MPSS
Mountain Power Storage Solutions

Partner-Funded BESS

Shared-Savings Energy Storage — Zero Host Capex

10 MW / 20 MWh • Ontario, Canada • Three Scenarios

$0	$993K–$1.99M	$17.2M–$34.4M	3
HOST CAPEX	HOST YR-1 SAVINGS	HOST 15-YR SAVINGS	SCENARIOS MODELLED

SAMPLE REPORT — IMPORTANT NOTICE

This is a sample report illustrating a partner-funded shared-savings BESS structure. The host customer described in this document is illustrative and does not represent any actual MPSS client. Under this structure, the partner-sponsor (typically MPSS or an MPSS-arranged investor) funds 100% of project capex, owns and operates the asset, and shares a contractually defined portion of the realised value streams with the host. The financial structure, revenue calculations, and host-share figures are based on current Ontario market data, published IESO market information, and federal tax legislation as understood at the time of preparation, applied to a favourable but realistic Ontario Class A industrial host profile. Actual host benefits depend on site-specific load shape, IESO registration and market eligibility, dispatch performance, sponsor underwriting, contract negotiation, the executed share split, future market or legislative changes, and the credit and operating performance of the sponsor over the contract life.

Based on current Ontario market data and federal tax policy as of Q1 2026 — not a guarantee of any specific result.

Executive Summary

This analysis evaluates a **10 MW / 20 MWh behind-the-meter (BTM) Battery Energy Storage System** deployed at **Your Company** in Ontario under a **partner-funded shared-savings structure**. The partner-sponsor (typically MPSS or an MPSS-arranged investor) funds 100% of the **$20,000,000 turnkey installed cost**, owns and operates the asset, and shares a contractually defined portion of the realised value streams with the host. The host contributes site, interconnection rights, and operational cooperation — not capital.

The system is modelled across the same five Ontario value streams used in our Owner-Financed sample report (with Frequency Regulation kept as separate upside), but the economics are split between host and sponsor. This Executive Summary presents three illustrative share scenarios bracketing the realistic negotiation range; the body of the report documents host outcomes, sponsor unlevered project returns, and sponsor levered equity returns under each.

Three Modelled Share Scenarios

Scenario	Host Y1 savings	Host $/MW-yr	Host 15-yr	Sponsor Eq IRR
A · Investor-Protective	$993,190	$99,319	$17.2M	**59.8%**
B · Balanced Base Case	$1,720,880	$172,088	$29.8M	**32.0%**
C · Customer-Friendly	$1,986,380	$198,638	$34.4M	**12.6%**

Scenario B is the modelled Balanced Base Case used as the headline reference throughout the report. Scenarios A and C bracket the credible negotiation range for an Ontario Class A industrial host of this size. Sponsor Equity IRR shown after a modelled 70% / 30% debt-equity capital stack at 7% / 10-year amortisation; figures are illustrative and depend on actual financing terms.

Three Reasons This Works for the Host

- **Zero capex, no balance-sheet impact.** The host commits no capital and takes no construction, technology, performance, or tax risk on the asset. The full $20M capital structure, ITC, CCA, and operating obligations sit with the sponsor.
- **Real, contractually defined annual benefit.** Modelled host Year-1 value of approximately $993,190–$1,986,380 ($99,319–$198,638 per MW-year) across the three scenarios. The split is a negotiated commercial term, not a market clearing outcome.
- **Diversified value stack underneath the share.** The host's share is calculated against five modelled value streams — GA peak-shaving, Capacity, Operating Reserve, Arbitrage, and BTM

resilience — with Frequency Regulation kept as separate upside. Underperformance in any single stream proportionally reduces the host's share, but the share is not contingent on any one program.

Host Profile & Operating Context

Your Company is a large industrial electricity consumer in the IESO grid that exhibits the operating characteristics ideally suited for a behind-the-meter BESS deployment. The host's load profile — high peak demand, continuous operation, and concentrated peak-hour exposure — directly maximizes the revenue available from every category of the six-stream stack analyzed in this report.

Load & Demand Characteristics

Parameter	Value	Implication for BESS
Peak demand	**52 MW**	10 MW BESS = 19% of peak — ideal sizing ratio
Annual consumption	**325 GWh**	Class A customer — eligible for ICI
Load factor	**71%**	High average load with sharp summer peaks
Operating profile	Continuous 24/7	Persistent exposure to all 5 GA peak hours
Peak-hour concentration	Summer 14:00–19:00	Aligns with all 5 historical ICI peak hours
Grid connection	44 kV transmission	Capable of OR / capacity-auction participation
Process tolerance	High (sub-second sensitive)	Strong BTM resilience value

Why This Host Profile Is Optimal

Peak-hour concentration drives ICI value. The host's production schedule places its highest demand during the summer 14:00–19:00 window — precisely the period when Ontario's five system-coincident peak hours occur. The closer the host's load is to those peak hours, the higher its peak-demand factor, and the larger the share of Global Adjustment it pays. Shifting just 10 MW of demand away from those five hours produces an outsized reduction in the annual GA bill.

Load factor of 71% means consistent participation in availability-based markets. Unlike a peakier host whose demand collapses for half the year, **Your Company** operates near full capacity year-round. The BESS can therefore be reliably committed into the IESO Capacity Auction and Operating Reserve markets without conflict with host load requirements.

Process sensitivity to voltage and frequency events creates real BTM value. Modern continuous-process industrial operations lose meaningful production for every voltage sag, harmonic distortion event, or brief grid disturbance. A BESS with sub-second response provides real economic value beyond grid-facing revenue streams.

The Six-Stream Ontario Revenue Stack

A behind-the-meter BESS in Ontario is not a single-purpose asset. It is a **multi-function platform** that can address several distinct value streams through optimised dispatch across the year, each with independent market mechanisms and pricing. The categories below quantify a modelled annual value opportunity for the **10 MW / 20 MWh** configuration deployed at the host site described above.

