

**Comments of OhmConnect, Inc.**  
***In Response to the Demand Response Working Group (DRWG) January 30, 2018 Meeting***

Submitted by	Company	Date Submitted
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## 1. INTRODUCTION

OhmConnect, Inc. (OhmConnect) appreciates the opportunity to submit comments to the Independent Electricity System Operator (IESO) on the presentations to the DRWG from the January 30, 2018 meeting. We have identified, and we respond in these comments, to two general topics posed by the IESO:

1. IESO's discussion and analysis of the implementation of utilization payments for DR resource activations;<sup>1</sup> and
2. The proposed 2018 DR work plan, including additional work plan items to be considered.<sup>2</sup>

## 2. COMMENTS

### *Utilization Payments*

At the January 30 DRWG meeting the IESO requested stakeholder feedback on three discussion topics from the Navigant "Demand Response Discussion Paper - Utilization Payments" paper (the Paper).<sup>3</sup> We address each of these topics in turn; because, however, OhmConnect is primarily a residential and small-commercial Demand Response Provider (DRP), we limit our comments to the impact on residential customers and residential DRPs.

#### 1. Market v. Retail Price

As both Navigant<sup>4</sup> and the IESO<sup>5</sup> explain, nearly half of total load in Ontario is part of a regulated price plan. This includes almost all residential customers (the majority of whom are on time-of-use rates),<sup>6</sup> and summarily the vast majority of OhmConnect's customers. These customers are largely "blind" to wholesale market conditions, and without a trigger

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<sup>1</sup> See January 30, 2018 "Utilization Payment Discussion Paper" presentation, at Slides 10, 13, and 16.

<sup>2</sup> See January 30, 2018 "2018 DR Work Plan" presentation, at Slide 26.

<sup>3</sup> See January 30, 2018 "Utilization Payment Discussion Paper" presentation, at Slide 7.

<sup>4</sup> See Navigant's "Demand Response Discussion Paper - Utilization Payments" paper, at Section 3.1.1.

<sup>5</sup> See January 30, 2018 "Utilization Payment Discussion Paper" presentation, at Slide 8.

<sup>6</sup> See the Ontario Energy Board's "Electricity Rates" webpage, available at <https://www.oeb.ca/rates-and-your-bill/electricity-rates>.

by their DRP are not incentivized to take action to reduce their load during periods of especially high wholesale prices (e.g. due to congestion on the transmission or distribution system). For these residential customers, the cost of consuming one kWh of energy from 5pm to 6pm is the same regardless of whether the price of energy in the wholesale market is \$50/MWh or \$1999/MWh. In addition, it is likely that residential customers will represent an increasing amount of capacity procured in the DR Auction and the future Incremental Capacity Auction (ICA); for example, two new Demand Response Auction Participants (DRAPs) representing residential DR participated in the 2017 DR auction.<sup>7</sup> For these reasons, we believe that the impact of a utilization payment for Hourly Demand Response (HDR) resources comprised of customers on regulated rates is a relevant and applicable topic for consideration by the IESO. Instituting a utilization payment for resources with these sets of customers has a high likelihood of improving performance of the resource and increasing activations.

## 2. Utilization Frequency v. Cost of Activations

OhmConnect believes that utilization payments would incentivize residential Demand Response Market Participants (DRMPs) to bid lower energy prices. For example, OhmConnect's program is structured such that participating customers are paid on a per-event basis. All else equal, more events increases the earnings of each participant. We strive to hold one to two events per week in order to meet customer demand. However, without utilization payments we would have to limit the number of events we seek in the market. Historically, we have passed through about 80% of energy market revenues to our customers. Without utilization payments, DRMPs would have lower market revenues, and therefore OhmConnect would have lower revenues to pass on to users, independent of whether OhmConnect's resources were activated one time or a hundred times.

