



Market Rule Amendment Submission

This form is used to request an amendment to, or clarification of, the *Market Rules*. Please complete the first four parts of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@ieso.ca

Attention: Market Rules Group

Subject: Market Rule Amendment Submission

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its license. All submitted information will be assigned the *confidentiality classification* of “Public” upon receipt. You should be aware that the *IESO* will *publish this amendment submission* if the *Technical Panel* determines it warrants consideration and may invite public comment.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

PART 1 – SUBMITTER’S INFORMATION

Please enter contact information in full.

Name: Jacques Vachon, Senior VP, Corporate Affairs and Chief Legal Officer, Resolute FP Canada Inc.

(if applicable) *Market Participant* /

Metering Service Provider No.¹: 125299

Market Participant Class:

Demand Response Market Participant

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E-mail Address: jacques.vachon@resolutefp.com

PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Request for review of market rule pursuant to Chapter 3, section 4.2.4

Title: Demand Response Market Rule unjustly discriminates against a Market Participant / a class of Market Participants

Nature of Request (please indicate with x)

Alteration Deletion Addition

Chapters: Market Rule Appendix: _____ Sections: 18.2 and 19.2.1.1

Chapter 7

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 1 – SUBMITTER’S INFORMATION

Sub-sections proposed for amending: _____

PART 3 – DESCRIPTION OF THE ISSUE

Provide a brief description of the issue and reason for the proposed amendment. If possible, provide a qualitative and quantitative assessment of the impacts of the issue on you and the *IESO-administered markets*. Include the Chapter and Section number of the relevant *market rules*.

BACKGROUND:

Resolute FP Canada Inc. (“**Resolute**”) is filing this request for review of a market rule pursuant to Chapter 3, section 4.2.4 of the IESO Market Rules (the "**Market Rules**") and ss. 35(1) and 35(4) of the *Electricity Act, 1998* (“**Electricity Act**”).

In accordance with these provisions, Resolute requests that the IESO clarify or amend the Market Rules discussed below to align the relevant Market Rules to be consistent with the purposes of the *Electricity Act* and make clear that all market participants that provide demand response to the IESO are to be treated equally, whether or not they rely in part on self-generation to meet their consumption of electricity.

If the IESO does not provide for non-discriminatory treatment, consistent with the purposes of the *Electricity Act*, then the current rules should be overturned by the Ontario Energy Board.

BRIEF DESCRIPTION OF THE ISSUE**Context**

As a Demand Response Market Participant (“**DRMP**”), Resolute has been providing DR to the IESO under the Demand Response 2 (“**DR2**”) and Demand Response 3 (“**DR3**”) programs created by the IESO’s predecessor, the Ontario Power Authority, as well as the Capacity Based Demand Response program (“**CBDR**”) and the current DR auction (“**DRA**”) (collectively, DR2, DR3, CBDR and DRA will be referred to as the “**Demand Response Programs**”).

For the purpose of its participation in the Demand Response Programs, Resolute registered its Thunder Bay news-mill manufacturing facility as the Demand Response Program resource (the “**Mill**”). To do this, Resolute made use of two revenue-grade electricity meters: one that measures the consumption of the Mill from IESO-controlled grid (the “**IESO Grid Meter**”), and the other that measures the consumption of the Mill from its cogeneration facility (the “**Mill Revenue Meter**”).

The sum of the data measurements from these two meters accurately identify the total load of the Mill and that Facility’s available capacity for the Demand Response Programs. The total load for the Mill was determined, and continues to be, between 70 – 110 megawatts, depending on manufacturing operations.

The IESO accepted this measurement as accurately reflecting the total available capacity of Resolute’s Mill and approved Resolute’s participation in DR2, DR3, CBDR and the DRA.

The measurement of the total load (available capacity) of a resource is critical to participation in the Demand Response Programs. This measurement identifies the “baseline” against which compliance

PART 3 – DESCRIPTION OF THE ISSUE

with a demand response activation is determined. In other words, if the IESO issues a demand response activation, it will measure the facility's load during the period of time when the activation is operative, and compare it to the total baseline load of a resource in order to confirm that a DRMP has in fact reduced its load as directed and contracted for under the Demand Response Programs. If the measurements confirm that the DRMP has not reduced its load as required, the IESO may issue penalties and other sanctions against the DRMP.

Resolute's Registration For The 2016/2017 Auction

In registering for the DRA, and with the IESO's knowledge, guidance, and participation, Resolute understood that the total load of the Mill would be measured using the same aggregated meter data, measured by both the IESO Grid Meter and the Mill Revenue Meter, as was previously relied on to determine Resolute's total available capacity for the DR2, DR3 and CBDR Programs.

Resolute was successful in both the 2016 and 2017 DRAs, and the IESO awarded it a maximum demand response capacity obligation of between 46 and 51 megawatts under these programs, reflective of its actual total load.

REASON FOR THE REQUESTED AMENDMENT:

Despite the above-described acceptance of Resolute's registration parameters, IESO Staff has subsequently taken the position that the baseline measurement for Resolute's participation in the DRA will only take into account measurement data from the IESO Grid Meter and the IESO will not accept or refer to measurement data from the Mill Revenue Meter.

According to IESO staff, this position is based on the fact that Resolute operates a cogeneration facility, which in part supports the electricity needs of the Mill, and accordingly the IESO will measure only that part of Resolute's load which is serviced by the grid. If Resolute was not operating a cogeneration facility, then the IESO would accurately measure its baseline capacity with reference to its actual total load.