> **Dispatch caveat.** *A BESS does not earn all value streams at full output in the same hour. The figures below are modelled annual values that assume realistic, optimised allocation of power and energy across capacity availability, operating reserve, energy arbitrage, peak shaving (ICI) and behind-the-meter services. Achieving the modelled total requires sound forecasting, dispatch optimisation, market registration, and ongoing operational performance.*

Category 1 · Global Adjustment Peak Shaving (ICI)

Overview

Global Adjustment is the largest single component of electricity cost for Ontario Class A customers — historically over 60% of the all-in bill. Under the Industrial Conservation Initiative (ICI), **Your Company** pays GA in proportion to its share of the province-wide load during the **top five coincident-peak hours** across a 12-month base period (May 1 – April 30).

The BESS discharges at full 10 MW during the five highest-probability peak hours each year, reducing the metered demand attributable to **Your Company** and lowering its peak demand factor for the subsequent settlement year.

Calculation

Peak-shaving capability	10 MW × 2 hours per peak
Avoided GA value (industry benchmark)	$160,000 per MW-year
Peak-prediction performance assumption	High-capture managed service
Annual GA reduction	**$1,600,000**

Note: This stream represents approximately 40% of modelled gross Year-1 value. The $160K/MW-year benchmark reflects published Ontario industrial-host outcomes; managed-service providers report success rates that vary by year and weather. Peak-prediction performance is not guaranteed: capturing 4 of 5 peaks (instead of 5 of 5) reduces this stream proportionally; capturing 3 of 5 reduces it further. ICI sensitivity is presented in the ROI section.

Category 2 · IESO Capacity Auction

Overview

The IESO Capacity Auction is a forward-looking competitive procurement that pays qualified resources for committing to be available during defined commitment-period windows. The **2025 IESO Capacity Auction (held November 26–27, 2025, with results published in early December 2025)** cleared at $645.24/MW-business day for summer 2026 and $725.31/MW-business day for winter 2026–27 — multi-year highs reflecting tightening Ontario supply-demand conditions.

Capacity auction settlement is on a per-business-day basis across the summer (May–October) and winter (November–April) commitment periods. Storage resources are also subject to an Adequacy De-rating Factor (ADF) determined annually by the IESO. For modelling purposes a 0.95 ADF is applied here. Final qualification, registration and settlement depend on IESO eligibility rules, performance, and the resource's registered capability.

Calculation

Nameplate capacity	10 MW
Summer commitment ($/MW-business day × days)	$645.24 × 131
Winter commitment ($/MW-business day × days)	$725.31 × 130
Gross per-MW-year (before ADF)	$178,817
Adequacy De-rating Factor (ADF, illustrative)	0.95
Effective per-MW-year	$169,876
Annual capacity revenue (10 MW)	**$1,698,759**

Note: Capacity revenue depends on successful IESO registration and pre-qualification, the resource passing performance audits, and the ADF actually applied each commitment period. The $645.24 / $725.31 clearing prices are documented in published IESO 2025 capacity auction materials. Settlement is per business day, not calendar day, in the commitment-period definitions used here.

Category 3 · Operating Reserve Market

Overview

Operating Reserve compensates resources for standing ready to inject energy on short notice (10-second synchronized, 10-minute non-synchronized, 30-minute reserve). BESS systems are exceptionally well-suited to OR because of their sub-second response and full state-of-charge availability when not committed to other services.

Following the May 1, 2025 launch of the IESO's Market Renewal Program (MRP), Ontario OR clearing prices have strengthened relative to historical averages — with day-ahead 10-second prices reported in

the order of $10–$11/MW-hour of reserve capability and real-time prices in a similar range. **This may reflect tighter supply-demand conditions and richer ancillary-service signals under MRP**, though future levels remain subject to procurement outcomes, fleet additions and market-design changes.

Calculation

Capacity allocated to OR	5 MW (50% of nameplate)
Hours per year offered	6,000 hours
Average OR clearing price	$10 per MW-hour of reserve capability
Annual OR revenue	**$300,000**

Note: Operating Reserve revenue requires successful IESO market registration as an OR-eligible resource and ongoing performance against availability and dispatch obligations. Realised value depends on cleared prices, hours offered, opportunity costs against other services, and any required procurement-program qualification.

Category 4 · Energy Arbitrage (Ontario Zonal Price)

Overview

Under the IESO Market Renewal Program (effective May 1, 2025), the legacy Hourly Ontario Energy Price (HOEP) was replaced by the **Ontario Zonal Price** settled in both day-ahead and real-time markets. The new market structure may improve storage dispatch optimisation through clearer price signals. Actual arbitrage value depends on realised price spreads, congestion, transmission/distribution losses, round-trip efficiency, cycle availability after other services, and any associated charges.

The BESS charges overnight when zonal prices are lowest (typically 02:00–05:00) and discharges during peak afternoon hours (typically 14:00–19:00). The 17 MWh usable energy per cycle (20 MWh × 85% round-trip efficiency) is monetised 300 times per year against the prevailing day-ahead price spread.

Calculation

Usable energy per cycle	17 MWh (85% RTE)
Arbitrage cycles per year	300
Average price spread (day-ahead)	$40 per MWh
Annual arbitrage revenue	**$204,000**

Category 5 · Behind-the-Meter Demand & Resilience Value

Overview

Beyond grid-facing revenue, the BESS delivers direct on-site value to **Your Company** through reduced non-coincident peak demand charges, improved power quality, voltage support for sensitive production equipment, and short-duration backup power during voltage sags and brief outages.

Calculation

Demand-charge mitigation (non-coincident peak)	$110,000 / year
Power-quality & ride-through value	$60,000 / year
Annual BTM value	**$170,000**

Note: BTM value assumes engineered support for selected critical loads, not full-facility backup of the entire 52 MW site. Demand-charge mitigation depends on local rate structures and concurrent dispatch obligations to grid services.

