

Feedback and IESO Response

Topic	Stakeholder	Feedback	IESO Response
Improved Utilization of HDR Resources	City of Toronto	Can the IESO provide a definition of the terminology "efficient dispatch"?	As can be referenced on slide 9 of the <a href="#">Improved Utilization of HDR Resources presentation</a> from the November 16 DRWG meeting, the IESO is using the term efficient dispatch to mean energy dispatch determined through a security-constrained, economic dispatch process.
Improved Utilization of HDR Resources	City of Toronto	The City recommends that the IESO broaden the definition of an effective DR resource, to include a resource that reduces system costs by providing either: a) Reduced energy costs OR b) Reduced Capacity Pricing	DR is a system tool to be utilized to meet incremental energy needs. Expanding the definition as proposed may be problematic as not all resources that reduce energy costs or capacity pricing may be utilized as an energy market tool (e.g. energy efficiency) and thus should not be characterized as a demand response resource.
Improved Utilization of HDR Resources	City of Toronto	Has the IESO evaluated the system costs if traditional generators would have replaced the DR capacity for the DR Auction delivery periods?	The IESO has not estimated the system costs if incremental capacity from traditional generation was procured in place of DR capacity for the DR Auction delivery periods. However, in April 2017, the IESO published a commissioned, independent report assessing the potential benefits of Market Renewal, including the potential costs-savings from an incremental capacity auction. The benefits case is available here: <a href="http://www.ieso.ca/-/media/files/ieso/document-library/engage/me/benefits-case-assessment-market-renewal-project-clean-20170420.pdf?la=en">http://www.ieso.ca/-/media/files/ieso/document-library/engage/me/benefits-case-assessment-market-renewal-project-clean-20170420.pdf?la=en</a>
Improved Utilization of HDR Resources	City of Toronto	Has the IESO evaluated if the standby notice suppressed any HDR activations? Has the IESO evaluated if delaying the stand-by notice to 8 or 9 AM would support increased activations? If the IESO has not quantified the number of suppressed activations, would the IESO evaluate the quantity of HDR activations that could have occurred if a standby notice was not required?	In the IESO's September 12 <sup>th</sup> , 2017 DRWG presentation: <a href="#">Update on Improved Utilization of DR</a> , historical pre-dispatch price observations for the largest virtual MW zones were provided from Summer 2014 to Summer 2017. Based on these observations, and assuming that HDR resources were priced above \$1900/MWh - which they tend to be based on past data- the standby notice requirement did not prevent HDR resources from being activated.
Improved Utilization of HDR Resources	Good Company Associates	While we agree it is reasonable to expect residential resource aggregations with a capacity obligation to also be available for emergencies, even if their price is not struck, we caution that the	The IESO requires that resources submit energy bids reflective of their capability. If a resource's capability is impacted by weather, the IESO requires that resource's

