

IESO Response to Proposed Market Rule Amendment submitted by Resolute

MR-00437: Demand Response – Registration and Metering Requirement

Technical Panel
March 5, 2019

Agenda

- Recap - *Feb 6th* TP meeting
- Summary of DRWG meeting and Feedback
- Market Rule Amendment Submission
- Background – DR Auction
- Technical Implications
- IESO's position on Amendment Submission

Recap

- At the Feb 6th TP meeting, the Panel:
 - Determined Resolute's amendment submission warranted consideration with a high priority
 - Invited market participants and other interested persons to make written submissions to the TP by Feb 21st
 - Requested that the amendment submission be discussed at the DRWG meeting on Feb 12th, and that Resolute be invited to present to the DRWG at that meeting
 - IESO indicated that at the March 5th TP meeting:
 - TP will review any written submissions received – **no written feedback was received**
 - IESO will provide a summary of the Feb 12th DRWG discussion
 - Resolute will be invited to make submissions at the meeting
 - IESO staff will articulate its position at the meeting

Summary of DRWG and Feedback

- Resolute presented the presentation provided today to TP members
- DRWG Participant Comments:

Summary:

- Support from a few members on Resolute's high level proposal
 - Recognition of the need for a better understanding of what scenarios or issues could arise with different metering configurations
 - More details on the concerns the IESO may have with Resolute's proposal is required
- Other DRWG Participant Comments:
 - Ultimate test applied to this situation should be whether Resolute met a net reduction in load
 - Important to look at this issue consistent with expected Incremental Capacity Auction (ICA) design