Potential Upside: Contracted Regulation Service

Frequency regulation is the second-by-second balancing service used to maintain grid frequency. BESS are technically well-suited because they respond bidirectionally within sub-second timeframes. **Regulation revenue is excluded from the base case** because Ontario regulation procurement remains primarily a contract-based service rather than an open competitive market open to all storage resources, and clearing prices are not publicly indexed in a way that supports a defensible base-case forecast.

For illustrative purposes only, a representative contracted-regulation outcome of approximately **$87,600 / year** (5 MW allocated, ~1,752 hours, ~$10/MW-hour) is presented as upside in the ROI sensitivity table. Realising this value would require successful procurement participation, contract award, and ongoing performance.

Consolidated Revenue Stack

The table below consolidates the five base-case value streams into a single modelled annual operating picture for the **10 MW / 20 MWh** configuration in Year 1. Contracted regulation is shown separately as potential upside.

Revenue Stream	Annual Value	% of Stack
Global Adjustment Peak Shaving (ICI)	$1,600,000	40.3%
IESO Capacity Auction (business-day, ADF 0.95)	$1,698,759	42.8%

Revenue Stream	Annual Value	% of Stack
Operating Reserve Market	$300,000	7.6%
Energy Arbitrage (Ontario Zonal Price)	$204,000	5.1%
Behind-the-Meter Demand & Resilience	$170,000	4.3%
Gross Annual Revenue	**$3,972,759**	**100.0%**
Less: Year-1 O&M (warranty period)	($200,000)	
Year-1 Net Operating Revenue (pre-tax)	**$3,772,759**	

Memo — Potential upside (excluded from base case): Contracted Regulation Service approximately $87,600/year, subject to procurement contract.

Modelled monthly Year-1 gross value: **$331,063 per month**. This is the gross value created by the asset before any split between host and sponsor; operating revenue is assumed to escalate at 2%/year and operating expenses (sponsor-borne) ramp as the asset ages. Host and sponsor share splits are documented later in this report.

Partner Structure & Revenue Share

Under the partner-funded structure, the partner-sponsor (typically MPSS or an MPSS-arranged investor) funds 100% of the $20M turnkey installed capex, owns the asset, holds the IESO market registrations, captures all available federal tax incentives, and operates the system. **Your Company** contributes site, interconnection rights, electrical infrastructure access, and operational cooperation — not capital.

The host's economic benefit is delivered through a contractually defined share of the realised value streams generated by the asset. The split is negotiated at contract execution and bracketed in this report by three illustrative scenarios.

1. Capital & Tax Position — Sponsor Side (illustrative)

The capital and tax mechanics shown below sit entirely with the sponsor. They are presented here for transparency on how the project is funded and how sponsor returns are underwritten — the host has no exposure to any of these line items.

Total turnkey installed capex (sponsor-funded)	**$20,000,000**
Modelled debt (70% × 7% × 10-yr amort.)	$14.0M
Modelled sponsor equity (30%)	$6.0M
Refundable Clean Tech ITC (base case @ 30%, sponsor-claimed)	$5.4M
Year-1 CCA tax shield (illustrative, sponsor-claimed)	$3.34M
Combined corporate tax rate (Federal 15% + Ontario 11.5%)	26.5%

Note: ITC realisation requires the sponsor to meet Clean Tech ITC eligibility rules and (for the 30% rate) the published prevailing-wage and apprenticeship requirements. The Year-1 CCA tax shield assumes the sponsor entity has sufficient taxable income to absorb the Class 43.1 / 43.2 deduction — a sensitivity in the analysis section illustrates the effect of deferring the shield. Sponsor returns are also sensitive to the actual debt cost, term, and equity hurdle achieved.

2. Two-Bucket Revenue Share Framework

The five base-case value streams are grouped into two buckets that are split on different terms. This separation reflects how shared-savings contracts are typically negotiated: bill-side savings (which directly reduce the host's electricity bill) are shared on a more host-favourable basis than market-side revenue (which the sponsor earns through *IESO programs, requires registration and qualification, and*

bears performance risk for). Frequency Regulation is excluded from the base case and treated as separate upside.

Bucket	Revenue streams	Y1 gross	% of stack
Bill-savings bucket	Global Adjustment (ICI) + BTM Demand & Resilience	**$1.77M**	44.5%
Market-upside bucket	IESO Capacity Auction + Operating Reserve + Energy Arbitrage	**$2.20M**	55.5%
Total base-case Y1 stack	5 streams	**$3.97M**	**100.0%**
Excluded: Frequency Regulation (upside)	Contingent on procurement contract	~$88K	memo

3. Three Scenario Splits

Published host-savings benchmarks for industrial BTM BESS value-share contracts are often lower than the modelled outcomes shown here. The higher host values in this sample reflect the unusually strong Ontario Class A value stack, current capacity-auction pricing, and favourable host load profile. Scenario C should therefore be viewed as an upper-bound negotiation case rather than a standard market offer.

