Briefing Note
Energy Efficiency Financing Pilot

Issue

- Some commercial electricity customers have expressed difficulty in their ability to secure financing for energy efficiency projects. The IESO is aware of this issue and has been exploring potential approaches to assist with financing, including a potential pilot program. IESO met with Hydro One in January 2018 to discuss participation in a pilot that would allow them to provide financing for commercial customers in support of energy efficiency projects. Hydro One expressed strong interest in participation.

Need for Pilot

- Many commercial operations across the province are seeking to improve their energy efficiency in order to better manage their energy consumption. However, securing capital dollars to finance energy efficiency upgrades is often challenging since the Energy Service Company (ESCO) or financial institution's lending terms may not be favourable or they may not even be willing to lend money for energy efficiency projects.

Potential Pilot Design

- The IESO is currently in discussion with Hydro One on a potential energy efficiency financing pilot and a possible approach/design.

- One option could be to leverage funds from the IESO's LDC Innovation Fund along with the LDCs CDM budget (both part of the CFF budget). These funds could be used to either provide financing to the commercial customer directly or to buy-down the interest rate from a financial institution so that the commercial customer can receive an interest free, or low-interest financing option.

- A pilot would likely provide financing options for various types of commercial customers such as:

    - Small commercial customer, e.g. main street business (<50KW demand)

    - Large/Multi-site commercial customer, e.g. multiple franchises of hardware stores, (>50KW demand)

    - Not-for-Profit, e.g. recreation centre

- Testing different types and sizes of commercial and non-profit customers would help inform potential program design as financing needs could vary depending on the operations or needs of the business.

Proposed Timing and Next Steps:

Background:

Other Financing Mechanisms Being Explored

- Investor Confidence Project:
    - The Investor Confidence Project (ICP) is an initiative whereby a set of protocols are established which are designed to inform the value of energy efficiency investments. When an energy efficiency project successfully follows the ICP protocols to calculate the potential ROI of the project it is ICP-certified. This certification can be presented to potential financers to offer credibility of the investment yielding the expected return.
    - ENERGY is exploring how to increase access to corporate financing for energy efficiency projects through ICP with the MaRS Advanced Energy Centre.
    - MaRS will be holding an open house in March on the protocols and their pilot.
    - *Note: ICP is in early stages and is also focused on large commercial buildings. Therefore it is not positioned to solve the near term issue of financing for small commercial customers.*

- On-Bill Financing:
    - LDCs and Natural Gas utilities have been able to provide On-Bill Financing on a voluntary basis to their customers since 2005.
    - In the 2013 Conservation First White Paper, the Ministry identified on-bill financing as a tool that could help drive investments in energy efficiency upgrades and retrofits.
    - In 2015, Ontario brought forward a regulatory amendment that clarified LDC and Natural Gas utility ability to offer on-bill financing to their customers on a voluntary basis.
    - *Note: Currently, ENERGY is only aware of one utility (Enbridge) that offers on-bill financing for their customers. Union Gas is expected to be developing a similar service for launch in Q3/2018.*

- GreenON:

- The 2016 Climate Change Action Plan indicated that GreenON would offer financing services for homes and businesses to help pay for greenhouse gas-reducing energy improvements.
- *Note: To date GreenON has not launched any financing services for customers to take advantage of.*