

Memorandum

To: Stakeholder Advisory Committee

From: Tom Chapman, Senior Manager, Market Development and Strategy

Date: November 3, 2020

Re: IESO Business Update – Expanding Participation in Operating Reserve and Energy Initiative

The following provides an update to members of the Stakeholder Advisory Committee (SAC) on the Expanding Participation in the Operating Reserve and Energy Initiative (EPOR-E).

Status Update

In 2020, the IESO launched the Expanding Participation in Operating Reserve (OR) and Energy initiative to collaborate with stakeholders to gain a better, mutual understanding of the requirements, capabilities, and interest from various technology types to participate in the energy and OR markets. This included group discussions at the Market Development Advisory Group meetings, a number of one-on-one discussions with stakeholders, as well as consideration for knowledge and feedback from past and ongoing IESO forums.

As a first step to establishing a common understanding of the requirements to participate, the IESO undertook a detailed assessment of the requirements and processes to participate in the IESO-administered markets and analyzed areas of misalignment from respective technology types that were interested (Phase 1). The IESO is in the process of finalizing this research on participation requirements and misalignments and expects to publish a memo by the end of the year.

Next Steps

The IESO is committed to enabling resources to participate more fully in the IESO-administered markets. This commitment is an acknowledgment of the ongoing discussions the IESO has had with the stakeholder community to understand opportunities to expand participation and recent developments related to the Distributed Energy Resources Survey, Capacity Auction and Resource Adequacy engagements, as well as the work of the Demand Response Working Group (DRWG), Energy Storage Advisory Group (ESAG) and Market Development Advisory Group.

Based on the feedback received, the IESO intends to revise its engagement approach to build on EPOR-E research, bring together learnings from these other forums, and expedite the establishment of a concrete work plan to enable emerging and evolving resource types. The IESO will introduce the details of the expanded engagement and work plan in the first quarter of 2021.

Background

Over the last decade, Ontario has seen significant changes in the electricity sector and to address changing sector dynamics the EPOR-E initiative was launched in 2020. The objective of the EPOR-E project is to identify high-value projects that can improve the operational flexibility of the IESO utilizing competitive and transparent market-based solutions from a diverse range of service providers.

The potential benefits of the project include:

- Increased competition from a broader range of service providers to lower costs
- Improved grid resilience and reliability through greater supply quantity and diversity
- Enable greater participation across all IESO-administered markets

In addition to EPOR-E initiative work, over the last number of years, the IESO has worked with stakeholders through a number of forums to better understand the opportunities and create opportunities for competition and evolution. These include:

- Development of the Demand Response Auction, which is in the process of transitioning to an enduring Capacity Auction
- Efforts to address concerns and opportunities for demand response integration through the DRWG
- Creation of the ESAG to enable directly-connected storage
- Initiating a number of pilot programs to test new technology capabilities including DR, energy efficiency, storage, hybrids technology
- Creation of The Innovation and Sector Evolution White Paper Series to explore the future potential of emerging technologies