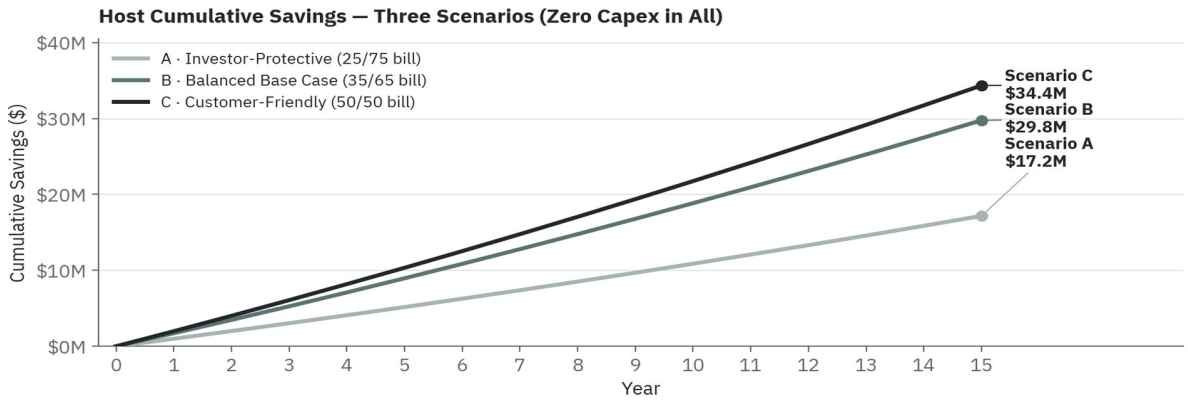
Scenario	Bill-savings split	Market-upside split	Host blended
A · Investor-Protective	25% host / 75% sponsor	25% host / 75% sponsor	**25.0% of stack**
B · Balanced Base Case	35% host / 65% sponsor	50% host / 50% sponsor	**43.3% of stack**
C · Customer-Friendly	50% host / 50% sponsor	50% host / 50% sponsor	**50.0% of stack**

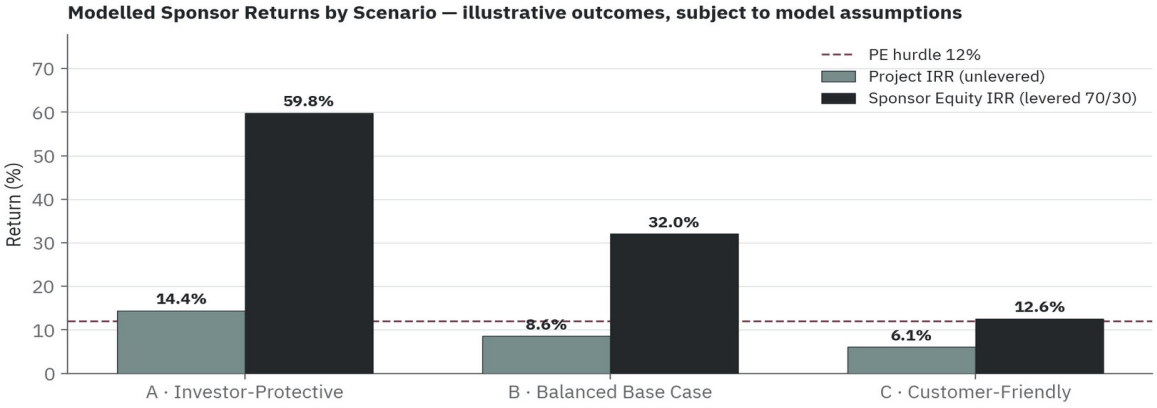
Persona context for each scenario is documented in the Appendix. The split between buckets recognises that bill-savings (GA peak shaving and BTM resilience) accrue directly to the host's utility bill and require host operational cooperation, while market-upside revenue (Capacity, OR, Arbitrage) is earned by the sponsor through IESO market participation and is more sensitive to dispatch performance, market clearing prices, and program rules.

Host Outcomes — Three Modelled Scenarios

Under a partner-funded structure, the host's outcome is its share of the value created by the project. The three scenarios below model the same underlying **$3.97M** gross annual value stack against three different share splits between the host and the sponsor. The upper panel of the chart traces the host's cumulative savings over 15 years; the lower panel shows the sponsor's project IRR and equity IRR for the same three splits, against a **12% private-equity hurdle.**

Modelling note: Host savings are derived from the host's share of the Bill bucket (GA peak-shaving plus BTM resilience) and the Market bucket (Capacity, Operating Reserve and Arbitrage), escalated at 2%/year. The host bears no capex, no operating cost, and no direct merchant-market participation or settlement obligation; its payments vary with realised value and the agreed contract split. These figures assume successful dispatch, IESO market participation and stable program rules — see Appendix for full assumptions.





Host Outcome Comparison

Scenario	Splits (Bill / Market)	Host Y1	Host $/MW Y1	Host 15-yr
A · Investor-Protective	25 / 75 · 25 / 75	**$993,190**	$99,319	**$17.18M**

Scenario	Splits (Bill / Market)	Host Y1	Host $/MW Y1	Host 15-yr
B · Balanced Base Case	35 / 65 · 50 / 50	**$1,720,880**	$172,088	**$29.76M**
C · Customer-Friendly	50 / 50 · 50 / 50	**$1,986,380**	$198,638	**$34.35M**

All three scenarios use the same underlying value stack and the same 2%/year escalation. The host's outcome is driven entirely by the negotiated split.

Sponsor Economics — Project & Equity Returns

The sponsor, such as MPSS, an MPSS-arranged investor, or a co-investment vehicle, funds the full $20M of capex, claims the refundable Clean Technology ITC and the Year-1 CCA shield, and earns the residual after the host's share is paid out. Returns are presented two ways: **Project IRR** (return on the full $20M of equity, unlevered, including ITC and CCA effects) and **Equity IRR** (return on the $6M of sponsor equity, assuming 70% / 30% debt-to-equity at a 7% term loan over 10 years). All three scenarios clear the 12% PE equity hurdle in this base case.

Scenario	Project IRR	Equity IRR	Equity MOIC	Clears 12%?
A · Investor-Protective	**14.4%**	**59.8%**	3.49×	**Yes**
B · Balanced Base Case	**8.6%**	**32.0%**	1.95×	**Yes**
C · Customer-Friendly	**6.1%**	**12.6%**	1.39×	**Yes**

Project IRR is sensitive to actual value-stream realisation; Equity IRR additionally depends on the cost and tenor of the assumed debt facility. The 70/30 capital stack is illustrative and not a commitment of financing terms.

