

Feedback and IESO Response

Topic	Stakeholder	Feedback	IESO Response
Alignment with the ICA	City of Toronto	Can the IESO clarify how the Demand Response Working Group (DRWG) would be integrated into the Stakeholder Engagement for the Incremental Capacity Auction?	For clarification, the DRWG and the ICA will remain separate engagement forums. However, the DRWG may be utilized as a forum for more focused discussions on the impact of particular ICA design decisions that may affect DR. Stakeholders should continue to participate and send feedback on ICA design to the ICA engagement directly.
HDR Testing	City of Toronto	As the DR Auction expands to include shorter and increased activations, would the IESO consider a shorter activation adequate for DR testing?	The IESO is not currently considering any revisions to the DR testing requirements, but will revisit these requirements once the activation parameters change is completed <i>and with consideration of the results of completed test activations.</i>
HDR Testing	Rodan	Rodan believes the suggestion to limit test dispatches to one hour is a reasonable request considering the IESO proposal to allow 1, 2, 3 or 4-hour dispatches. There is little reason to test for the maximum (or worst case) dispatch length if the intention of the test is to determine the ability to follow dispatch instructions and demonstrate curtailment.	IESO can revisit the test requirements once any changes to the activation requirements are completed and with consideration of the results of completed test activations.
Improved Utilization of HDR Resources	City of Toronto	Recognizing the potential for an increase in standby notices would the IESO consider reevaluating the penalty associated with missed activations?	Non-performance charges are generally meant to encourage meeting availability and activation obligations. IESO does not currently see a rationale to re-evaluate the existing non-performance charges due to an increased potential for number of standby notices.
Improved Utilization of HDR Resources	City of Toronto	The City recommends that the IESO implement a phased in approach for changes to the standby notice. For the 2018 Auction (2019 delivery) resources could be issued a standby notice if one hour is \$200 and then shift to a \$100 standby for the 2019 Auction (2020 delivery).	This feedback has been reflected in the final proposal.
Improved Utilization of HDR Resources	EnerNOC	The standby trigger provides a signal to customers to prepare their operations for activation. Customers take this notice seriously. An issue with moving to a \$100 price trigger for a stand by notice is that there may be false positives for activation which will lead to a false sense of actually being activated.	As stated over DRWG meetings over 2017 and 2018, the IESO is interested in maximizing the value of HDR resources by increasing its real-time availability through eliminating the standby notice. The requirement for a standby notice in order to utilize HDR resources prevents it from being

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			<p>available to be utilized in real-time.</p> <p>The IESO has heard stakeholders concerns that the immediate elimination of the standby notice would significantly reduce their DR capacity and that the participants have linked the issuance of a standby notice with activation. The IESO’s final proposal, presented at the May 3 DRWG was to adopt a \$200 standby trigger for the 2018 Auction and a \$100 for the subsequent Auction.</p>
Improved Utilization of HDR Resources	Rodan	<p>Rodan strongly suggests that the IESO describe the target number of standbys, based on empirical measures, as the rationale for the \$100 price, rather than something that happens to “look right” at this time. This reassures participants that the IESO is making this determination in a transparent manner and facilitates adjustments at a later date if the underlying assumptions and rationale do not pan out.</p> <p>Assuming the proposal of a \$100 Standby Trigger proceeds, Rodan recommends that the IESO consider a mechanism whereby resource availability expectations for an activation are scaled in proportion to the number of standbys without activations.</p>	See response above.
Improved Utilization of HDR Resources	NRGCS	<p>NRGCS also agrees that the adoption of a price-based trigger for a Standby Notice could improve demand response real time availability and, therefore, demand response utilization; but cautions that a \$100 shadow price trigger could negatively affect participation. Any changes to the Standby Notice should be carefully crafted to ensure that only Standby Notices that are likely to result in actual activations are called. Customers view a Standby Notice as a signal that they will be activated later in the day, and thus take steps to prepare their facilities to lower consumption in response to a dispatch signal. Standby notices are helpful, especially for resources that need time to prepare their facilities for load reduction. Thus, an efficient and right configuration of standby notice ought to reflect an actual likelihood of activation in real time.</p> <p>Under current HDR program rules, standby notice is the only mechanism enabling demand response resource utilization in real</p>	See response above

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		time (e.g., HDR resources must be scheduled by 7am in the predispach timeframe to be utilized for the rest of the day). However, NRGCS recommends further analysis of the Standby Notice price trigger, as well as further review of the HDR rules in order to improve the real time availability of demand response resources.	
Utilization Payment	City of Toronto	Has the program experience from CBDR with utilization payments demonstrated that resources are capable of delivering DR specifically when earning revenue to defray the activation costs?	As discussed at the last meeting, the IESO has observed that when participants had the freedom to select their energy bid price as an HDR resource, the price of utilization increased significantly from the \$200/MWh offer price under the CBDR program.
Utilization Payment	City of Toronto	Would the IESO consider Utilization payments for EOSCA activations?	Based on historical observations, the issuing of an EEA-1 alert is infrequent, occurring approximately once a year. One option is that DR Auction Participants can build this expected cost into their DR Auction offer price.
Work Plan Item - New Webpage	City of Toronto	The City recommends that the IESO include economic impact data [on the new webpage] demonstrating how DR can support a more efficient market.	Thank you for the feedback. The IESO would appreciate more detail to better understand and evaluate this request.
Work Plan Item	Rodan	With respect to the Priority Items Not Addressed in 2017 - Dispatchable Loads in Aggregated Resources. This item should not be delayed by the IESO any longer.	The IESO facilitated a more in-depth discussion on this issue at the May 3 DRWG meeting.
Improved Utilization of HDR Resources	Rodan	If the intention of this proposal is to increase the availability (or the option) to dispatch DRA resources, rather than to increase the number of actual dispatches, then it must be clearly articulated as the goal, particularly when evaluating the efficacy of the program at a later date.	That is correct. The primary objective of the proposed enhancements is to increase <i>availability</i> . Actual dispatches may be rare given the high cost of curtailment reflected in participant bids. The IESO will make certain to re-emphasize this idea.
Alignment with the ICA	Rodan	Recognizing that any change in the DR auction that does not mirror the proposed ICA operational parameters will cause divergence, it may be useful for the DRWG to revisit what the intended purpose of the DR auction and DRWG is. For consideration: * Are the updates to the existing DR auction strictly an effort to increase market utilization of DR resources until the ICA design takes over? * Regardless of original intent, is the primary function of the DR auction now to bridge the gap and house the DR fleet until the ICA is ready?	With respect to the ICA, it is important to note the design of that auction may be significantly different than the DRA design in part because the ICA is intended to serve a different purpose (ie to buy a uniform capacity product from a variety of technology types to meet resource adequacy needs). That being said, the IESO wants to ensure that any learnings from the DRA are being incorporated where appropriate. The IESO believes that, even in the absence of the ICA, the

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		<p>* Is the DR auction a test platform for ICA design? If so, what lessons has the IESO learned from the operating the DR auction that should be/will be rolled into the operational side of the ICA? Has the design of the DR auction informed any of the choices in the ICA to date? The current design appears to share very little with the current DR auction.</p>	<p>proposed DR enhancements to the standby and activation protocols are necessary to improve the value of these capacity resources. However, given that the DRA will eventually transition to the ICA, the IESO believes the enhancements will help prepare DR to effectively compete to provide capacity in future. DR stakeholders are also encouraged to participate in and provide feedback directly to the ICA engagement process.</p>