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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00416-R00		
Subject:	Demand Response Auctions		
Title:	Demand Response Auctions – Participant Authorization & Facility Registration		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapters:	2, 7 & 11	Appendix:	2.2
Sections:	Chapter 2, section 2, 3, Chapter 7 section 18 (new), 19 (new), Chapter 11 definitions		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	May 26, 2015
2.0	Publish for Stakeholder Review and Comment	June 4, 2015
3.0	Submitted for Technical Panel Vote	June 30, 2015
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	July 7, 2015
5.0	Approved by IESO Board	August 26, 2015
Approved Amendment Publication Date:	August 27, 2015	
Approved Amendment Effective Date:	September 18, 2015	

### 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 in order to implement a Demand Response Auction to allow for the future competitive procurement and development of demand response in Ontario.

Specifically, this amendment proposal will:

- Create a new market participant class, “demand response auction participant;”
- Specify the requirements to participate in a demand response auction, which include providing a demand response auction deposit;
- Specify that demand response auction participants who obtain a demand response capacity obligation through an auction, must become a demand response market participant;
- Provide details and eligibility for the delivery of demand response capacity obligations; and
- Specify that in order to deliver on a demand response capacity obligation, demand response market participants must satisfy the registration requirements as either a dispatchable load, or the requirements of an hourly demand response resource.

This proposal is based on the Demand Response Auction stakeholder engagement.

Further information on the Demand Response Auction stakeholder engagement can be found on the IESO’s website at:

<http://www.ieso.ca/Pages/Participate/Stakeholder-Engagement/Demand-Response-Auction.aspx>

#### Background

In order to participate in a demand response auction, existing market participants or new applicants must become authorized as a demand response auction participant. This market participant type will allow organizations to become authorized with the IESO for the purposes of participating in the auction and to be bound by the applicable IESO market rules. There are additional authorization and facility registration requirements for the IESO physical market for those auction participants that obtain a demand response capacity obligation from the auction.

In developing the demand response auction, the approach has been to facilitate participation by current demand response providers, potential new participants and new technologies. Authorization for demand response auctions is similar to the authorization for the transmission rights markets where a financial market participant is only required to execute a participation agreement and file a deposit with the IESO prior to auction participation.

Participants that are successful through a demand response auction (i.e. receive a demand response capacity obligation) will be required to register their facilities with the IESO and deliver the demand

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response capacity obligation as an hourly demand response resource or as a dispatchable load.

**Discussion**Chapter 2 – New Class of Market Participant

It is proposed to add a new class of market participant in the market rules solely for participation in demand response auctions. This addition includes:

- Chapter 2, section 2.1.1.10: New market participant class – “demand response auction participant”;
- Chapter 11, definitions: A new defined term for “demand response auction participant,” which means a person authorized to participate only in a demand response auction;
  - A new defined term for “demand response auction” will also be included in Chapter 11 to mean the auction operated by the IESO to procure demand response capacity.

A person wishing to submit offers into a demand response auction would apply to be authorized as a “demand response auction participant.” This would require application and authorization through the IESO’s market registration process and payment of the applicable application fees. The proposed definition of demand response auction participant will allow facilities able to provide demand response capacity to take part in the auction prior to completing facility registration with the IESO.

Further to the application for authorization of demand response auction participants, the IESO proposes to exclude the obligation under section 3.1.2.2 for applicants to submit either the federal harmonized value-added tax system registration number or proof of their exemption to the payment. This exclusion further aligns a demand response auction participant with the obligations of financial market participants.

Appendix 2.2 –Communication Requirements

In the Capacity Based Demand Response market rule amendments (MR-00408-R00), the IESO obligated demand response market participants to maintain a telephone and email address in order to ensure communication is maintained between the IESO and those participating in the capacity based demand response program. With the expansion of the definition a demand response market participant to include a market participant with a demand response capacity obligation, the IESO proposes to amend section 1.1.6A of Appendix 2.2 to limit the applicability of the section to demand response market participants that are only participating in the capacity based demand response program.