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		nature of these resources should always be considered. They will reliably and predictably be available in a weather-driven peak, but may not provide as robust a response if already operating well below their peak demand (as in the case of a cool day and generator outage). This reinforces our comments previously, and those restated further below, that a resource sub-category for weather-sensitive load resources would be beneficial for the IESO, the potential resources, and participating customers.	<i>energy bids to be adjusted accordingly by the participant. Since a weather-sensitive load has the capability to manage their energy bids on an hourly basis, the IESO does not believe the creation of a sub-category for weather-sensitive loads to be necessary.</i>
Improved Utilization of HDR Resources	Rodan	With respect to the IESO's assertion that other jurisdictions do not provide standby notices, Rodan would like some clarification on this point since there was some doubt registered at the session as to whether this applies to mandatory programs like the DR Auction, or if the IESO was referencing programs which might be voluntary. If the latter, the comparison is not justified since voluntary programs carry diminished risk if participants cannot dispatch on time.	<p><i>On slide 11 of <a href="#">Improved Utilization of HDR Resources</a> presentation from the November 16 DRWG session, the IESO noted that NYISO's capacity-based DR resource, Special Case Resources (SCR), did not require a standby-type notice in order to be utilized. The IESO has subsequently clarified that SCR resources, <u>do</u> receive a standby-type notice in order to be utilized in the energy market.</i></p> <p><i>The IESO can also clarify that for programs with mandatory participation, some jurisdictions such as NYISO provide a standby notice, while some such as PJM do not.</i></p>
Improved Utilization of HDR Resources	Rodan	It is Rodan's position that the double payment argument is specious from the outset. If the bid threshold were removed, bids would more accurately describe the true intentions of participants and still provide the IESO with the behaviour it seeks on peak days. As noted, because of the nature of ICI curtailments, DRA dispatches that coincide with ICI dispatches are more likely to incur penalties resulting from the baseline adjustment, so the premise that participants would somehow be inappropriately compensated is questionable at best. As part of this review of DR Auction dispatch behaviour, Rodan encourages the IESO to clarify exactly what the bid threshold is intended to achieve, evaluate if it is actually satisfying that need, and reflect on any collateral effects from ICI. Clearly there is a need for both ICI and DRA in the Ontario market; it is not necessary for one product to impede the other.	<p><i>The DR Auction's purpose is to procure demand-side capacity that has an incremental impact of system needs. Load reductions for the Industrial Conservation Initiative do not have an incremental capacity impact. The bid price threshold is meant to be a simple filter for the IESO to use to ensure that energy bids reflect true energy price responsiveness to system conditions.</i></p> <p><i>Discussions on the bid price threshold will be part of the improving utilization of HDR resources agenda item at the upcoming DRWG meeting.</i></p>
Adding HDR to EOSCA	City of Toronto	The City recommends that the IESO consider an activation for the EOSCA to meet the activation test requirement. This would align	<i>The IESO will consider an EOSCA activation for HDR resources as an activation as outlined in Market Manual (MM) 7.3, Sec</i>

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		with the June 18, 2015 "Activation testing" presentation Slide 7 "No test activations will be required if resource follows dispatch instructions (DLs) or activations (HDRs) that demonstrates DR Capacity Obligation".	<i>4.2.4, which covers DR testing. As noted in MM 7.3, Sec 4.2.4, the IESO maintains the ability to perform up to two activation tests per commitment period for a resource but may determine test activation is not required.</i>
Adding HDR to EOSCA	OhmConnect	We appreciate that the IESO will seek to maintain activation consistency by treating all activations the same, whether they are in-market or control actions. However, we believe it would be beneficial to continue the discussion from the November 16 <sup>th</sup> DRWG meeting regarding how the IESO will consider the factors that may or may not lead to a dispatch of HDR resources during an EEA-1 event, given that the IESO must still choose whether or not to initiate a HDR dispatch. For example, dispatches for several days in a row could lead to customer fatigue, and therefore it may be prudent to space out these dispatches.	<i>The IESO requires that resources submit energy bids reflective of their capability. This is required for every hour of the DR availability window in the commitment period in which a resource has a capacity position. If a resource's capability is impacted by fatigue, or any other reason, the IESO requires that resource's energy bids be adjusted accordingly, or removed altogether if necessary.</i>
Adding HDR to EOSCA	Rodan	Will an EEA0 be considered sufficient to activate a DRA resource, or must an EEA1 (or greater) be declared?	<i>An EEA 1 would have to be declared for a DR resource to be activated through the EOSCA list. There are three Energy Emergency Action levels with the lowest being an EEA 1 and highest EEA 3.</i>
Testing of HDR Resources	City of Toronto	Would the IESO be able to send an email notification as a follow up to ensure that the participant can confirm the details of the test activation?	<i>The IESO will discuss this feedback at the January 30 DRWG meeting.</i>
Testing of HDR Resources	Rodan	Rodan requests that the IESO modify the current test protocol such that the telephone call that provides the notification of test be followed by an email or some other means of secondary verification. This should eliminate the possibility of transcription error when instructions are relayed and recorded manually.	<i>Please see response above.</i>
Testing of HDR Resources	Good Company Associates	The one comment we would add would be to again emphasize that the current "availability window" used for testing should reflect weather-driven peak demand periods when these resources would logically be expected to be available. This is not an unreasonable request. For example, ERCOT tests its weather sensitive load resources during hotter times, when they can test their real capability during peak demand periods. PJM allows aggregators to schedule their own tests, which is another appropriate approach for proving a resource's full capacity, or range of capacity.	<i>The IESO requires that resources submit energy bids reflective of their capability. If a resource's capability is impacted by weather, the IESO requires that resource's energy bids to be adjusted accordingly.</i>
Incremental	Good Company	Finally, although some of us have attended multiple meetings of	<i>The IESO appreciates the efforts of stakeholders in sharing</i>

