

## **IESO Engagement**

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**From:** Alex Lopez  
**Sent:** May 23, 2017 10:51 AM  
**To:** IESO Engagement  
**Subject:** Comments from Oracle in Response to 5/11 DRWG Webinar

Please accept the following comments from Oracle regarding the topics presented at the May 11 DR Working Group webinar.

- Changes to the notification and activation parameters for residential HDR will do little to increase the likelihood of dispatching HDR resources in the energy market unless these changes are accompanied by the introduction of a utilization payment. Without utilization payments that compensate customers for curtailment during each DR event, there is no incentive for residential HDR to submit energy market bids below the offer cap (\$1999/MWh). The residential customers that constitute aggregated residential HDR are not directly exposed to wholesale energy prices, and therefore do not respond to high prices in the wholesale market. Therefore, there is no marginal benefit to being activated. The opportunity cost of not using electricity for residential customers is equal to the value of lost load, and the only time residential customers are exposed to the value of lost load is when the customers experience a power outage, during which time customers have no choice but to involuntarily curtail load. Reforming the standby and activation criteria will do little to expand the frequency of dispatch for residential HDR without also introducing utilization payments that incent aggregators of HDR customers to bid at the marginal cost of dispatch, rather than the offer cap. The additional cost associated with utilization payments should be offset by lower DR capacity bids in the seasonal auction, as HDR aggregators shift a portion of expected cost recovery from seasonal capacity bids to hourly energy market bids with utilization payments.
- Oracle does not believe that the parameters for the notification and activation of HDR resources need to be changed at this time. The correct lever to pull would be to introduce utilization payments that would provide an incentive for HDR resources to bid at the marginal cost of activation and thereby increase the frequency of activation.

Thank you,  
Alex Lopez

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**Alex Lopez**  
Manager, Regulatory Affairs