

# Utilization Payments – 2017 Work Plan Item

Demand Response Working Group  
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# Utilization Payments - Background

- *Utilization Payments has been a recurring topic of discussion by stakeholders in the DRWG and has been included in the 2017 Work Plan as a discussion item*
- *The IESO has committed to explore the merits of Utilization Payments by engaging an independent consultant. The consultant will be expected to put forth their findings in a discussion paper and present this at a DRWG later in the year*
- *The IESO has asked stakeholders for input into potential topics to be included in the scope of the discussion paper*

# Stakeholder Views

At the May 11<sup>th</sup> webinar, the IESO asked stakeholders to share their views on their perspectives on utilization payments for DR

- Introducing Utilization payments adds extra incentive, particularly for residential DR participants and would increase the likelihood of activations
- Support for Utilization Payments and point to the fact that other Markets across North America have introduced this
- From a Market Renewal perspective the IESO should ensure that all resources are treated comparably in the development of the Incremental Capacity Auction, including compensation for the MW's they deliver
- Believe that dispatch of Hourly DR resources would increase with Utilization Payments as participants reduce their bid prices to account for the additional revenue incentive

# Discussion Paper Scope

- Economic efficiency arguments for and/or against providing utilization payments for DR
- Past practice in Ontario market, practices are adopted in other markets
- Whether changes in the market warrant a utilization payment for certain (or all) resources
- Impact a Utilization Payment would have on the wider market, and in particular any positive or negative influence on the outcome of the Incremental Capacity Auction
- Whether providing a utilization payment would increase the frequency of HDR dispatch and the resulting efficiency impacts

# Next Steps

- The IESO will issue a request to an external consultant or firm to draft the discussion paper
- The consultant will prepare the discussion paper, which may involve working with participants through the DRWG and, potentially, directly
- In the interest of moving forward, participants are asked to identify any outstanding scope items by June 7, 2017 to [engagement@ieso.ca](mailto:engagement@ieso.ca)