Observations

- **Investor-Protective (A)** preserves the strongest sponsor cushion (**59.8% equity IRR, 3.49× MOIC**) and is appropriate for weaker-credit hosts, first deals with a new partner, or higher-cost-of-capital sponsors. Host upside is modest but real: **$993,190/yr** with zero capex outlay.
- **Balanced Base Case (B)** is the default reference deal: the host receives **$1,720,880 in Year 1 ($172,088/MW)** and **$29.76M** across 15 years, while the sponsor still clears the 12% PE hurdle with adequate cushion (**32.0% equity IRR**).

- **Customer-Friendly (C)** maximises host benefit (**$1,986,380/yr, $34.35M over 15 years**) and is appropriate for strong-credit hosts, repeat deals, or sponsors with lower cost of capital. Sponsor equity IRR (**12.6%**) still clears the 12% hurdle but the cushion is thin — leaving less room for adverse realisation.

Host 15-Year Savings Schedule

Modelled annual host savings under each share scenario. All figures in Canadian dollars; revenue stack escalated at 2%/year. The host has no capex, no O&M and no tax liability associated with the asset — the figures below are the host's share of value paid out (whether as bill credits, settlement transfers or a savings-share fee) and are tax-treated in the host's own accounts.

Year	Scenario A (25/75 · 25/75)	Scenario B (35/65 · 50/50)	Scenario C (50/50 · 50/50)
1	$993,190	**$1,720,880**	$1,986,380
2	$1,013,054	**$1,755,297**	$2,026,107
3	$1,033,315	**$1,790,403**	$2,066,629
4	$1,053,981	**$1,826,211**	$2,107,962
5	$1,075,061	**$1,862,735**	$2,150,121
6	$1,096,562	**$1,899,990**	$2,193,123
7	$1,118,493	**$1,937,990**	$2,236,986
8	$1,140,863	**$1,976,750**	$2,281,726
9	$1,163,680	**$2,016,285**	$2,327,360
10	$1,186,954	**$2,056,610**	$2,373,907
11	$1,210,693	**$2,097,743**	$2,421,386
12	$1,234,907	**$2,139,697**	$2,469,813
13	$1,259,605	**$2,182,491**	$2,519,210
14	$1,284,797	**$2,226,141**	$2,569,594
15	$1,310,493	**$2,270,664**	$2,620,986
15-yr Total	**$17,175,644**	**$29,759,887**	**$34,351,289**

Schedule note: Each scenario column carries the same 2%/year escalation on a constant share split. Real contracts may negotiate floors, ceilings, true-up mechanics, or step-downs after the debt-service period — those features are not modelled here. See Appendix for assumptions and bucket allocation.

Bucket Split — Balanced Base Case (Scenario B)

How Scenario B's annual host benefit decomposes between bill-side savings and market-upside revenue. The Bill bucket is generally more predictable (utility-bill mechanics) while the Market bucket carries more dispatch and market-price exposure.

Year	Host Bill share	Host Market share	Total host
1	$619,500	$1,101,380	**$1,720,880**
2	$631,890	$1,123,407	**$1,755,297**
3	$644,528	$1,145,875	**$1,790,403**
4	$657,418	$1,168,793	**$1,826,211**
5	$670,567	$1,192,169	**$1,862,735**
6	$683,978	$1,216,012	**$1,899,990**
7	$697,658	$1,240,332	**$1,937,990**
8	$711,611	$1,265,139	**$1,976,750**
9	$725,843	$1,290,442	**$2,016,285**
10	$740,360	$1,316,250	**$2,056,610**
11	$755,167	$1,342,575	**$2,097,743**
12	$770,270	$1,369,427	**$2,139,697**
13	$785,676	$1,396,816	**$2,182,491**
14	$801,389	$1,424,752	**$2,226,141**
15	$817,417	$1,453,247	**$2,270,664**

Operational Dispatch — How the Asset Earns

A BESS does not earn all value streams at full output in the same hour. Instead, an **Energy Management System (EMS)** dispatches the asset to its highest-value use case in each hour, governed by forecasts of GA peak probability, capacity-auction commitments, OR clearing prices, and Ontario Zonal Price spreads. The scenarios below illustrate the typical operating modes.

Mode 1 — Summer Peak Forecast Day (Highest-Value Mode)

- **Conditions:** Heat-wave afternoon, system demand projected to set a top-5 GA peak.
- **Action:** BESS fully charged overnight; discharges 10 MW for 2 hours during forecast peak window (typically 14:00–18:00).
- **Primary value:** Global Adjustment peak-shaving — single peak captured may be worth $100K+ in GA reduction.

Mode 2 — Winter Evening Peak

- **Conditions:** Cold-snap evening, IESO capacity-auction activation possible.
- **Action:** BESS discharges to support capacity-auction obligation; offers remaining headroom into OR.
- **Primary value:** Capacity payment plus availability-based OR revenue.

Mode 3 — Shoulder Season Overnight

- **Conditions:** Low system demand, Ontario Zonal Price spread between off-peak and afternoon is significant.
- **Action:** Charge at $20–30/MWh overnight, discharge at $70–90/MWh next afternoon; offer remaining headroom to Operating Reserve.
- **Primary value:** Energy arbitrage with OR availability.

Mode 4 — Plant Brownout or Voltage Sag

- **Conditions:** Grid voltage dip or transient outage of <15 minutes.
- **Action:** BESS automatically rides through, supplying critical loads at sub-second transfer. EMS resynchronizes upon grid recovery.
- **Primary value:** Avoided lost production, equipment protection, behind-the-meter resilience.

Strategic Considerations

1. Zero Capex — Why This Structure Exists

In a partner-funded structure, the sponsor underwrites the $20M of capex, the labour-requirement-compliant Clean Tech ITC, the Year-1 CCA shield, the debt facility, and the operational risk of dispatching the asset. The host contributes its site, electrical connection, peak-demand profile and cooperation with dispatch — **and bears none of the project's capital cost, financing obligations, or direct merchant-market participation and settlement obligations.** This is the central feature that allows hosts who could not finance a $20M asset (or who do not wish to allocate balance-sheet capacity to one) to participate in the value created by a behind-the-meter BESS.