Finally, we wish to provide a clarification to a statement made in the Navigant Paper regarding the Demand Response Auction Mechanism (DRAM) in California. Section 5.2.2 of the Paper states that "[b]idding in the DRAM is done by the utilities rather than customers themselves." However, as Appendix A.3 more accurately states, it is the Offerors (i.e. the DRPs) that "must bid directly into the CAISO energy market and any resulting revenues or liabilities [are] allocated solely to the [DRP]." OhmConnect has participated in the DRAM since its inception in 2016, and has been able to maintain frequent resource dispatches under this design, which incentivizes DRPs with both capacity *and* energy payments.

## 3. Fairness and Equity

OhmConnect's view is that all market resources should be treated equally. If generators receive utilization payments, it follows that DR resources should also receive utilization payments. We concur with Federal Energy Regulatory Commission (FERC) Order No. 745 (discussed in the Navigant Paper in Section 3.1.7) that a DR resource providing a "negawatt" has equivalent value to a generator providing a megawatt. We note that this logic is consistent with how baselines are calculated by the IESO: a comparison is made

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<sup>7</sup> See January 30, 2018 "2017 DR Auction Results" presentation, at Slide 4.

between a counterfactual consumption scenario (e.g. megawatts that would have been consumed) and actual consumption. In addition, treating DR resources differently than generators presumes that DR resources deliver energy without cost. This is not the case -- suppliers of DR incur costs (e.g. spinning up servers to notify users of events, labor costs to manage the portfolio of resources during an event, and/or payments to customers for reductions) that should be recoverable. Furthermore, although the Navigant Paper mentions the Public Service Electric & Gas Company (PSE&G) argument against payment for providing negawatts (i.e. the resource performs for a limited number of times over the peak period), it was not immediately clear why the number of dispatch times should impact a resource's utilization payment. Utilization payments are directly correlated to the frequency of dispatch - a resource that dispatches more frequently will receive more utilization payments. In addition, it is not uncommon for "peaker" resources (for example, natural gas power plants in California) to be used almost exclusively during these peak hours. However, these generators are not treated any differently, to continue the example above, in the CAISO market.

### *DRWG 2018 Work Plan*

OhmConnect appreciates the opportunity to submit feedback on the DRWG's 2018 Work Plan. We support continued exploration of modifications that will improve utilization of HDR resources, including examining the impact of a utilization payment and adjusting the minimum dispatch duration via changes to the standby and activation schedules (currently fixed at four hours). OhmConnect believes that, at least in the case of residential resources, adjustments to these aforementioned areas will positively improve utilization. Furthermore, improving utilization has direct alignment with Market Renewal, which is examining availability obligations along with visibility and control obligations.<sup>8</sup> We believe it should be the top priority of the DRWG to resolve the utilization payment and the proposed changes to the standby and activation schedules.

We encourage the IESO to continue consideration of allowing DRAPs to submit varying DR capacity obligations in the DR auction. Findings from the DRWG could prove instructive to the design of the Incremental Capacity Auction. For example, the DR Auction could serve as an opportunity to test the procurement of varying capacity obligations on a monthly basis, which could then bring broader ICA benefits. In addition, DR resources are one of the primary resource types that may have such varying capacity obligations, especially weather-based resources, and thus may be a topic best initially discussed within the DRWG. Perhaps as a starting point the IESO could determine whether system capacity needs tend to vary on a month-by-month basis, or if they are instead more uniform seasonally.

OhmConnect thanks the IESO for responding to our request for a webpage to list DRAPs and DRMPs.<sup>9</sup> Although a dedicated standalone page could further increase residential participation in DR, we believe the existing page will be sufficient for at least the upcoming

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<sup>8</sup> See January 30, 2018 "Improving Utilization of JDR Resources" presentation, at Slide 8.

<sup>9</sup> See January 30, 2018 "2018 DR Work Plan" presentation, at Slide 21.

year. At the end of the year, we would be pleased to report any additional customer feedback to the DRWG.

### **3. CONCLUSION**

OhmConnect thanks the IESO for considering our comments. In addition, we are appreciative of Navigant for compiling a thorough examination of utilization payments across a variety of markets. We look forward to continuing to engage with the DRWG.