The consequence of IESO Staff's interpretation of the Market Rules is that the electricity measured by the Mill Revenue Meter meter will not be taken into account in measuring the Mill's baseline consumption. Consequently, the mill will artificially be deemed to only consume electricity from the grid and Resolute will not be able to have its demand reduction measured against the demand served by its self-generation (and measured by the Mill Revenue Meter).

IESO Staff has been unable to identify a Market Rule that supports this position and Resolute does not agree that this position is correct under the Market Rules.¹

IESO Staff's Interpretation is Inconsistent with the Purposes of the *Electricity Act* and Discriminatory, and Should be Corrected by a Market Rule Amendment

IESO staff's interpretation is inconsistent with the purposes of the *Electricity Act* and results in the Market Rules unjustly discriminating against Resolute and other Market Participants who rely on self-generation to meet their consumption of electricity, and who offer demand response in the DRA.

The purposes of the *Electricity Act*, as enumerated in section 1, include:

1(a) to ensure the adequacy, safety, sustainability and reliability of electricity supply in Ontario through responsible planning and management of electricity resources, supply and demand;

¹ IESO Staff bases its position on its interpretation of Market Manual 12, sections 4.3 and 6.3.2, which is not a Market Rule and cannot impact rights of market participants.

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- 1(a.1) to establish a mechanism for energy planning;
- (b) to encourage electricity conservation and the efficient use of electricity in a manner consistent with the policies of the Government of Ontario;
- (c) to facilitate load management in a manner consistent with the policies of the Government of Ontario;
- (d) to promote the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources, in a manner consistent with the policies of the Government of Ontario; and
- ...
- (g) to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity.

IESO Staff's interpretation is inconsistent with these purposes. Co-generation is an energy-efficient process that converts by-product industrial waste heat into clean energy. The IESO Staff take the position that if Resolute wishes to receive the full benefit of the DRA program, Resolute may elect to draw all of the Mills' electricity needs from the IESO grid, in which case its actual total load will be measured by the IESO Grid Meter and taken into account by the IESO. This position discourages efficient, clean energy processes such as co-generation, and results in additional congestion on the grid which impacts electricity resources and reliability, all of which is contrary to the purposes of the *Electricity Act*.

In addition, IESO Staff's interpretation discriminates against Resolute. Unlike loads without self-generation, on IESO staff's interpretation, Resolute is prevented from receiving full compensation under the DRA based on the actual load of its Facility. Settlement, according to the IESO, only takes into account a partial measurement of Resolute's load, without consideration of the real reduction in load of the Facility in response to a DR activation. Resolute operates a paper mill. Its energy requirements are based on the production lines of the Mill. In order to achieve a reduction in load, whether its baseline is measured by the IESO Grid Meter or both the IESO Grid Meter and the Mill Revenue Meter, Resolute must stop operating its production lines. Accordingly, on the IESO's interpretation, Resolute's compensation under the DRA program – meant to off-set and compensate it for its loss of production, is less than other loads participating in the program, because the IESO refuses to read all meters required to accurately measure the Facility's load. In contrast, since Resolute in fact decreases its energy consumption in proportion to its actual load, the IESO gets the full benefit of Resolute's reduced energy consumption without reimbursing Resolute commensurately. IESO staff has not demonstrated that this discriminatory treatment is necessary to meet the purposes of the DRA. Accordingly, its interpretation of the Market Rules unjustly discriminates against Resolute.

The Market Rules should therefore be reviewed by the IESO to make clear that the interpretation of the Market Rules is consistent with the purposes of the *Electricity Act* and all DRMPs are to be treated equally.

If the IESO does not correct this outcome, then the current Market Rules are inconsistent with the purposes of the *Electricity Act* and discriminatory, and should be overturned by the Ontario Energy Board.

PART 4 – PROPOSAL (BY SUBMITTER)

Provide your proposed amendment. If possible, provide suggested wording of proposed amendment.

As Resolute believes that the current Market Rules are clear, no specific amendments are required. However, for clarity, Resolute proposes that the following Rule be added to Chapter 7, 18.2 and the Market Rule at Chapter 7, 19.2.1.1 be amended as follows:

Chapter 7, 18.2: “For greater certainty, with respect to determining a *demand response market participant’s demand response capacity*, nothing in this Rule shall be used to differentiate between meters that connect *demand response market participants* to the IESO-administered grid and meters that measure self-generation.”

Chapter 7, 19.2.1.1: “demonstrates to the satisfaction of the *IESO* that it can provide the *demand response capacity obligation*, as specified in the applicable *market manual*, without differentiation by the IESO between meters that connect *demand response market participants* to the IESO-administered grid and meters that measure self-generation.”;

PART 5 – FOR IESO USE ONLY

Technical Panel Decision on Rule Amendment Submission: Warrants Consideration

MR Number: MR-00437

Date Submitted to *Technical Panel*: November 28, 2018 & January 23, 2019

Accepted by *Technical Panel* as: (please indicate with x)

Date:

General Urgent Minor

February 6, 2019

Criteria for Acceptance: The amendment submission from Resolute FP Canada identifies ambiguity or confusion within the market rules that cause interpretation confusion and leads to poor coordination of implementation or to future disputes.

Priority: High

Criteria for Assigning Priority: The Technical Panel supports assigning a high priority to the consideration/development of the proposed change such that the matter is addressed sufficiently in advance of the next Demand Response Auction scheduled for December 2019.

Not Accepted (please indicate with x):

Technical Panel Minutes Reference: January 29 & February 6, 2019

Technical Panel Comments: The Technical Panel wishes to invite market participants and other interested persons to make written submission to the Technical Panel concerning the amendment submission. In addition, the Technical Panel requests that this amendment submission be discussed at the Demand Response Working Group (DRWG) meeting on February 12, 2019 and that Resolute be invited to present to the DRWG at that meeting.