2. Choosing a Share Scenario

The three modelled splits are reference points along a continuum, not a fixed menu. The right point depends on host credit and savings predictability, sponsor cost of capital, whether the deal is a first or a repeat transaction, and which party brings the IESO market-participant relationship. As a guide: **A** is appropriate for first deals, weaker-credit hosts and higher-cost-of-capital sponsors; **B** is a balanced reference deal; **C** is appropriate for strong-credit hosts and repeat deals where the sponsor has lower cost of capital. Persona context for each scenario is documented in the Appendix.

3. Capacity-Auction Window Applies to the Sponsor

The 2025 IESO Capacity Auction cleared at multi-year highs and reflects current procurement outcomes. Under a partner-funded structure, **the urgency to lock in current capacity-market pricing sits with the sponsor**, who registers the asset, qualifies it for the capacity auction and bears the timing risk on commitment-period pricing. The host's exposure to that window is indirect: it influences how much value is on the table to share, but the host is not signing the capacity commitment.

4. Bucket Risk Allocation

The Bill bucket (GA peak-shaving and BTM resilience, **44.5% of gross**) is more predictable in nature — it lives on the host's utility bill and follows ICI mechanics. The Market bucket (Capacity, Operating Reserve and Arbitrage, **55.5% of gross**) is earned through IESO market participation and is more sensitive to dispatch performance and market clearing prices. Different scenarios deliberately split these buckets asymmetrically (e.g. Scenario A applies the same conservative split to both, while Scenario B gives the host a smaller bill share but an equal share of market upside) to match the risk allocation that each persona is prepared to accept.

5. Downside Risk: Revenue Reversion

Recent Ontario market conditions have been characterised by higher capacity-auction clearing prices, stronger ancillary-service signals under MRP, and wider intra-day spreads. In a more conservative environment where one or more streams revert toward historical levels, **the host's benefit shrinks pro-rata and the sponsor's equity cushion narrows.** All three scenarios clear the 12% PE hurdle in this base case; under a meaningfully more conservative stack, Scenario C (Customer-Friendly) is the most exposed because it leaves the sponsor the thinnest cushion. This is the principal reason a stronger split for the host should be matched by stronger host credit and savings predictability.

6. Asset Life Beyond the 15-Year Modelling Horizon

The financial model uses a 15-year horizon — a common analysis window aligned with capacity-contract tenors and lender underwriting practice. **This is a modelling convention, not a statement about physical asset life.** Modern lithium-iron-phosphate (LFP) battery systems can remain useful beyond a 15-year horizon when supported by appropriate augmentation, warranty and O&M arrangements. Any uncounted years would represent additional value not reflected in the figures in this report; allocation of that residual upside between host and sponsor is a contracting choice.

Conclusion

For **Your Company** a partner-funded 10 MW / 20 MWh BESS in Ontario may offer a financially meaningful outcome with no host capex, subject to site-specific diligence and the following modelled characteristics:

- **Zero host capex;** sponsor underwrites the $20M of capex, the labour-requirement-compliant Clean Tech ITC, the Year-1 CCA shield and the debt facility.
- **Host Year-1 savings of $993,190–$1,986,380** (**$99,319–$198,638 per MW**) across the three modelled scenarios, escalated at 2%/year.
- **15-year cumulative host savings of $17.18M–$34.35M**, driven entirely by the negotiated share split on a constant underlying value stack.
- **Sponsor equity IRR of 12.6%–59.8%** across the three scenarios; all three clear the 12% PE equity hurdle in this base case.
- A diversified two-bucket value stack (Bill **44.5%** · Market **55.5%**) intended to be resilient to changes in any single program.

The current environment in Ontario — capacity-auction clearing prices at multi-year highs, the federal Clean Technology ITC available, the AII reinstated under Bill C-15, and stronger ancillary-service signals under MRP — may support attractive shared-savings economics for behind-the-meter storage at well-suited Class A industrial hosts. **These conditions are favourable but not risk-free**: realising the

modelled outcomes requires successful IESO registration and qualification, labour-requirement compliance, sufficient sponsor taxable income, sound dispatch and forecasting, and stable market and policy conditions over the project's operating life. The figures in this report are intended as a defensible illustrative case for a favourable Ontario host under a partner-funded structure — not a guarantee of any specific result.

Appendix — Assumptions & Methodology

General Modelling Caveats

- **Illustrative model:** All numbers in this report are modelled illustrative outcomes for a favourable Class A Ontario industrial host under a partner-funded (shared-savings) structure. They are not forecasts of actual project results and do not constitute a binding offer.
- **Site-specific diligence:** Real projects require host-specific load analysis, IESO registration and qualification, interconnection studies, permits, financing structuring, sponsor-side tax-position review, and engineering design.
- **Sponsor tax position:** Realising the modelled sponsor tax outcomes (ITC and Year-1 CCA shield) requires the sponsor to meet Clean Tech ITC labour requirements (for the 30% rate), have sufficient taxable income to absorb the Year-1 CCA deduction, and make timely filings. The host is not the taxpayer for those credits in this structure.
- **Market participation:** Capacity, OR and (potentially) regulation revenue depend on successful IESO registration, performance audits, and ongoing market participation — typically conducted by the sponsor as market participant of record.
- **Future conditions:** Capacity-auction prices, ancillary-service prices, energy spreads, and policy/legislation may change. The three scenarios in this report illustrate sensitivity to the share split, not to the underlying value stack itself; a reversion in the stack would reduce host and sponsor outcomes proportionally on each scenario.