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Capacity Auction	Associates	the Market Renewal initiative, the IESO should make every effort to allow demand response providers to participate in the larger initiative planning through the DRWG. The Market Renewal process is simply too demanding for any of our emerging companies to keep pace with the incumbent, or established stakeholders, and IESO staff dedicated to the creation of the new market. Furthermore, those that attend the DRWG are demand response experts and are best equipped to define the new DR products in the capacity market. Given the aging of traditional resources, the timeline for the Market Renewal process, and the work of the Energy Ministry on data access, we see the potential for our resources to provide increasingly valuable contributions in the future. The proper design of the market mechanism of our participation, however, will be critical, and we encourage the IESO to facilitate our input through the DRWG.	<p><i>their perspectives through active participation. However, the IESO believes the ICA stakeholder engagement is the forum for DR stakeholders to participate in the design of the future ICA since it allows for discussion between all stakeholder groups. The IESO has also proposed alignment with Market Renewal as a key goal for the DRWG Work Plan 2018.</i></p> <p><i>The IESO looks forward to discussing with members how the DRWG can best achieve that alignment with the ICA. If members have any ideas, please share them as feedback to <a href="mailto:engagement@ieso.ca">engagement@ieso.ca</a>.</i></p>
Incremental Capacity Auction	Rayonier Advanced Materials	How will the IESO make sure that all discussions had during the DRWG meetings will be communicated properly to the ICA stakeholder? Also, how will the IESO incorporate previous and future modification implemented in the DR Auction (recommended by the DRWG) into the Incremental Capacity Auction?	<p><i>The Incremental Capacity Auction stakeholder engagement should be the forum to provide DR stakeholders feedback for the ICA because it allows for discussion between all stakeholders. The DRWG can be a forum for DR stakeholders to discuss how to transition towards meeting the requirements determined through the ICA stakeholder engagement. In addition, the respective IESO teams work closely together to ensure a good flow of information and coordination between respective engagements</i></p> <p><i>To be clear, the IESO encourages members of the DRWG to engage with the ICA directly and submit current feedback on elements of the design to align with the timing of that initiative as the evolution of the Demand Response Auction has taken place over several years and feedback may have changed based on the context in which it was first submitted.</i></p>
Utilization Payments	Good Company Associates	If the IESO does not allow capacity resources with a must offer obligation (MOO) to receive energy payment for the energy delivered at peak (as it would any other traditional capacity), the resource aggregator has no incentive to bid below the cap. This effectively makes the HDR product an emergency product, where it might prove more active, even setting price from time to time,	<p><i>Thank you for your feedback. The IESO encourages DRWG members to make presentations on the merits of utilization payments to explore their perspectives further. To be included in an upcoming DRWG agenda, please contact <a href="mailto:engagement@ieso.ca">engagement@ieso.ca</a>.</i></p>