The IESO proposes the following amendments to sections 1.3.1 and 1.4.1 of Appendix 2.2 which details the obligations to install and maintain a dispatch workstation and a participant workstation.

Dispatch Workstations (section 1.3.1):

- Clarify that demand response market participants participating only in the capacity based demand response program or having a demand response capacity obligation delivered through an hourly demand response resource will be excluded from the obligation to install and maintain a dispatch workstation; and
- Exclude the obligation to install and maintain a dispatch workstation for demand response auction participants.

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Participant Workstation (section 1.4.1):

- Clarify that demand response market participants participating only in the capacity based demand response program will be excluded from the obligation to install and maintain a participant workstation.

Demand response auction participants will be required to install and maintain a participant workstation in accordance with section 1.4.1 of Appendix 2.2 in order to communicate with the IESO and submit offers during their participation in a demand response auction. The details and requirements for participant workstations are outlined in the [Participant Technical Reference Manual](#).

#### Chapter 7

It is proposed to insert new section 18, “Demand Response Auctions” into chapter 7 of the market rules as follows:

#### Section 18.1 – Purpose of Demand Response Auctions

- Insert section 18.1.1 to specify that demand response auctions will be for the purpose of procuring demand response capacity in Ontario through a competitive auction process.
- Insert section 18.1.2 to obligate the IESO to publish the target amount of demand response capacity that will be procured through each demand response auction, the process will be detailed in the applicable market manual.

#### Section 18.2 – Participation in Demand Response Auctions

- Insert section 18.2.1 to specify that prerequisites for participation in a demand response auction are to become authorized as a demand response auction participant, submit to the IESO the amount of demand response capacity a participant is willing to provide and no less than five business days prior to the date which a demand response auction is to be conducted a participant must provide the IESO with a demand response auction deposit.
- Insert section 18.2.2 to specify chapters of the market rules that will **not** apply to demand response auction participants in order to avoid obligations in the market rules which should not be applicable to those participating only in a demand response auction:
  - Chapters 4, 5, and 6,
  - Chapter 7, other than this section 18
  - Chapters 8 and 10

All other market rules will apply to demand response auction participants unless explicitly identified in this section 18.2.2. This provision is similar to existing section 4.8.5 of Chapter 8, which specifies the market rules that are not applicable to financial market participants.

- Insert section 18.2.3 to obligate demand response auction participants that have successfully obtained a demand response capacity obligation through the demand response auction to become authorized as a demand response market participant.

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#### Section 18.3 – Calculation of Demand Response Auction Deposits

Section 18.3.1 specifies that the IESO will calculate a demand response auction participant's demand response auction deposit, based on the amount of demand response capacity the demand response auction participant specifies they intend to offer in the demand response auction.

#### Section 18.4 – Demand Response Auction Deposits

This section specifies the manner in which demand response market participants may satisfy their deposit obligation, and is consistent with the acceptable forms for letters of credit allowable under the existing demand response security requirements in section 5A of Chapter 2, as well as the allowable forms for TR's (i.e. letters of credit or cash deposits) under section 4.8 of Chapter 8.

- Inset section 18.4.1 to specify that a demand response auction deposit must be submitted as either an irrevocable commercial letter of credit or a cash deposit.
- Insert section 18.4.2 to specify that the standard and IESO required provisions for letters of credit in the IESO markets:
  - Must be issued subject to either The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 or The International Standby Practices 1998;
  - The IESO shall be named as beneficiary in each letter of credit, each letter of credit shall be irrevocable, and partial draws on any letter of credit shall not be prohibited;
  - The only conditions for the IESO to draw on the letter of credit shall be the delivery of a certificate of an officer of the IESO that the IESO is entitled to draw on the letter of credit the amount owing to the IESO as specified in the certificate, as of the date of delivery of the certificate;
  - The letter of credit shall either provide for automatic renewal (unless the issuing bank advises the IESO at least thirty days prior to the renewal date that the letter of credit will not be renewed) or be for a term of at least one year. If the demand response deposit is not renewed ten (10) business days before the expiry of the letter of credit the IESO is entitled at that time to payment of the full amount of the letter of credit, once drawn upon it will be treated as a demand response deposit in the form of cash; and
  - The demand response auction participant represents and warrants to the IESO that the issuance of the letter of credit is not prohibited in any other agreement, including without limitation, a negative pledge given by or in respect of the demand response auction participant.
- Insert section 18.4.3 to specify that authorization for a demand response auction participant will be limited to the requirements outlined in this section 18.2.1.1 to 18.2.1.3 if the applicant has not applied or is not participating in any other IESO administered market.

