

UPDATE ON UTILIZATION PAYMENTS DISCUSSION PAPER

Demand Response Working Group

September 12th 2017

Purpose

- The purpose of this presentation is to provide an update on the utilization payments discussion paper
 - Utilization payments are a discussion item on the 2017 DRWG work plan

Update

- The scope of the discussion paper was presented at the July DRWG webinar. A recap of the scope, which incorporates stakeholder feedback can be seen below
- Navigant is underway with conducting research for the “utilization payments” discussion paper

Jurisdictional review

- A summary of practices that are adopted in other markets

Economic efficiency

- Arguments for/against providing a utilization payment to DR resources in light of current and future system needs

DR participation

- The likely impacts of utilization payments to the dispatch frequency of HDR resources in Ontario

Wider market impacts

- Spillover effects on the wider market

Jurisdictional review

- Navigant has identified a broad range of markets to research as part of its jurisdictional review

US Markets

US ISOs selected based on their history of Capacity Markets and Demand Response

- PJM – Established DR market with DR integrated with the Capacity Market
- NYISO – Two types of economic based DR; day-ahead and demand side ancillary
- CAISO – Full integration of DR auction pilot into the Californian market in 2018
- ERCOT – Provides utilization payments despite lying outside of FERC jurisdiction

Rest of the world

To get a more complete picture of DR and utilization payments, a mix of markets with DR outside of North America were selected



- Allows participation of DR aggregators in the energy market and has a long history of DR



- Mostly larger loads that participate through day-ahead and intraday markets



- A mature DR market with a capacity market that launched in January 2017



- Similar market framework to Ontario and procures approx. 500MW of DR annually

Discussion paper

- Alongside a jurisdictional review, the discussion paper will look into the economic efficiency arguments, and explore the possible impacts this might have on DR participation in Ontario, as well as any spillover effects on the wider market
- Some of the themes to be explored further in the discussion paper are as follows:
 - The types of DR available and similarity or difference to DR in Ontario
 - Various kinds of utilization payments available (LMP, LMP-G, fixed payment)
 - DR participation in Capacity Markets, how they are utilized, and the frequency of utilization

Next steps

- The DR utilization payments discussion paper is expected to be published in early October
- Utilization payments discussion will be an agenda item at the next DRWG on Nov 16
 - Participants are expected to have reviewed the paper and be prepared for discussions
- Participants are encouraged to make short presentations at the next DRWG to share their perspective on utilization payments
 - Please contact engagement@ieso.ca by October 20 for a spot on the agenda