



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00427		
Subject:	Demand Response Auctions		
Title:	Demand Response Auctions – Capacity Obligation Transfers		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	2, 7, 11	Appendix:	N/A
Sections:	Chapter 2, section 5B, Chapter 7 sections 18 & 19, Chapter 11 definitions		
Sub-sections proposed for amending:	Various		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	August 2, 2016
2.0	Publish for Stakeholder Review and Comment	August 11, 2016
3.0	Submitted for Technical Panel Vote	September 6, 2016
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	September 13, 2016
5.0	Approved by IESO Board	October 26, 2016
Approved Amendment Publication Date:		October 27, 2016
Approved Amendment Effective Date:		As early as the fourth quarter of 2016, and will be specified by the IESO in a notice to all market participants.

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 allow a demand response auction participant (DRAP) to transfer all or a portion of its demand response capacity obligation to another DRAP who had qualified capacity to offer into the demand response auction for the same commitment period.

This proposal is based on input from the Demand Response Working Group (DRWG).

Further information on the DRWG can be found on the IESO’s website at: [IESO Demand Response Working Group](#)

Background

Refer to MR-00427-Q00

Discussion

Chapter 7, sections 18 and 19 provide the market rules framework regarding participation in the DR auction as a DRAP, and energy market participation as a demand response market participant (DRMP). The proposed market rule amendments will enable the transfer of DR capacity obligations.

Chapter 7

It is proposed to insert new section 18.9, “Demand Response Capacity Obligation Transfers” into section 18 of Chapter 7 of the market rules as follows:

Section 18.9 (new) – Demand Response Capacity Obligation Transfers

- Insert section 18.9.1 to enable a demand response transferor (see definition below) to transfer all or a portion of its DR capacity obligation to a demand response transferee (see definition below), subject to IESO approval and in accordance with the applicable market manual, after the completion of a DR auction provided the following criteria are met:
 - Section 18.9.1.1: the DR transferee receives a DR capacity obligation transfer which does not exceed the difference between the DR transferee’s qualified DR capacity and existing DR capacity obligation. For example, if a DR transferee qualified 100MW of DR capacity, but only has cleared 60MW following an auction, they may acquire up to an additional 40MW of a DR capacity obligation from a DR transferor;
 - Section 18.9.1.2: the DR transferor provides the IESO with written confirmation from the DR transferee of their willingness to participate in the transfer;

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

- Section 18.9.1.3: the transfer consists of the same attributes as the DR transferor's DR capacity obligation that was initially cleared in the DR auction. DR capacity obligations will identify the attributes of the obligation, such as the applicable commitment period, DR zone and type of DR capacity (virtual or physical DR) as detailed in the applicable market manual. Therefore the transferee must have qualified capacity with the same attributes for a transfer to be viable; and
- Section 18.9.1.4: the transferred quantities are in increments of 0.1 MW and after a transfer, the remaining DR capacity obligations for both the transferor and transferee must be 0 MW, or greater than or equal to 1 MW. The IESO's Dispatch and Scheduling Optimization (DSO) cannot dispatch resources that are less than 1 MW.
- Insert section 18.9.2 to require the IESO to determine any revisions to DR auction deposits and/or DR prudential support obligations for the DR transferee. The IESO is required to review DR prudential support obligations when provided notice of any change in accordance with section 5B.3.2 and 5B.3.3 of Chapter 2 and will be required to review DR auction deposits for the DR transferee under new section 18.3.2 after a request for a DR capacity obligation transfer.
- Insert section 18.9.3 to require the DR transferee to provide the IESO with any revised DR deposit and/or DR prudential support obligations that resulted from a transfer request being received by the IESO. The IESO will notify a DR transferee of any revised DR auction deposit and/or DR prudential support obligations and the DR transferee will have 5 business days from that notification, or such longer period as agreed upon by the IESO and DR transferee, to provide the revised deposit and/or prudential obligations.
- Insert section 18.9.4 to require the IESO, only after revised DR auction deposits and/or DR prudential support obligations have been provided to the IESO by the DR transferee, to notify both the DR transferor and DR transferee of its approval or rejection of the transfer. The IESO will also be required to publish updated post-auction reports.