#### Section 19 – Demand Response Market Participants with Demand Response Capacity Obligations

This section will introduce the ways in which a demand response market participant can fulfill a demand response capacity obligation and will include the applicable eligibility requirements. It is proposed to insert new section 19 "Demand Response Market Participants with Demand Response

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Capacity Obligations” into Chapter 7 as follows:

#### Section 19.1 – Purpose

- Insert section 19.1.1 to detail the purpose of section 19, which is to provide the details on the delivery of demand response capacity obligations.
- Insert section 19.1.2 to allow the delivery of a demand response capacity obligation through participation as an hourly demand response resource or as a dispatchable load.

#### Section 19.2 – Eligibility Requirements for Hourly Demand Response with a Demand Response Capacity Obligation

- Insert section 19.2.1 to specify that a demand response market participant will be eligible to participate as an hourly demand response resource, provided that the participant:
  - 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;
  - 19.2.1.2 – Registers its facilities and demand response contributors in accordance with the applicable market manual. The participant shall not make subsequent changes to that facility without pre-authorization from the IESO;
  - 19.2.1.3 – Satisfies the connection assessment requirements in section 6 of Chapter 4, if a connection assessment is required by the IESO in accordance with the applicable market manual;
  - 19.2.1.4 – Provides the appropriate prudential support in accordance with section 5 of Chapter 2.
- Insert section 19.2.2 and 19.2.3 to specify that the IESO may refuse or remove a demand response market participant, temporarily or permanently, if its resource’s continued participation would negatively impact the reliable operation of the IESO-controlled grid.
- Insert section 19.2.4 to specify chapters of the market rules that will **not** apply to demand response market participants that are authorized to participate only with an hourly demand response resource, in order to avoid obligations in the market rules which should not be applicable:
  - Chapter 2, sections 5A and 8;
  - Chapters 5, 6, 8, 10;
  - Chapter 7, section 7.

All other market rules will apply to demand response market participants participating only in the hourly demand response program unless explicitly identified in this section 19.2.4. For clarity, on a resource basis, a demand response market participant that is participating both as an hourly demand response resource and as a wholesale consumer that is a non-dispatchable load, must continue to meet the obligations throughout the market rules for non-dispatchable loads. The above market rule “carve-outs” are similar to existing section 17.2.4 of Chapter 7, which specifies the Chapters and sections not applicable to demand response market participants who participate only in the capacity based demand response program.

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- Insert section 19.2.5 to allow non-dispatchable loads with a demand response capacity obligation to participate as an hourly demand response resource, if the non-dispatchable load meets the eligibility requirements of proposed section 19.2, as well as continuing to meet the requirements of a wholesale consumer that is a non-dispatchable load.

Section 19.3 – Eligibility Requirements for Dispatchable Loads with a Demand Response Capacity Obligation

- Insert section 19.3.1 to specify that a demand response market participant will be eligible to participate as a dispatchable load to fulfill a demand response capacity obligation, provided that the participant:
  - 19.3.1.1 – Demonstrates to the satisfaction of the IESO that it can provide the demand response capacity obligation, as specified in the applicable market manual;
  - 19.3.1.2 – is authorized as a wholesale consumer;
  - 19.3.1.3 – Registers its facilities in accordance with the wholesale consumer registration requirements for dispatchable loads. The participant shall not make subsequent changes to that facility without pre-authorization from the IESO;
  - 19.3.1.4 – Satisfies the connection assessment requirements in section 6 of Chapter 4, if a connection assessment is required by the IESO in accordance with the applicable market manual;
  - 19.3.1.5 – Provides the appropriate prudential support in accordance with section 5 of Chapter 2.
- Insert section 19.3.2 and 19.3.3 to specify that the IESO may refuse or remove a demand response market participant, temporarily or permanently, if its resource’s continued participation would negatively impact the reliable operation of the IESO-controlled grid.

