

# Energy Payments for Economic Activation of Demand Responses: Feedback Form

Meeting Date: May 21, 2020

Date Submitted: 2020/06/11

Feedback Provided By:

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Following the May 21, 2020 Energy Payments for Economic Activation of Demand Response (DR) Resources webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. Background information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by June 11, 2020. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

# Stakeholder Feedback:

## Shut-down Costs – Option 1: Risk Mitigation Approach

### Requests

### Stakeholder Feedback

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What is a reasonable cap on in-market activation?

This option diminishes the value of Demand Response as well as the future value of demand response resource in the technology agnostic capacity auction. AEMA cannot support this option.

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How should a cap differ for hourly demand response (HDRs) and dispatchable loads?

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## Shut-down Costs – Option 2: Cost Recovery Approach

### Requests

### Stakeholder Feedback

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What costs should be included in eligible costs?

This option will not be manageable for aggregators. The complexities of aggregating shutdown costs would not be cost effective.

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What does the cost submission process entail?

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What savings and revenues should be included in the calculation of a make-whole payment?

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What evidence can be provided and used to audit costs?

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## Shut-down Costs – Options 3 and 4 (Screened Out): Representative Cost and 2-Part Bid Reflected in Dispatch

Requests

Stakeholder Feedback

Is there anything else that should be considered in screening out Options 3 and 4?

Option 3 should be considered further. An administrative value (representative cost) for uneconomic activations is currently used and in historic DR programs an activation payment was made.

AEMA understands these payments are partially made to be applied to cover VOLL, but they are administratively set and should be investigated. The IESO could study these payments and payments made in other jurisdictions for similar payment structures.

Option 4(a) should be considered further. Although this option would be difficult to manage for Aggregators, it would allow structuring of bids by participants to reduce risk during activations. HDRs participating directly would be able to provide the two components more easily than aggregators who manage a diverse portfolio. That said, an aggregate variable energy and fixed shutdown cost can be mathematically derived with reasonable effort. The prices submitted should not be subjected to critique/audit, as the inputs are commercially sensitive and subject to customer confidentiality.

Option 4(b) Second bullet states, "If actual prices over the activation duration end up being insufficient to cover the variable energy costs and the shutdown costs, a make-whole payment is provided consistent with the provisions and requirements in Option 2" This works for a generator under the GCG program but absent a payment of some fashion the load never will recover his shut down costs.

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### General Comments:

The IESO should reconsider Options 3 and 4(a). This should be included in the Market Renewal Program. Any required changes to the dispatch engine to implement Option 4(a) could be added to the scope.

AEMA does not support the analysis performed and the conclusions reached in the Energy-Market Payment Options for Demand Response in Ontario report, prepared by the Brattle Group for the IESO . Brattle's analysis and conclusions are clearly based on the current construct of the market and the GA. It is evident that IESO intends to accept Brattle's conclusions at this time; however, AEMA expects that the issue of Energy Payments for Economic DR resources will be revisited in the future and the IESO's position reassessed in accordance with market construct developments and changes. At this time, AEMA will shift its focus to the discussion on recovery for shut-down costs.

AEMA is a North American trade association whose members include distributed energy resources, demand response ("DR"), and advanced energy management service and technology providers, as well as some of Ontario's largest consumer resources, who support advanced energy management solutions due to the electricity cost savings those solutions provide to their businesses. The comments herein represent those of the organization, not those of any individual member.