Section 18.3 – Calculation of DR Auction Deposits

It is proposed to add new section 18.3.2 to require the IESO to review DR auction deposits for DR transferee's once a request for a DR capacity obligation transfer has been received. Furthermore the IESO will be required to notify the DR transferee of any change to their DR auction deposit, as a result of the transfer request.

Changes to DR auction deposits are only applicable if a DRAP has not already registered its resources within the applicable electrical zone for a DR capacity obligation. If a participant's resources are ready to satisfy their DR capacity obligation, the transfer will impact the DR prudential support obligation. Existing sections 5B.3.2 and 5B.3.3 of Chapter 2 outline the requirements for the IESO to review and change DR prudential obligations.

It is also proposed to add new section 18.3.3 to outline the process for DRAP's to request the return of excess DR auction deposits, the IESO will be required to return excess deposits to DRAP's within five business days of a request. For example, following an approved transfer, a DR transferor may have excess deposits posted with the IESO as a result of its reduced DR capacity obligation. If no request is

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

received by the IESO, the deposit will be carried forward for participation in future DR auctions by the DRAP.

Section 18.8 – Post-Auction Notification and Publication

It is proposed to amend section 18.8 to enable DRAPs to engage in capacity obligation transfers. The IESO proposes to add new section 18.8.1.4 to require the IESO to publish the qualified DR capacities of all DRAPs as part of the post-auction summary report. This will add transparency for DRAPs seeking potential participants that may be available for DR capacity obligation transfers.

Chapter 11 – Defined Terms

The following new defined terms are required to facilitate DR capacity obligation transfers:

- “demand response transferor” means a demand response auction participant who intends to transfer all or a portion of its demand response capacity obligation to a demand response transferee.
- “demand response transferee” means a demand response auction participant who is willing to accept all or a portion of a demand response capacity obligation from a demand response transferor.

Correct Reference Numbers

As a matter of clean-up, it is proposed to correct the subsection reference numbers under existing section 18.2.2. This is a typographical error from MR-00416-R00.

Deletion of Limiting Language

It is proposed to delete the language “through/obtained through a demand response auction” in the following sections as it limits the means by which a DRAP can obtain a DR capacity obligation to the DR auction process. MR-00427-R00 proposes that DR capacity obligations can be obtained via an auction or through a transfer:

- Chapter 2, section 5B.1.1
- Chapter 7, sections 18.2.3, 19.1.1, 19.1.2, 19.2.1.1, and 19.3.1.1.
- Chapter 11 definitions of “demand response prudential support obligation” & “hourly demand response”

PART 4 – PROPOSED AMENDMENT

Chapter 2

5B. Demand Response Prudential Requirements

5B.1 Purpose

- 5B.1.1 This section 5B sets forth the nature and amount of *demand response prudential support* that must be provided by *market participants* that are either *demand response auction participants* or *demand response market participants* as a condition of delivering on a *demand response capacity obligation* ~~obtained through a demand response auction~~, and the manner in which such *market participants* must provide and maintain *demand response prudential support* on an on-going basis, in order to protect the *IESO* and *market participants* from payment defaults.

Chapter 7

18. Demand Response Auctions

18.2 Participation in Demand Response Auctions

- 18.2.1 No person may participate in a *demand response auction* nor receive a *demand response capacity obligation* unless that person has:
- 18.2.1.1 been authorized by the *IESO* as a *demand response auction participant* in accordance with section 3 of Chapter 2;
 - 18.2.1.2 submitted and has been approved by the *IESO*, using forms and procedures as may be established by the *IESO* in the applicable *market*

manual, the amount of *demand response capacity* that the *demand response auction participant* is willing to provide; and

18.2.1.3 no less than five *business days* prior to the date on which a *demand response auction* is to be conducted, provided to the *IESO* a *demand response auction deposit*, in one or both of the forms set forth in section 18.4.

