



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00440-R00		
Subject:	Enabling HDR to receive activation payments for testing and emergency activations		
Title:	HDR Out-of-Market Activation Payments		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7, 9	Appendix:	
Sections:	Chapter 7, Section 19.4 & Chapter 9, Section 4.7J		
Sub-sections proposed for amending:	Ch. 7 - 19.4.15, 19.4.16 & Ch. 9 - 4.7J.5		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submitted for Technical Panel Review	September 16, 2019
2.0	Publish for Stakeholder Review and Comment	September 26, 2019
3.0	Submitted for Technical Panel Vote	October 16, 2019
4.0	Recommendation by Technical Panel: Submitted to the IESO Board	October 23, 2019
5.0	Minor amendments by IESO Board pursuant to Chapter 3, section 4.3.18 of the market rules	November 27, 2019
Approved Amendment Publication Date:		November 27, 2019
Approved Amendment Effective Date:		May 1, 2020

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

The IESO proposes to amend the market rules to enable hourly demand response resources to receive payments for out-of-market activations.

Background

The Demand Response Working Group (DRWG) identified the need to evaluate out-of-market activations for hourly demand response (HDR) resources in order to provide HDR resources cost recovery for out-of-market activations (i.e. testing or emergency activations) consistent with treatment of other resource types.

HDR resources can be activated outside of market economics to respond to a:

- Capacity test, or
- Emergency Control Action

When other resource types (dispatchable load, generator, import) are dispatched out-of-market they are eligible for some form of “make-whole-payment.” A make-whole payment may apply when a participant faces a shortfall between their resource bid/offer price and the revenue earned through market clearing prices. The payment restores the participant to the financial situation they would have been in as implied by their bids/offers.

Currently HDR resources do not receive a make-whole payment for out-of-market activations. These costs may be reflected in their capacity offers potentially increasing the cost of the capacity. In the Demand Response Auction, HDR participants could reflect the expected cost of out-of-market activations in DR Auction offer prices. Since only DR resources could participate in the DR Auction, all HDR resources were impacted equally. In the context of the proposed capacity auctions, where HDR will be competing against other resource types, how these costs are recovered will potentially impact market efficiency.

IESO’s initial assessment concluded that providing HDR resources cost recovery for out-of-market activations is:

- appropriate as testing or emergency activations can occur at a price below bid price of an HDR
- consistent with energy market and existing design treatment of other resources (including dispatchable load)

Further information on the Demand Response Working Group, including presentations and stakeholder feedback can be found on the DRWG [webpage](#).

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**Discussion**

The IESO is proposing the following changes to Chapters 7 and 9 of the market rules to enable *hourly demand response* participants to receive compensation for valid test activations and emergency activations.

Chapter 7

Section 19.4.15

This sub-section is being modified to enable *hourly demand response* resources to receive compensation for a test activation.

Section 19.4.16

This sub-section is being added to enable *hourly demand response* resources to receive compensation for an emergency activation.

Chapter 11

Section 4.7J.5

This sub-section is being added to identify that hourly demand response resources shall be settled for out of market activations related to either test activations or emergency activations.

PART 4 – PROPOSED AMENDMENT**Chapter 7 - System Operations and Physical Markets****19.4 Energy Market Participation for Hourly Demand Response Resources**

19.4.15 The *hourly demand response* resource shall be entitled to compensation for valid test activations conducted during a *commitment period* pursuant to this section 19.4 and in accordance with the applicable *market manuals*.

Activation of Hourly Demand Response Resources leading up to or during an Emergency Operating State

19.4.16 A *demand response market participant* satisfying a *demand response capacity obligation* using an *hourly demand response* resource shall be entitled to

compensation for an activation leading up to or during an *emergency operating state* pursuant to section 2.3 of Chapter 5, and in accordance with the applicable *market manuals*.

Chapter 9 – Settlements and Billing

4.7J Capacity Obligations

4.7J.5 The *IESO* shall remit a test activation payment or emergency activation payment for a valid test activation or emergency activation, respectively, of an *hourly demand response* resource, associated with a *demand response capacity obligation*, if any, to the applicable *demand response capacity market participant*, in the manner specified in the applicable *market manuals*.

PART 5 – IESO BOARD DECISION RATIONALE

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