Chapter 11 – Defined Terms:

In addition to the new defined term “demand response auction participant,” the following new defined terms are required for the implementation of a demand response auction and for the delivery of a demand response capacity obligation:

- “demand response auction” means the auction operated by the IESO to procure demand response capacity, pursuant to section 18 of Chapter 7.
- “demand response auction deposit” means the deposit required to be made by a demand response auction participant pursuant to section 18 of Chapter 7 as a condition of participating in a demand response auction.
- “demand response capacity” means the expected quantity of load reduction a demand resource can provide during a specified availability window and commitment period of a demand response auction, and excludes energy transacted through the energy market.
- “demand response capacity obligation” means the amount of demand response capacity that a demand response market participant is obligated to provide during the applicable availability

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window and commitment period after the completion of a demand response auction.

- “hourly demand response” means the proposed resource type described in section 19 of Chapter 7 for the delivery, on an hourly basis, of a demand response capacity obligation obtained through a demand response auction.

The IESO proposes to amend the definition of “demand response contributor” to include the delivery of a demand response capacity obligation with an hourly demand response resource. The current definition relates only to the delivery of a contracted monthly MW under the capacity based demand response program.

Furthermore the IESO proposes to amend the definition of “demand response market participant” in order to incorporate the delivery of demand response capacity obligations. In addition, the IESO will remove the obligation for a demand response market participant to be either a demand response aggregator or demand response direct participant which is not a requirement for all existing types of demand response participation.

**PART 4 – PROPOSED AMENDMENT****Chapter 2****2. Classes of Market Participants**

2.1.1 The following classes of persons may apply for authorization to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid*:

2.1.1.1 *generators;*

2.1.1.2 *distributors;*

2.1.1.3 *wholesale sellers;*

2.1.1.4 *wholesale consumers;*

2.1.1.5 *retailers;*

2.1.1.6 *transmitters;*

2.1.1.7 *financial market participants; ~~and~~*

2.1.1.8 [Intentionally left blank – section deleted]

2.1.1.9 *demand response market participants; ~~and~~*

2.1.1.10 *demand response auction participants.*



### 3. Application for Authorization

- 3.1.1 A person who wishes to be authorized by the *IESO* to participate in the *IESO-administered markets* or to cause or permit electricity to be conveyed into, through or out of the *IESO-controlled grid* must file a completed *application for authorization to participate*.
- 3.1.2 The application for authorization to participate shall be accompanied by:
- 3.1.2.1 the non-refundable application fee established from time to time by the *IESO* to defray the costs of processing the application; and
- 3.1.2.2 unless the *application for authorization to participate* is submitted in respect of an applicant that is applying for authorization to participate in the *IESO-administered markets* solely as a *financial market participant* or a demand response auction participant, either:
- the federal harmonized value-added tax system registration number issued to the applicant by the Canada Customs and Revenue Agency; or
  - where the applicant is resident in Canada and is, by virtue of *applicable law*, not liable to pay the federal harmonized value-added tax under Part IX of the *Excise Tax Act* (Canada), such documentation as may be prescribed in the *Excise Tax Act* (Canada) or described in the policies of the Canada Customs and Revenue Agency to support the exemption from such liability to pay.

## Appendix 2.2 – Technical Requirements: Voice Communication, Monitoring and Control, Workstations and Re-Classification of Facilities

- 1.1.6A Each *demand response market participant* participating in the capacity based demand response program shall provide to the *IESO* and maintain one commercially available telephone and electronic mail address for the purposes of communicating with the *IESO*.