18.2.2 The following provisions of the *market rules* shall not apply to a *demand response auction participant* that is authorized by the *IESO* to participate only in a *demand response auction*:

18.2.2.1 Chapters 4, 5, and 6;

18.2.2.2 Chapter 7 other than this section 18; and

18.2.2.3 Chapters 8 and 10.

18.2.3 A *demand response auction participant* who obtains a *demand response capacity obligation* ~~through a demand response auction~~ shall apply to become authorized by the *IESO* as a *demand response market participant* in accordance with section 3 of Chapter 2.

18.3 Calculation of Demand Response Auction Deposits

18.3.1 Upon receipt of a *demand response auction participant's demand response capacity* under section 18.2.1.2, the *IESO* shall determine for each *demand response auction participant*, a *demand response auction deposit* for a *demand response auction* as specified in the applicable *market manual*.

18.3.2 The *IESO* shall review the *demand response auction deposit* of a *demand response transferee* upon receipt of a request for a *demand response capacity obligation* transfer in accordance with section 18.9.1. As a result of a transfer request, the *IESO* may increase the *demand response auction deposit* of a *demand response transferee* and the *IESO* shall notify the *demand response transferee* of any such increase.

18.3.3 Where the amount of a *demand response auction deposit* provided by a *demand response auction participant* exceeds the amount required by the *IESO*, the *IESO* shall return the excess amount to the *demand response auction participant* within five *business days* of such a request from the *demand response auction participant*. Otherwise, that amount shall be held by the *IESO* and shall form part of that *demand response auction participant's demand response auction deposit* for its participation in a subsequent *demand response auction*.

18.8 Post-Auction Notification and Publication

18.8.1 The *IESO* shall, as soon as practicable following the conclusion of a *demand response auction*, *publish* the following in accordance with the *applicable market manual*:

- 18.8.1.1 the *demand response auction clearing price*;
- 18.8.1.2 the amount of *demand response capacity* that has been procured; ~~and~~
- 18.8.1.3 those *demand response auction participants* who received a *demand response capacity obligation* and all respective *demand response capacity obligations*; ~~and~~

18.8.1.4 the qualified *demand response capacity* of each *demand response auction participant*.

18.8.2 The *IESO* shall, following the conclusion of a *demand response auction*, issue post-auction reports to each *demand response auction participant* by the date specified in the pre-auction report, to detail the *demand response capacity offers* that have cleared in the *demand response auction* and the associated *demand response capacity obligations* for each *commitment period* in accordance with the *applicable market manual*.

18.9 Demand Response Capacity Obligation Transfers

18.9.1 A *demand response transferor* may, subject to *IESO* approval and in accordance with the *applicable market manual*, request a transfer of all or a portion of its *demand response capacity obligation* to a *demand response transferee* provided that the following criteria are met:

- 18.9.1.1 the quantity to be transferred does not exceed the difference between the *demand response transferee's* qualified *demand response capacity*, and its existing *demand response capacity obligation* for the applicable *commitment period*;
- 18.9.1.2 the *demand response transferor* provides written confirmation to the *IESO* from the *demand response transferee* of its willingness to accept the transfer of a *demand response capacity obligation* from the *demand response transferor*;
- 18.9.1.3 the transfer shall consist of the same attributes, as detailed in the *applicable market manual*, as the *demand response transferor's* *demand response capacity obligation*; and
- 18.9.1.4 the quantity to be transferred is in increments of 0.1MW, and the resulting *demand response capacity obligations* for both the *demand*

response transferor and demand response transferee following the transfer shall be 0 MW, or greater than or equal to 1 MW.

18.9.2 For each transfer request that satisfies the criteria in section 18.9.1, the IESO shall determine the demand response transferee's revised demand response auction deposit and/or demand response prudential support obligation, as applicable, in accordance with section 18.3.2 and section 5B.3.3 of Chapter 2.

18.9.3 The demand response transferee shall provide the IESO, within five business days of receiving notification from the IESO or within such a longer period of time as may be agreed between the IESO and the demand response transferee, any additional demand response auction deposit and/or demand response prudential support obligation that may be required as a result of a transfer request.