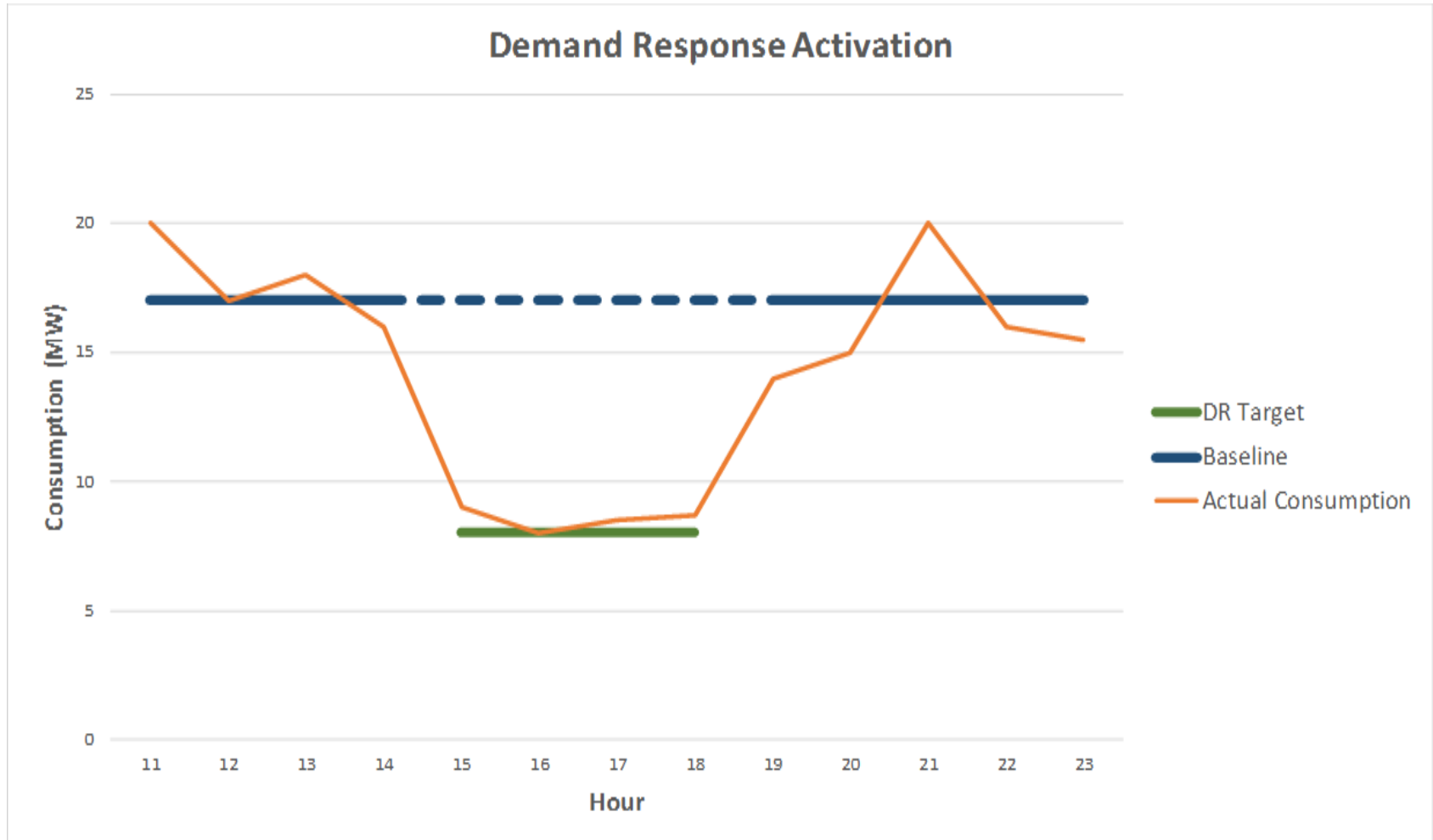
Resolute's MR Amendment Proposal

- Resolute proposes that an amendment or review of the market rules is necessary to change the registration and metering requirements for market participants that provide demand response
- Resolute claims that IESO interpretation of the market rules is inconsistent with the purposes of the *Electricity Act* and results in the market rules unjustly discriminating against market participants who rely on self-generation to meet their consumption of electricity
- It further claims that the IESO's assessment of available DR capacity should be independent of any behind-the-meter generation
- Resolute's amendment submission proposes that the IESO should not differentiate between the **IESO revenue meter** that connects DR participant to the ICG and **non-IESO revenue meter** that measures self-generation in establishing the DR Baseline and assessing DR curtailment

Background – DR Auction

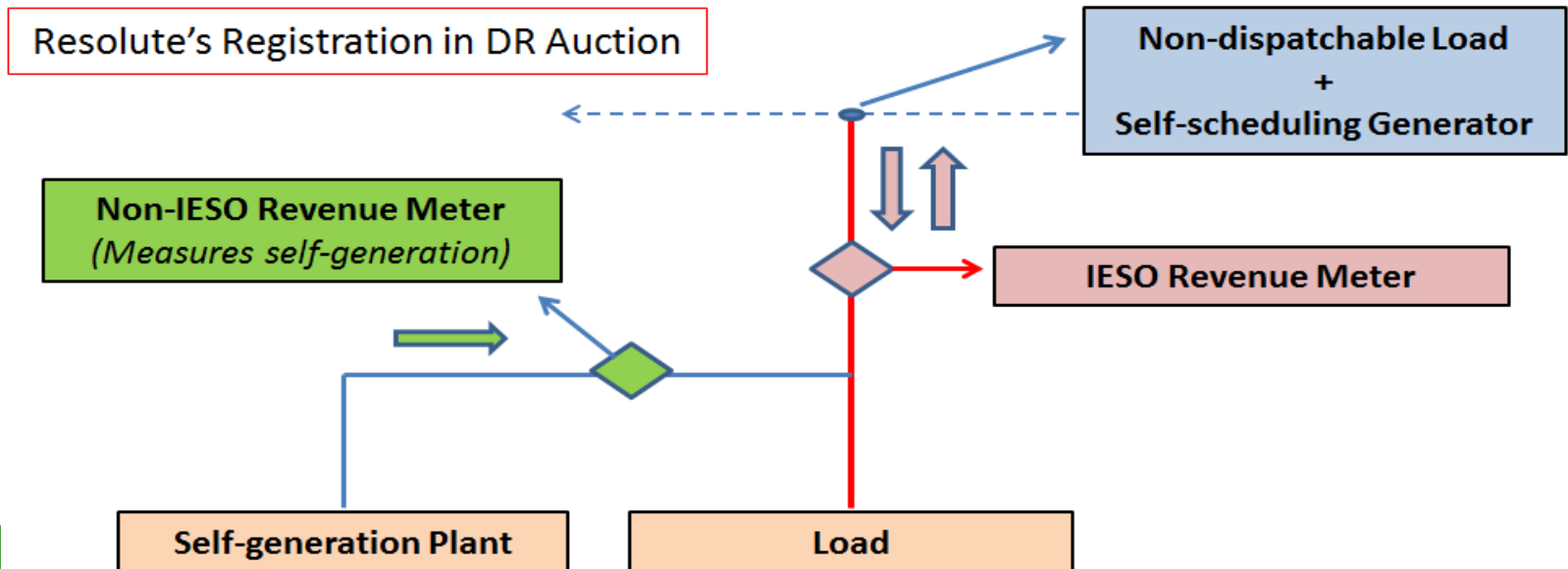
- Unlike previous DR programs which contracted DR from eligible projects, the DR auction is a market based mechanism to competitively procure capacity from demand-side resources and provide demand reductions at the IESO controlled grid (ICG) in real-time
- DR curtailment is measured against a DR participant's baseline consumption profile (the DR Baseline)
 - DR Baseline is determined hourly based on the average peak consumption during that hour from the last 15 of 20 suitable business days
- Participants with behind-the-meter generation (including self-generation) can provide DR by either curtailing the facilities' load, utilizing the generator to displace the facility load, or a combination thereof as measured at the grid
 - A non-dispatchable load facility with behind-the-meter generation only gets compensation for load reduction. Generation injected into the grid does not qualify for DR capacity obligation
- Physical resources in the IESO Administered Market (IAM) may also participate in DR to provide DR capacity obligation
 - Only the consumption registered by the IESO Revenue Meter is used to determine the DR Baseline and assessment of DR curtailment