### 1.3 Dispatch Workstations

- 1.3.1 Each *market participant* other than a *boundary entity* ~~or~~, a demand response auction participant, or a demand response market participant participating in either the capacity based demand response program or with a demand response

capacity obligation through an hourly demand response resource shall, for the purposes of:

- 1.3.1.1 the provision to the *IESO* of real-time information required by the *IESO* to direct the operations of the *IESO-controlled grid*;
- 1.3.1.2 if the person is or will be subject to dispatch by the *IESO*, the receipt of *dispatch instructions*; and
- 1.3.1.3 the exchange with the *IESO* of other information required to be submitted or received pursuant to Chapter 7 or Chapter 8, other than the submission, receipt of confirmation of and validation of *dispatch data*, *TR bids* or *TR offers* in the *TR market* and *physical bilateral contract data*,

provide, install and maintain a *dispatch workstation* that meets the specifications and other requirements set forth in the *participant technical reference manual* and that is configured to support communication with the real-time communication network channel or channels provided by the *IESO* in the manner described in the *participant technical reference manual*.

## 1.4 Participant Workstations

- 1.4.1 Subject to section 1.6, each *market participant* other than a *demand response market participant* participating only in the capacity based demand response program shall, for the purposes of conducting secure communications or transactions with the *IESO* using *IESO*-supplied or approved software, provide, install and maintain a *participant workstation* that meets the specifications, definitions and other requirements set forth in the *participant technical reference manual*.

## Chapter 7

### 18. Demand Response Auctions

#### 18.1 Purpose of Demand Response Auctions

- 18.1.1 The demand response auction will procure demand response capacity through a competitive auction.

18.1.2 The *IESO* shall specify and *publish* a target capacity amount to be procured in each *demand response auction*, as specified in the applicable *market manual*.

## **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*:

18.2.3.1 Chapters 4, 5, and 6;

18.2.3.2 Chapter 7 other than this section 18; and

18.2.3.3 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*.

## **18.4 Demand Response Auction Deposits**

18.4.1 A *demand response auction deposit* shall be in one or both of the following forms:

18.4.1.1 an irrevocable commercial letter of credit provided by a bank named in a Schedule to the *Bank Act*, S.C. 1991, c. 46; or

18.4.1.2 a cash deposit made with the *IESO* by or on behalf of the *demand response auction participant*.

18.4.2 Where all or part of a *demand response auction deposit* is in the form of a standby letter of credit, the following provisions shall apply:

18.4.2.1 the letter of credit shall provide that it is issued subject to either The Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICE Publication No. 500 or The International Standby Practices 1998;

18.4.2.2 the *IESO* shall be named as beneficiary in the letter of credit, the letter of credit shall be irrevocable and partial draws on the letter of credit shall not be prohibited;

18.4.2.3 the only condition on the ability of the *IESO* to draw on the letter of credit shall be the delivery of a certificate of an officer of the *IESO* that a specified amount is owing by the *demand response auction participant* to the *IESO* and that, in accordance with the provisions of the *market rules*, the *IESO* is entitled to payment of that specified amount as of the date of delivery of the certificate;

18.4.2.4 the letter of credit shall either provide for automatic renewal (unless the issuing bank advises the *IESO* at least thirty days prior to the renewal date that the letter of credit will not be renewed) or be for a term of at least one (1) year. Where the *IESO* is advised that a letter of credit is not to be renewed or the term of the letter of credit is to expire, the *demand response auction participant* shall arrange for and deliver additional *demand response auction deposits* if the *demand response auction participant* intends to continue to participate in a *demand response auction*. If such additional *demand response auction deposits* are not received by the *IESO* ten (10) *business days* before the expiry of a letter of credit, the *IESO* shall be entitled as of that time to payment of the full face amount of the letter of credit which amount,

once drawn by the IESO, shall be treated as a demand response auction deposit in the form of cash; and

18.4.2.5 by including a letter of credit as part of a demand response auction deposit, the demand response auction participant represents and warrants to the IESO that the issuance of the letter of credit is not prohibited in any other agreement, including without limitation, a negative pledge given by or in respect of the demand response auction participant.