18.9.4 After the revised demand response auction deposits and/or demand response prudential support obligations have been satisfied by the demand response transferee, the IESO shall notify the demand response transferor and demand response transferee of its approval or rejection, and the IESO shall publish updated post-auction reports.

19. Demand Response Market Participants with Demand Response Capacity Obligations

19.1 Purpose

19.1.1 This section details the delivery of a *demand response capacity obligation* ~~obtained through a demand response auction.~~

19.1.2 A *demand response market participant* who receives a *demand response capacity obligation* ~~obtained through a demand response auction~~ shall deliver into the *IESO-administered market* via resources registered as:

19.1.2.1 *hourly demand response*; or

19.1.2.2 *a dispatchable load.*

19.2 Eligibility Requirements for Hourly Demand Response Resources with Demand Response Capacity Obligations

19.2.1 A *demand response market participant* is eligible to participate as an *hourly demand response* resource provided that the *demand response market participant*:

- 19.2.1.1 demonstrates to the satisfaction of the *IESO* that it can provide the *demand response capacity obligation* ~~obtained through a demand response auction~~, as specified in the applicable *market manual*;
 - 19.2.1.2 registers its *facilities* and *demand response contributors* as applicable, to the satisfaction of the *IESO*, in accordance with the applicable *market manual*. The *demand response market participant* shall not modify, vary or amend in any material respect any of the features or specifications of any resource without first requesting *IESO* authorization and approval in accordance with the applicable *market manual*;
 - 19.2.1.3 satisfies the *connection assessment* requirements in accordance with section 6 of Chapter 4, if required by the *IESO*, in accordance with the applicable *market manual*;
 - 19.2.1.4 has provided *prudential support* in accordance with section 5 of Chapter 2.
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19.3 Eligibility Requirements for Dispatchable Loads with a Demand Response Capacity Obligation

- 19.3.1 A *demand response market participant* is eligible to participate as a *dispatchable load* in satisfying its *demand response capacity obligation*, provided that the *demand response market participant*:
 - 19.3.1.1 demonstrates to the satisfaction of the *IESO* that it can provide the *demand response capacity obligation* ~~obtained through a demand response auction~~, as specified in the applicable *market manual*;
 - 19.3.1.2 is authorized as a *wholesale consumer*;
 - 19.3.1.3 registers its *facilities* in accordance with the registration requirements for *wholesale consumers* that are *dispatchable loads*. The *demand response market participant* shall not modify, vary or amend in any material respect any of the features or specifications of any resource without first requesting *IESO* authorization and approval in accordance with the applicable *market manual*;
 - 19.3.1.4 satisfies the *connection assessment* requirements in accordance with section 6 of Chapter 4, if required by the *IESO* in accordance with the applicable *market manual*;
 - 19.3.1.5 has provided *prudential support* in accordance with section 5 of Chapter 2.
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Chapter 11 – Definitions

demand response prudential support obligation means the dollar amount of collateral required as specified by the *IESO* as a condition of delivering on a *demand response capacity obligation* ~~obtained through a demand response auction~~;

demand response transferor means a *demand response auction participant* who intends to transfer all or a portion of its demand response capacity obligation to a demand response transferee;

demand response transferee means a *demand response auction participant* who is willing to accept all or a portion of a demand response capacity obligation from a demand response transferor;

hourly demand response means the resource type described in section 19 of Chapter 7, that is used by the *IESO* as a delivery type, on an hourly basis, for a *demand response capacity obligation* ~~obtained through a demand response auction~~;

PART 5 – IESO BOARD DECISION RATIONALE

The amendment identifies means to better enable the market to satisfy the market design principle of efficiency. Allowing the transfer of DR capacity obligations between DRAPs will increase the likelihood that the DR capacity procured through the DR auctions will be available for delivery into the energy market. In addition, it will provide a means for DRAPs to mitigate risk from unforeseen circumstances if a qualified transferee can be found.