Background – DR Auction (cont'd)



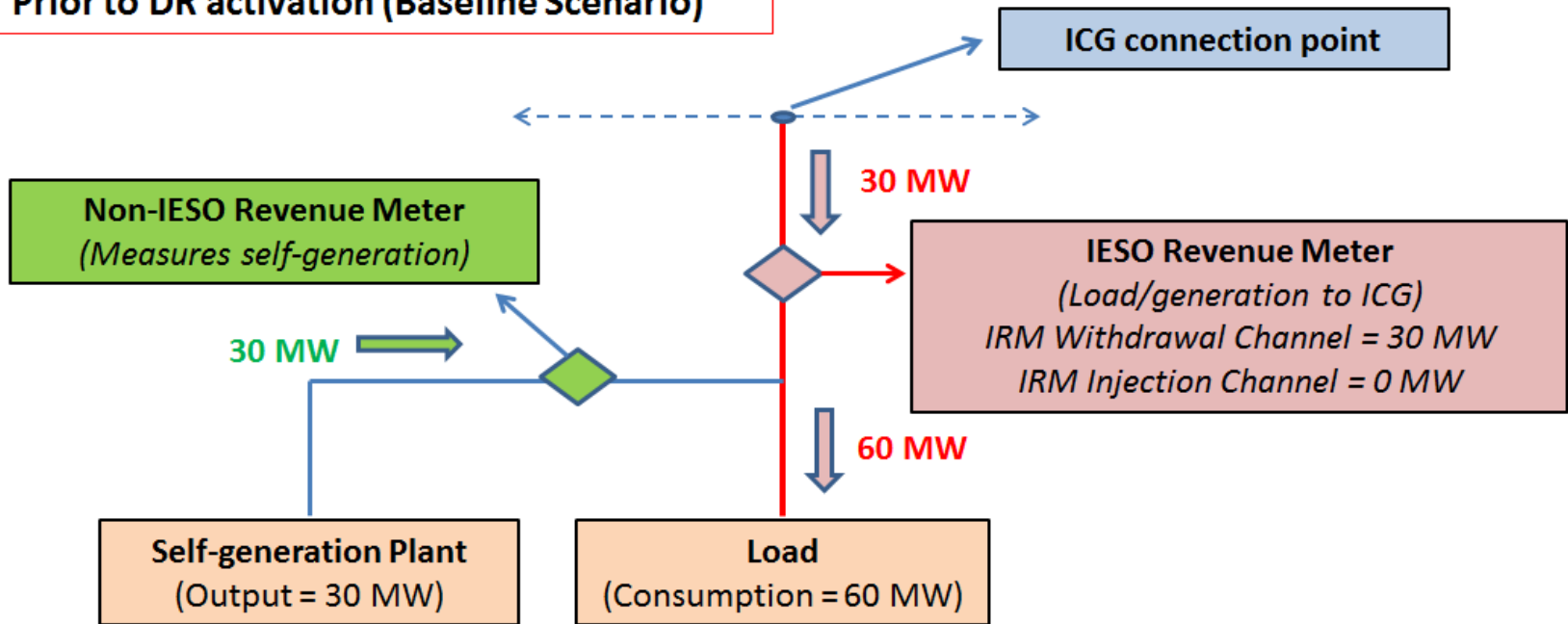
Resolute's Participation in IAM & DR Auction