18.4.3 Notwithstanding any other provision of these market rules, a person that applies for authorization to participate in the demand response auction and that has not applied for authorization to participate, or is not participating, in any other IESO-administered market shall not be required to comply with any requirements for authorization other than those set forth in sections 18.2.1.1 to 18.2.1.3.

## **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.
- 19.2.2 The *IESO* may refuse participation of an *hourly demand response* resource by a *demand response market participant* if the resource's participation would negatively impact the *reliable* operation of the *IESO-controlled grid*.
- 19.2.3 The *IESO* may remove a *demand response market participant's hourly demand response* resource from market participation if the resource's continued participation would negatively impact the *reliable* operation of the *IESO-controlled grid*. The *IESO* may temporarily remove a *demand response market participant's hourly demand response* resource from market participation if the conditions on the *IESO-controlled grid* are such that the resource's participation would negatively impact the *reliable* operation of the *IESO-controlled grid*.
- 19.2.4 The following provisions of the *market rules* shall not apply to a *demand response market participant* that is authorized by the *IESO* to participate only with an *hourly demand response* resource and is not a *wholesale consumer* that is a *non-dispatchable load*:
- 19.2.4.1 Chapter 2, sections 5A and 8;
- 19.2.4.2 Chapters 5, 6, 8, 10; and
- 19.2.4.3 Chapter 7 section 7.
- 19.2.5 A *wholesale consumer* that is a *non-dispatchable load* may participate as an *hourly demand response* resource to fulfill a *demand response capacity obligation*, provided that the *non-dispatchable load* meets all the applicable eligibility requirements of this section 19.2, and the requirements in the *market rules* that are applicable to a *wholesale consumer* that is a *non-dispatchable load*.

## 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.
- 19.3.2 The IESO may refuse participation of a dispatchable load's resource by a demand response market participant if the resource's participation would negatively impact the reliable operation of the IESO-controlled grid.
- 19.3.3 The IESO may remove a demand response market participant's dispatchable load resource if the resource's continued participation would negatively impact the reliable operation of the IESO-controlled grid. The IESO may temporarily remove a demand response market participant's dispatchable load resource if the conditions on the IESO-controlled grid are such that the resource's participation would negatively impact the reliable operation of the IESO-controlled grid.

## ----- Chapter 11

demand response auction means the auction operated by the IESO to procure demand response capacity, in accordance with section 18 of Chapter 7;

demand response auction participant means a person who is a market participant

that is authorized to participate only in a demand response auction;

demand response auction deposit means the deposit required to be made by a demand response auction participant in accordance with section 18 of Chapter 7, as a condition of participating in a demand response auction;

demand response capacity means the expected quantity of load reduction a demand resource can provide during a specified availability window and commitment period for a demand response auction, and excludes energy transacted through the energy market;

demand response capacity obligation means the amount of demand response capacity that a demand response market participant is obligated to provide during the applicable availability window and commitment period, following a demand response auction;

*demand response contributor* means an interruptible load or behind the meter generator that is owned by a demand response direct participant, or with whom a demand response aggregator has enforceable rights, and in either case, who will provide a portion of the monthly contracted MW for the contracted dispatch period as outlined in the demand response schedule. A demand response contributor also means the delivery of a demand response capacity obligation with an hourly demand response resource, in which case a monthly contracted MW is replaced by a demand response capacity obligation;

*demand response market participant* means a person who is a market participant ~~that is a demand response aggregator or demand response direct participant~~ that participates only in the capacity based demand response program, ~~or the demand response pilot program,~~ or is a person with a demand response capacity obligation;

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 amendments enable the participant authorization and facility registration requirements for Demand Response Auctions, which will allow for the future competitive procurement and development of demand response in Ontario.