System Configuration

- **Power capacity:** 10 MW
- **Energy capacity:** 20 MWh (2-hour duration)
- **Chemistry:** Lithium iron phosphate (LFP) — industry standard for stationary storage
- **Round-trip efficiency:** 85%
- **Operating life:** 15 years (modelled); useful operation can extend beyond 15 years when supported by appropriate augmentation, warranty and O&M arrangements
- **Installed capex:** $20M turnkey CAD — fully-burdened including EPC margin, soft costs, transformers, interconnection, and 2026 tariff exposure

Host Profile (Ideal Industrial Customer)

- **Peak demand:** 52 MW
- **Annual consumption:** 325 GWh
- **Load factor:** 71%
- **Class A status:** Yes (eligible for ICI)

- **Peak-hour concentration:** Summer 14:00–19:00 (aligns with historical ICI peak hours)

Revenue-Stream Assumptions

- **GA Peak Shaving (ICI):** $160K/MW-year × 10 MW, assuming high-capture managed peak prediction. Sensitivities reflect 4-of-5 and 3-of-5 outcomes.
- **IESO Capacity Auction:** $645.24/MW-business day (summer) + $725.31/MW-business day (winter) × 131 + 130 business days, with a 0.95 Adequacy De-rating Factor (ADF). Effective per-MW-year is approximately $169,876; 10 MW base-case revenue $1,698,759. Subject to IESO qualification, registration and performance.
- **Operating Reserve:** ~$10/MW-hour of reserve capability × 5 MW × 6,000 hours offered, reflecting post-MRP price ranges. Subject to OR-eligible registration.
- **Energy Arbitrage:** 20 MWh × ~300 cycles × ~$40/MWh average day-ahead spread × 85% RTE. Subject to actual price spreads, congestion, losses, and dispatch availability.
- **Behind-the-Meter:** $110K demand-charge mitigation + $60K resilience/power-quality value, assuming engineered support for selected critical loads (not full-facility 52 MW backup).
- **Contracted Regulation (upside, excluded from base case):** ~5 MW × ~1,752 hours × ~$10/MW-hour ≈ $87,600/year, contingent on a procurement contract.

Financial Assumptions (Sponsor-Side)

- **Installed capex:** $20M turnkey CAD — funded 100% by sponsor; host contributes site and cooperation only.
- **Capital stack:** 70% senior debt ($14M) at 7% interest over a 10-year amortising term; 30% sponsor equity ($6M). Illustrative — not a financing commitment.
- **Combined corporate tax rate (sponsor):** 26.5% (federal 15% + Ontario 11.5%).
- **Annual revenue escalation:** 2.0% (electricity-price inflation), applied to both buckets.
- **O&M trajectory (sponsor-borne):** $200K (yrs 1–3) → $400K (yrs 4–7) → $750K (yrs 8–10) → $1.1M (yrs 11–15).
- **Discount rate (for NPV):** 8.0% on the project; 12% PE equity hurdle used to validate sponsor returns.
- **Host financial exposure:** None on capex, debt or O&M. Host bears only the operational requirement of cooperating with dispatch and is taxed on its received savings/share in its own accounts under normal corporate-tax rules.

Share-Scenario Personas & Bucket Allocation

The three scenarios apply different splits to the Bill bucket (GA peak-shaving + BTM resilience) and the Market bucket (Capacity + Operating Reserve + Arbitrage). The persona column describes the host/sponsor profile each scenario is best suited to.

Scenario	Bill split (Host/Sponsor)	Market split (Host/Sponsor)	Best suited to (persona)
A · Investor-Protective	25 / 75	25 / 75	Weaker-credit host, uncertain savings, higher cost of capital, or a first deal with a new partner. Sponsor needs strong return cushion to underwrite.
B · Balanced Base Case	35 / 65	50 / 50	Mid-market industrial, investment-grade-adjacent, typical Ontario GA-peak host. Host receives a meaningful bill credit; sponsor keeps the majority of certain bill savings and shares market upside evenly.
C · Customer-Friendly	50 / 50	50 / 50	Strong investment-grade host, high savings certainty, ITC fully realised, multi-site portfolio play, or strategic anchor deal. Maximum credible host share at this capex point.

Modelled gross value stack: Bill bucket $1,770,000 (44.5%) + Market bucket $2,202,759 (55.5%) = $3,972,759 Year-1 gross. Contracted Regulation upside (~$87,600/yr) excluded from base scenarios.

Tax & Incentive Framework

- **Clean Technology ITC:** Refundable federal credit on the capital cost of eligible clean technology property, including fixed-location electrical energy storage. Up to 30% with labour-requirement compliance (prevailing wage and apprenticeship), reduced to 20% otherwise. ~90% of installed capex assumed eligible, illustrative — actual eligibility is determined under CRA rules (Income Tax Folio guidance and Clean Economy ITC pages).
- **Class 43.1 / 43.2 CCA:** Eligible electrical energy storage property is generally treated as clean energy property under Class 43.1 / 43.2 of Schedule II to the Income Tax Regulations.

- **Accelerated Investment Incentive (AII):** Reinstated under Bill C-15, which received Royal Assent on March 26, 2026. Up to 100% immediate first-year expensing for eligible Class 43.1 / 43.2 property acquired on or after January 1, 2025 and available for use before 2030, subject to the rules of the Income Tax Act. Realising the Year-1 deduction in full requires sufficient taxable income.