- Resolute's Thunder Bay news-mill manufacturing facility is comprised of load (pulp and paper operations) and co-generation plant
- Resolute has registered its facility as a (net) non-dispatchable load and self-scheduling generation facility in the IAM
- Resolute has registered their non-dispatchable load resource for the DR auction
 - Consumption measured by the **IESO revenue meter**, associated with its non-dispatchable load, is used to determine their DR Baseline and assess their DR curtailment
 - Use of **non-IESO revenue meter**, which measures its self-generation, is not permitted in the DR Auction



Technical Implications of MR Amendment Submission

Prior to DR activation (Baseline Scenario)

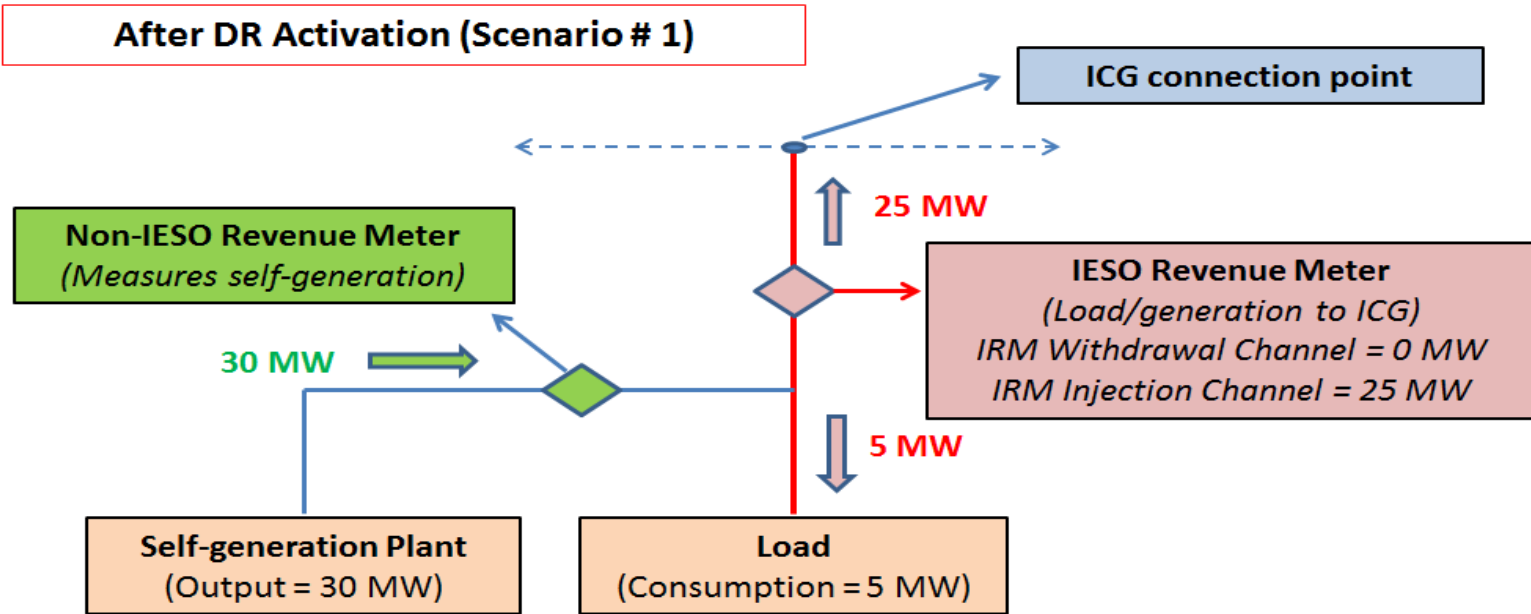


DR Auction Baseline = 30 MW (IESO Revenue Meter)