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		<p>were a utilization payment available. The Navigant review presented on November 16 notes several ways in which the benefits of utilization payments outweigh the costs, which we will not discuss again here since it is well documented. Almost all the potential downside of utilization payments discussed there can be offset by simply prohibiting utilization payments to customers on an indexed (real-time wholesale) rate.</p>	
Utilization Payments	Rayonier Advanced Materials	<p>Regarding the discussion paper from Navigant about utilization payments, how and who will determine the weight of each argument for and against? Each argument has their merits and can have a different weight depending of your point of view.</p>	<p><i>The purpose of Navigant’s utilization payment discussion paper is to lay out the general considerations and merits of utilization payments for demand response utilization. Stakeholders, including the DRWG, will have the opportunity to provide their view. Ultimately, it is the IESO that will decide on the merits of utilization payments, with the DRWG acting in an advisory capacity.</i></p>
Demand Response Participation	Good Company Associates	<p>We urge the IESO to consider the design of a separate weather-sensitive load resource, or a peak capacity resource as part of the Market Renewal initiative. As the demand response market is merged with the planned capacity market for Ontario, it would be appropriate to introduce protocol changes to fully integrate weather-sensitive load resources so that the IESO can take advantage of all possible resources. In the past, we have submitted comments highlighting the unique character of residential resources, and outlining the needs of residential aggregations (see Comments of Residential Demand Response Stakeholders Following the DRWG Meeting of May 30, 2016, submitted July 13, 2016).</p>	<p><i>As previously stated, the IESO does not believe the creation of a separate weather-sensitive load resource is necessary since weather-sensitive loads have the ability to participate as an HDR resource with the ability to adjust its energy bids on an hourly basis to reflect capability. However, stakeholders may propose further discussion of this topic as a work plan item for further discussion and study in 2018.</i></p>
Demand Response Participation	Good Company Associates	<p>Furthermore, we urge that the IESO consider other ways to maximize residential participation in the IESO DR markets when designing these products, which were referenced in “Comments of Residential Demand Response Stakeholders” Following the DRWG Meeting of May 30, 2016, submitted July 13, 2016. Among market features of note, it is crucial that the bid size minimum be reduced to 100kW (typical for most markets), and availability of other baseline methodologies besides the Random Control Group so that aggregators can maximize the size of the load they bid and not forgo the amount that must be set aside for the Control</p>	<p><i>The IESO has noted this feedback that the 1MW minimum size is a barrier to some residential participation. As previously stated, the minimum size of 1 MW is common to all resources (load and generation) submitting bids and offers into the energy market. This issue has much broader implications and considerations beyond the scope of the DRWG. The IESO is in the process of developing a DER framework and strategy which will explore how to best integrate these small resources. Further internal work is required to assess the scope of change required to determine</i></p>

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		Group.	<p><i>whether it is feasible to lower the threshold of participation.</i></p> <p><i>With regards to other baseline methodologies, the IESO worked with residential DR stakeholders through the DRWG in 2016 to design the Randomized Control Trial (RCT) baseline as an alternative to the historical baseline used for industrial and commercial loads. Stakeholders are able to submit other baseline methodologies as a potential work plan item to be evaluated against other potential work plan items.</i></p>
2018 DR Work Plan	OhmConnect	We suggest that the IESO consider the construction of a webpage that lists Demand Response Auction Participants (DRAPs) and/or DRMPs.	<p><i>With regards to the recommendation for a DRAP/DRMP webpage, the IESO has a webpage listing registered participants and service providers at the following link: <a href="http://www.ieso.ca/sector-participants/registration/organization-registration-and-participant-authorization/registered-participants">http://www.ieso.ca/sector-participants/registration/organization-registration-and-participant-authorization/registered-participants</a>.</i></p> <p><i>Furthermore, after each DR Auction, the post auction report lists the successful participants with a capacity position as well as the DRAPs who qualified capacity in that particular auction which includes those organizations without a position or with a surplus. The post auction reports are available for each auction year at the following link: <a href="http://www.ieso.ca/en/sector-participants/market-operations/markets-and-related-programs/demand-response-auction">http://www.ieso.ca/en/sector-participants/market-operations/markets-and-related-programs/demand-response-auction</a>.</i></p> <p><i>The IESO also has a report listing DRAPs who submitted offers and DRMPs and can be found at the following link: <a href="http://reports.ieso.ca/public/DR-PostAuctionSummary/PUB_DR-PostAuctionSummary.xml">http://reports.ieso.ca/public/DR-PostAuctionSummary/PUB_DR-PostAuctionSummary.xml</a></i></p>
2018 DR Work Plan	OhmConnect	We suggest that the IESO consider the coordination with the Incremental Capacity Auction (ICA) project.	<p><i>Effective coordination and consideration of issues between the DRWG and the ICA is an important issue. The IESO has proposed alignment with Market Renewal as a key objective for the 2018 Demand Response Work Plan.</i></p>
2018 DR Work Plan	Rodan	With the ongoing development of the ICA, the DRWG needs to clearly define its mandate to prevent the ICA design discussions	<p><i>The IESO agrees with the important role that the DRWG plays in evolving and enhancing the DR Auction and other</i></p>

