curtail for a duration that exceeds the Contracted Dispatch Period.

“**Option**” means Option A or Option B.

“**Option A**” means the Participant has a contractual obligation to Curtail the Monthly Contracted MW for the Contracted Dispatch Period in response to the first 100 hours set out in Activation Notices from the OPA for each calendar year.

“**Option B**” means the Participant has a contractual obligation to Curtail the Monthly Contracted MW for the Contracted Dispatch Period in response to the first 200 hours set out in Activation Notices from the OPA for each calendar year.

“**Outage**” means the removal of equipment from service, unavailability for connection of equipment or systems or temporary de-rating, restriction of use, unavailability of protocols or measures intended to provide Curtailment or reduction in performance of equipment or systems for any reason (including to permit the performance of inspections, tests or repairs on equipment), which outage results in a partial or total interruption in the ability of a Project to Curtail.

“**Participant**” means a Person who enters into a DR3 Contract with the OPA, either as an Aggregator or as a Direct Participant.

“**Performance Breach**” has the meaning described in Section 5.4.4.

“**Performance Set-Off**” means the Availability Set-Off, the Utilization Set-Off, or the Meter Data Set-Off.

“**Performance Set-Off Factors**” means the factors set out in Section 7.4.4.

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

“**Planned Non-Performance Event**” means an event or events determined by the Participant in respect of which the Settlement Account is, in whole or in part, in an Outage or otherwise unable to Curtail for a period of time, as described in Section 5.4.2.

**“Planned Outage”** means an Outage that is planned and intentional, and has been disclosed to the OPA pursuant to the DR3 Contract.

**“Project”** means a Interruptible Load and/or a Behind the Meter Generator that will contribute toward Curtailment of the Monthly Contracted MW.

**“Project Amendment”** has the meaning given to it in Section 6.1.4.

**“Ramping Period”** means a nine month period, effective on the Schedule Commencement Date or the first day of the month in which the demand reduction capacity under an Aggregator’s Offer with a Schedule Term of 3 or 5 years is required to be provided, as applicable, during which the Aggregator increases its demand reduction capacity to the full demand reduction capacity under the original DR3 Contract Schedule(s) or under the Aggregator’s Offer, as applicable.

**“Reliability Rate”** means the amount, expressed as a percentage, as calculated pursuant to Section 7.4.1.

**“Schedule Commencement Date”** means the date that a DR3 Contract Schedule becomes effective and shall be determined as set out in the DR3 Process Document as posted on the Website from time to time.

**“Schedule Term”** means the 1, 3, or 5 year term of a DR3 Contract Schedule, as the case may be.

**“Seasons”** means those seasonal months or periods of the year specified by the OPA as being “Seasons” on the Website from time to time and may include “Summer”, “Winter”, and “Shoulder Seasons”.

**“Settlement”** means the payment settlement of the DR3 Contract.

**“Settlement Account”** means the account number assigned to a Project or a Settlement Area, as the case may be, in accordance with the following rules:

- (a) for a Direct Participant, a Settlement Account shall refer:
  - (i) to one specific Project referred to in a DR3 Contract Schedule, should the Direct Participant wish the Project to be considered to be a different Project from any other Project(s) located in the same Designated Settlement Area for the purposes of the DR3 Contract; or
  - (ii) more than one Projects within a Designated Settlement Area; or
  - (iii) to all Projects within an entire Designated Settlement Area, should the Direct Participant wish the Project to be considered together with other Projects located in the same Designated Settlement Area for the purposes of the DR3 Contract; or
- (b) for an Aggregator, a Settlement Account shall refer:
  - (i) to a specific Project referred to in a DR3 Contract Schedule, should the Aggregator wishes to have a Project with a different Option A/Option B in the same Designated Settlement Area as an existing Project; or
  - (ii) otherwise, to an entire Designated Settlement Area.

**“Single Day Planned Non-Performance Event”** means a Planned Non-Performance Event that lasts for one Business Day.

**“Standby Notification”** means an Open Standby Notification or a Fixed Standby Notification.

**“Start Interval”** has the meaning given to it in Section 1.2.

“*Sub-Metered Generator*” has the meaning given to it in Section 2.1.2(a)(ii)(1)(B).

“*Suitable Business Day*” has the meaning given to it in Section 6.4.1(c).

“*Supply Cushion*” means the real time supply cushion calculated as set out in Section 5.2.2.

“*Utilization Payment*” means the payment to the Participant as determined and calculated pursuant to Section 7.3.

“*Utilization Rate*” means the rates, expressed in \$/MW, as specified by the OPA from time to time on the Website pursuant to the DR3 Program Rules.

“*Utilization Set-Off*” means the set-off calculated pursuant to Section 7.4.3.

“*Website*” means the portion of the website located at [www.powerauthority.on.ca](http://www.powerauthority.on.ca) that references “Demand Response Programs” under the “OPA Initiatives” tab, or such other website or portion of a website as advised by the OPA from time to time.