Key Risks & Considerations

- **Sponsor credit & operating performance:** Host benefit depends on the sponsor remaining solvent and operating the asset as agreed throughout the contract. Hosts should evaluate sponsor credit, parental support, performance guarantees, and step-in rights as part of contracting.
- **GA pricing trajectory:** Global Adjustment values per MW may decline over time as more clean generation comes online; this would reduce the Bill bucket proportionally for both parties.
- **Peak-prediction accuracy:** GA savings depend on correctly identifying the top-5 IESO coincident-peak hours. Performance varies year-to-year; a 4-of-5 capture year reduces the Bill bucket and therefore both the host's and the sponsor's share of it.
- **Capacity-market reversion:** Future commitment-period prices may differ from 2025–26 clearing levels; downside in the Market bucket flows to both parties pro-rata to their split.
- **Battery degradation & augmentation:** Capacity fade requires augmentation. O&M ramp is intended to fund this; augmentation cost-overruns sit with the sponsor in this structure unless the contract specifies otherwise.
- **Regulatory change:** IESO market rules and federal tax measures may change. AII immediate-expensing applies to eligible Class 43.1 / 43.2 property available for use before 2030, after which prescribed phase-down rates apply — a sponsor-side timing consideration.
- **Contract design:** Real shared-savings contracts may include floors, ceilings, true-up mechanics, and step-downs after debt-service — none of which are modelled here. These features can materially shift the risk-return profile within any chosen scenario.

Sources & References

All sources accessed Q1 2026. URLs reflect canonical pages at time of publication; readers should confirm current versions for project-specific use.

- **A. IESO — Capacity Auction.** Independent Electricity System Operator, *Capacity Auction (program page) and 2025 Capacity Auction Final Results*. Supports: 2025 Capacity Auction held November 26–27, 2025 with results published in early December 2025; Summer 2026 and Winter 2026/27 commitment-period framework; clearing prices of $645.24/MW-business day (summer) and $725.31/MW-business day (winter); Storage Adequacy De-rating Factor (ADF). URL: ieso.ca/en/Sector-Participants/Market-Operations/Markets-and-Related-Programs/Capacity-Auction.
- **B. IESO — Global Adjustment & Industrial Conservation Initiative.** Independent Electricity System Operator, *Global Adjustment Class A Eligibility* and *Global Adjustment overview*. Supports:

Class A Global Adjustment framework; Peak Demand Factor methodology; top-five system-coincident peak hours; May 1 – April 30 base period for ICI participants. URLs: ieso.ca/en/Sector-Participants/Settlements/Global-Adjustment-Class-A-Eligibility and ieso.ca/power-data/price-overview/global-adjustment.

- **C. IESO — Market Renewal Program.** Independent Electricity System Operator, *Market Renewal Program — Training Materials* and *Guiding Documents for the Transition to the Renewed Market*. Supports: May 1, 2025 renewed-market launch; Ontario Zonal Price; day-ahead and real-time market structure; Operating Reserve market design under MRP. URLs: ieso.ca/en/Sector-Participants/Market-Operations/Marketplace-Training/MRP-Training-Materials and ieso.ca/Sector-Participants/Market-Operations/Legacy-Market/Guiding-Documents-for-the-Transition-to-the-Renewed-Market.

- **D. IESO — Operating Reserve.** Independent Electricity System Operator, *Operating Reserve market documentation (within Renewed Market design materials)*. Supports: 10-second, 10-minute and 30-minute Operating Reserve product definitions; OR eligibility, qualification and settlement concepts under the renewed market.

- **E. CRA — Clean Technology Investment Tax Credit.** Canada Revenue Agency, *Clean Technology Investment Tax Credit (ITC)*. Supports: Refundable Clean Technology ITC; eligible fixed-location electrical energy storage property; up-to-30% rate with 20% reduced rate where labour requirements are not met. URL: canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/business-tax-credits/clean-economy-itc/clean-technology-itc.html.

- **F. CRA — Labour Requirements for Clean Economy ITCs.** Canada Revenue Agency, *Labour requirements for the Clean Economy investment tax credits*. Supports: Prevailing-wage requirement; apprenticeship requirement; election mechanics; consequences of non-compliance (rate reduction from 30% to 20%, and other penalties). URL: canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/business-tax-credits/clean-economy-itc/labour-requirements-itc.html.

- **G. CRA / NRCan — Class 43.1 and 43.2 guidance.** Natural Resources Canada, *Tax Incentives for Clean Energy Technologies described in Class 43.1 and 43.2 — Technical Guide* (with related CRA Income Tax Folio guidance). Supports: Eligibility of fixed-location electrical energy storage property; Class 43.1 / 43.2 capital cost allowance treatment under Schedule II to the Income Tax Regulations. URL: natural-resources.canada.ca/funding-partnerships/tax-savings-industry.

- **H. Government of Canada — Accelerated Investment Incentive.** Department of Finance / Canada Revenue Agency, *Accelerated Investment Incentive guidance*, as restated by Budget 2025 measures and incorporated through Bill C-15. Supports: Up to 100% first-year expensing for eligible Class 43.1 / 43.2 property; acquired on or after January 1, 2025 and available for use before 2030; phase-down to 75% (2030–2031), 55% (2032–2033), eliminated thereafter.

- **I. Parliament of Canada — Bill C-15.** Parliament of Canada (LEGISinfo), *Bill C-15 — An Act to implement certain provisions of the budget tabled in Parliament on November 4, 2025 (Budget Implementation Act, 2025, No. 1)*. Supports: Royal Assent date of March 26, 2026; reinstatement of the Accelerated Investment Incentive and immediate-expensing framework for Class 43.1 / 43.2 property. URL: parl.ca/legisinfo/en/bill/45-1/c-15.
- **J. NREL — Storage-as-a-Service / Shared-Savings Contracting.** U.S. National Renewable Energy Laboratory, *Behind-the-Meter Battery Energy Storage: Frameworks for Customer-Sited Project Economics and Contracting* (NREL technical-report series on customer-sited storage business models, including third-party-owned and shared-savings structures). Supports: third-party-ownership and savings-share contracting frameworks for behind-the-meter storage, host vs. developer role allocation, and risk allocation across capex, dispatch and market participation — industry context for the partner-funded structure modelled in this report. URL: nrel.gov/storage/publications.html.

— End of Sample Report —

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