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		<p>from supplanting the DRWG as the de-facto vehicle for any significant change or development. The ICA is an ambitious project with diverse stakeholders, and Rodan's concern is that any delays in the implementation of the ICA might postpone needed developments in the DR Auction. We note DR Auction development to date has been an iterative process over the last 3 to 4 years, and there is little appetite from all parties to repeat lessons already learned in the DR Auction for the ICA over a similar time period. Energy consumers in Ontario who are currently participating in the DR Auction have the expectation that their ability to do so will be uninterrupted, and there will need to be a comprehensive knowledge transfer from DRA to the ICA to ensure this is the case.</p> <p>The IESO may wish to consider the practicality of overlapping the existing DR Auction with the launch of the ICA. Participants in the current DR Auction should not be subject to disruptions in access to the market due to delays in the ICA rollout, or because the ICA does not behave as intended.</p>	<p><i>DR-related elements. The DRWG will continue to as the forum to advance priorities within the scope of the DR Auction until such time that a transition is available.</i></p> <p><i>However, that evolution needs to align with the ICA's design since the ICA will eventually replace the DRA to serve as the enduring capacity procurement mechanism. This means that certain discussions such as the definition of the capacity product are best addressed through the ICA stakeholder engagement as it includes all stakeholders and not only demand side resources. Aligning DR development with the Market Renewal Program, with the goal of transitioning from the DR Auction to the ICA, will be an important goal for the DRWG in 2018 and beyond.</i></p>
Pay-As-Bid Auction	Powerful Solutions	<p>For future Demand Response Auctions, it is recommended that the results be "Price As Bid" rather than a uniform Clearing Price. The rationale for this is that a Price As Bid approach will encourage innovation and reward cost efficient solutions.</p>	<p><i>Auctions based on a Uniform Clearing Price design have become a best-practice approach based on experience to achieve lowest societal costs and lowest customer costs in long-run. Establishing a single market clearing price provides a powerful incentive for existing and new resources to offer their best price and the resulting competition results in the most efficient outcome.</i></p> <p><i>Brattle Group's <a href="#">discussion</a> on this issue at an ICA session in June, 2017 provides a more detailed explanation on the differences between the two approaches.</i></p>
Auditing of DRAP	Rodan	<p>Although we acknowledge that the IESO has the right to audit as per the Market Rules, the requirement to provide LDC statements for each contributor is not described by the Rules nor the Market Manuals. Rodan believes that:</p> <ul style="list-style-type: none"> <li>- Requiring the aggregator to obtain 3 months of billing statements for every contributor is overly burdensome and are often difficult to obtain from the participant.</li> </ul>	<p><i>The IESO has the right to audit as per the Market Rules. As per Market Manual 12, Demand Response Market Participants must retain contributor data and supporting documentation for audit. The audit is performed to verify the accuracy of information disclosed by the Demand Response Market Participant. In order to achieve this verification one of the audit procedures is to compare contributor data with</i></p>

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		<p>- Aggregators may not always be able to obtain statements. A contributor who was under contract to an aggregator during the audit period may not necessarily be under contract when the audit is called by the IESO. Without a contract, the contributor cannot be compelled to provide anything. This would be exacerbated by the fact that the rules do not specify any limitation on the number of elapsed years between the audit request and the audit period.</p>	<p><i>LDC statements. Demand Response Market Participants must perform due diligence with respect to their own verification of the data that they submit.</i></p> <p><i>Demand Response Market Participants must have necessary processes and procedures in place to ensure that all required information in support of an audit can be provided to the IESO upon request. Failure to do so will result in audit findings which may have a Settlement impact.</i></p>