

June 13, 2017

To IESO Stakeholder Engagement – Demand Response Working Group

RE: Comments on May 30 Meeting Materials

Thank you for the opportunity to provide comments on the materials presented by the IESO at its May 30 meeting of the Demand Response Working Group (DRWG). Alectra Utilities offers the following comments on the role of *peaksaver* resources in the December, 2017 auction.

It is Alectra's understanding that new customer consent will be required to extend existing *peaksaver* resources into the 2018-2019 commitment periods. It is unlikely that the current capacity of *peaksaver* resources will be able to be re-subscribed in full, and thus completely available for bids submitted in December, 2017. However, Alectra observes that it is too early to determine the percentage of customers that will be retained prior to this next auction, and thus what capacity from existing *peaksaver* resources will be available in the 2018-2019 commitment period.

One of the important considerations for Alectra is the types of benefits that it can offer to customers to encourage and incent them to continue their participation in residential demand response. Given the auction clearing price for the Summer 2017 period, there is a limited opportunity to provide a meaningful financial incentive to customers, which will negatively impact customer response to the offer.

Alectra is aware that the topic of utilization payments is currently under consideration by the IESO. Alectra believes that utilization payments could provide an opportunity to create a more attractive proposition to existing *peaksaver* customers since they could be compensated for their contribution to events. This is especially relevant if the number of demand response events increases (i.e., if IESO implements changes currently being contemplated to increase the number of activations). Should the number of events increase without a commensurate increase in financial incentive, many customers will likely decide that they do not wish to continue participating.

Alectra recognizes that the IESO would like to limit the risk of increasing the auction clearing price if the contribution from *peaksaver* resources is less than forecasted. One way to mitigate this risk could be to have a block of capacity that is reserved for legacy *peaksaver* and other residential resources, which would compete only against each other. If this block is not fully subscribed, it would be removed from the auction, rather than being made available to other resources, which would be the case if all resources came from only one pool. This limits the risk of increasing the cost of demand response resources that would be present if the capacity created for residential demand response goes unused, and the capacity is then assigned to

higher cost providers. This separate process could be eliminated in future auctions, once customer response to a renewed residential demand response program is known, and business models for residential participation in demand response are more mature.

Respectfully yours,

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