Proposed DR Auction Baseline = 30 MW (IESO Revenue Meter) + 30 MW (Non-IESO Revenue Meter) = 60 MW

For illustration purposes only

Technical Implications of MR Amendment Submission – Scenario # 1



Compared to Baseline Scenario:

DR Capacity Delivered = 30 MW

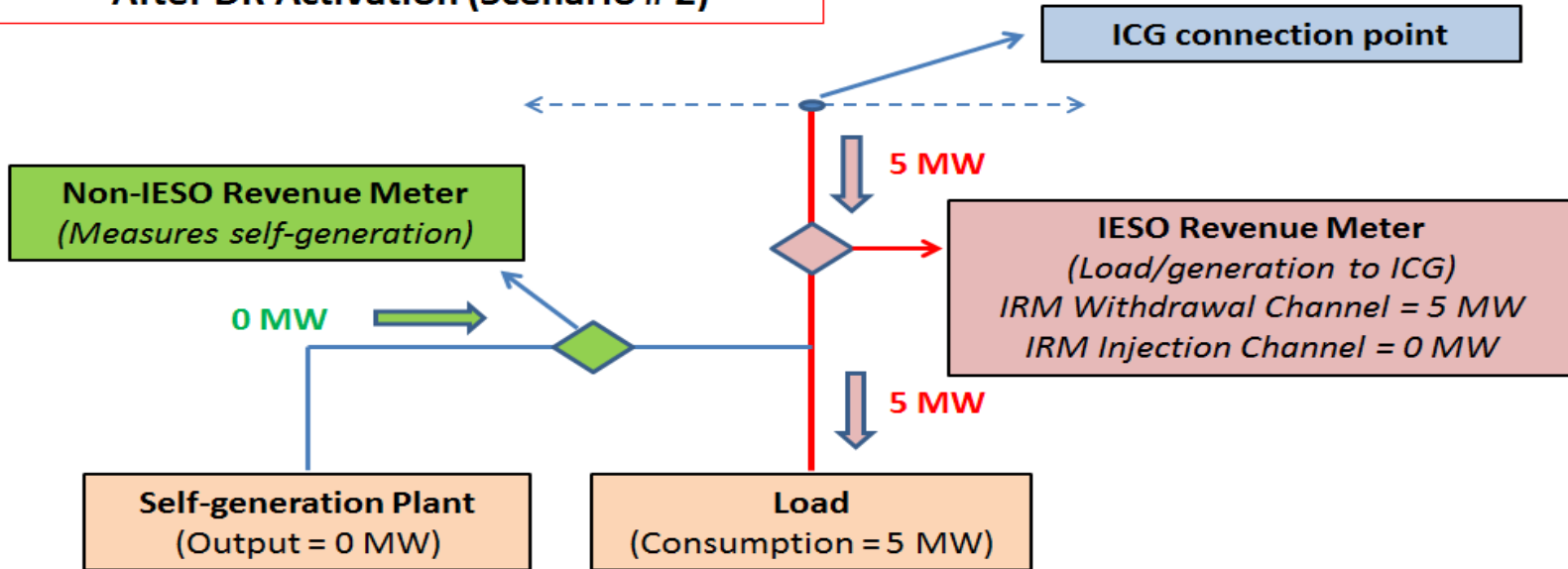
Proposed DR Capacity Delivered = 55 MW

Net Capacity Delivered to the ICG = 55 MW

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Technical Implications of MR Amendment Submission – Scenario # 2

After DR Activation (Scenario # 2)



Compared to Baseline Scenario:

DR Capacity Delivered = 25 MW

Proposed DR Capacity Delivered = 55 MW

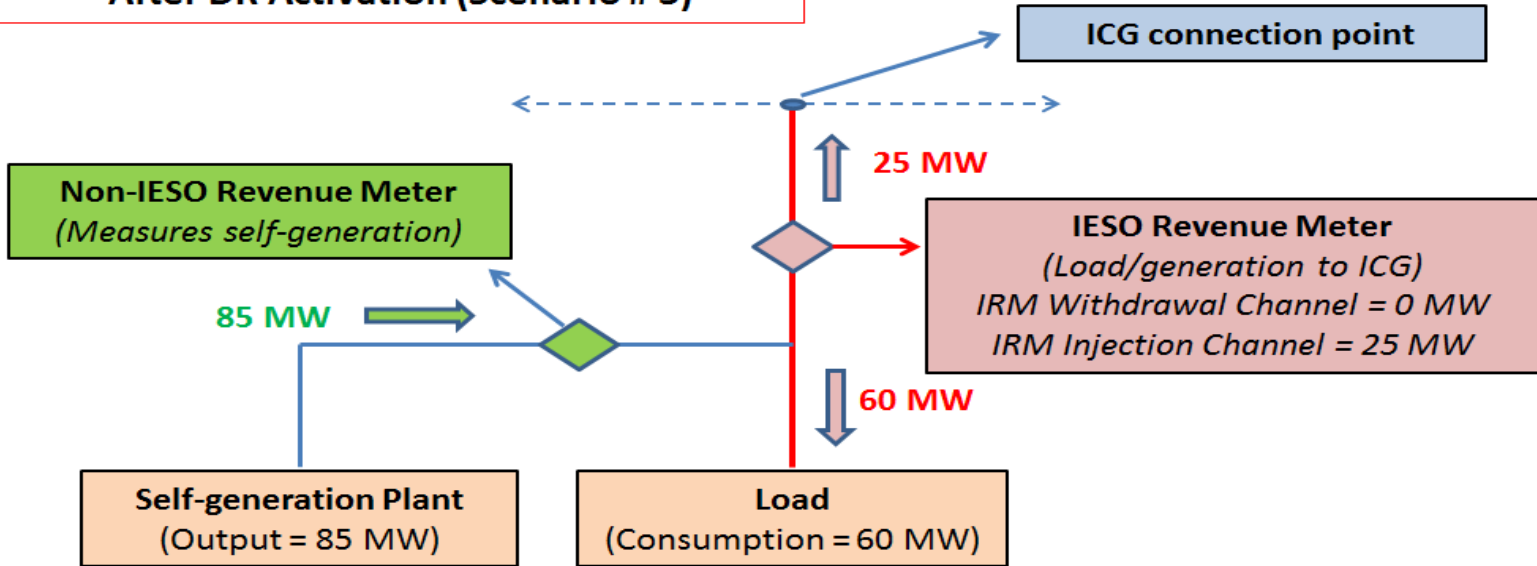
Net Capacity Delivered to the ICG = 25 MW

Proposed DR Capacity Delivered
overstated

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Technical Implications of MR Amendment Submission – Scenario # 3

After DR Activation (Scenario # 3)



Compared to Baseline Scenario:

DR Capacity Delivered = 30 MW

Proposed DR Capacity Delivered = 0 MW

Net Capacity Delivered to the ICG = 55 MW

Proposed DR Capacity Delivered
understated

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IESO's position on MR Amendment Submission

- The intention of DR Auction is to procure capacity from demand-side resources to provide load reductions at IESO controlled grid
- The IESO acknowledges that the availability to provide injections into the IESO grid could potentially have capacity value and could benefit ratepayers but DR auction is restricted to demand side reductions only
- The proposed amendment submission is not a clarification of existing rules but a design change
- The proposed amendment does not provide intended results under all scenarios
 - The 'Proposed DR Capacity' delivered overstates or understates the actual load reduction at the ICG
- As a general principle, the IESO does not support different metering arrangements for different programs
 - For example, this arrangement can result in unfair treatment where a generator is allowed to be behind the meter for one program while simultaneously be in front of the meter for another program
 - This could potentially yield unintended consequences if not thoroughly assessed

IESO's Recommendation

- The IESO does not support this MR amendment submission in its current form due to its technical implications
- The IESO acknowledges that the availability to provide injections into the IESO grid could potentially have capacity value and could benefit ratepayers, and therefore would recommend further consideration by the DRWG
- The IESO believes further analysis is required to appropriately capture broader impact and any related unintended consequences for any design change