

Demand Response Working Group

July 2019: Response to Stakeholder Feedback on Energy Payments for Economic Activation of DR Resources – Proposal

Following the June 19, 2019 Demand Response Working Group (DRWG) stakeholder meeting, the IESO invited stakeholders to provide comments and feedback on the proposal for energy payments for economic activation of demand response (DR) resources. The IESO received feedback from:

AEMA
Rodan Energy Solutions
AMPCO

This feedback has been posted on the IESO [DRWG webpage](#).

Note on Feedback Summary

The IESO appreciates the feedback received from stakeholders on the Energy Payments for Economic Activation of DR Resources - Proposal. This stakeholder feedback, along with the comments provided at the stakeholder engagement sessions, is important to the collaborative approach the IESO has committed to. Below, the IESO has provided a summary table which outlines responses in respect of specific feedback or questions for which an IESO response is required at this time.

Stakeholder comments and IESO responses to Energy Payments for Economic Activation of DR Resources – Proposal

The IESO is seeking input from stakeholders on the approach to conduct the analysis required to determine whether there is a net benefit to electricity ratepayers if DR resources are compensated with energy payments for economic activations.

The following questions were posed to Stakeholders:

- What is the appropriate analysis to complete?
- Who is best to complete the analysis?
- Who else should be consulted?
- When is a decision required by?

| Design Element / Issue | Stakeholder | Feedback | IESO Response |
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| Energy Payments for Economic Activation of DR Resources – Proposal | AEMA | <p>AEMA supports the compensation of DR resources in economic activations and supports AMPCO’s comments on this topic in their July 5th filing, now posted on the IESO DRWG webpage. Compensation for activations and following dispatch orders should be consistent for all resources, and IESO analysis has already determined that compensation is appropriate.</p> <p>The analysis that needs to be completed should focus on how best to implement compensation for loads, with consistency being a paramount criterion. If the TCA is unable to be postponed, then the implementation of compensation for economic activations should coincide with the Out of Market compensation implementation date scheduled for May 1st, 2020.</p> <p>With the July 16th announcement from IESO CEO Peter Gregg, stating that work on the ICA would now be stopped, it is even more important that the rules of the TCA be right from its inception since it will be the procurement mechanism for capacity for the foreseeable future.</p> | <p>Thank you for your feedback. The IESO will continue to implement the Capacity Auction (TCA), now called the Capacity Auction (CA), with a first auction in December 2019.</p> <p>The IESO will consider these comments as part of the stakeholder engagement on energy payments for economic activation of demand response resources, which is a new engagement created to seek broad stakeholder input on the issue. More information on the engagement can be found here.</p> |
| | Rodan Energy Solutions | <p>Rodan supports this initiative and expects it to be an integral feature of the TCA/ICA. IESO should not lose sight of the fact that energy payments are only one aspect of what is required for the capacity market to foster truly equal and fair competition across resource types. Access to ancillary services must also be part of the plan.</p> <p>Rodan supports the compensation of DR resources in economic activations and supports the comments submitted by AMPCO on this topic in their July 5th filing, now posted on the IESO DRWG webpage.</p> | <p>Thank you for your feedback. The IESO will continue to implement the Capacity Auction (TCA), now called the Capacity Auction (CA), with a first auction in December 2019.</p> <p>The IESO will consider</p> |

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| | | <p>Rodan also supports to comments from the AEMA on this issue submitted July 19th. Compensation for activations and following dispatch orders should be consistent for all resources, and IESO analysis has already determined that compensation is appropriate.</p> <p>Rodan (and others including the AEMA and AMPCO) have consistently commented and others at the DRWG, the MOCN consultation sessions, SAC and Technical Panel, principles of non-discrimination, fair treatment and level playing fields have already dictated that compensation is appropriate.</p> <p>The TCA should be postponed until this issue is resolved. The study that is contemplated by the IESO should focus on how best to implement compensation for loads, with consistency being a key criterion.</p> <p>As work on the Incremental Capacity Auction has been stopped, it is of crucial that the rules of the TCA be right from its inception since it will be the procurement mechanism for capacity for the foreseeable future.</p> | <p>these comments as part of the stakeholder engagement on energy payments for economic activation of demand response resources, which is a new engagement created to seek broad stakeholder input on the issue. More information on the engagement can be found here.</p> |
| | AMPCO | <p>Directionally, AMPCO supports the movement by the IESO on the issue of energy payments for demand response (DR) proponents. However, the pace of the movement does not match the IESO's desired pace for the movement of the remainder of the TCA project. AMPCO fully supports payments for both out-of-market and economic activations of DR, and AMPCO feels strongly (as set out in its submission of May 2, 2019) that such payments need to be implemented at the same time as the initiation of the TCA itself. To do otherwise is to embrace a design element that is blatantly discriminatory in nature and counter to clear objectives that have been set for the</p> | <p>Thank you for your feedback. The IESO will continue to implement the Capacity Auction (TCA), now called the Capacity Auction (CA), with a first auction in December 2019.</p> <p>The IESO will consider these comments as part of</p> |

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| | | <p>design of the TCA.</p> <p>AMPCO strongly supports the compensation of DR resources in economic activations, and believes that it must be consistent with the compensation provided to others and to the compensation contemplated in out-of-market activations.</p> <p>What is the appropriate analysis to complete? Principles of non-discrimination, fair treatment and level playing fields have already dictated that compensation is appropriate. An assessment of whether or not to compensate is therefore not required. The analysis should rather focus on how best to effect compensation and at what level it should be paid.</p> <p>Who is best to complete the analysis? The time constraint, in concert with the need to be impartial and to be able to quickly gather and interpret previous relevant analyses points to a body external to the IESO, such as Navigant, who has previously been engaged in work associated with the DRWG.</p> <p>Who else should be consulted? AMPCO has few comments in this area. Specifically called out in the IESO materials were the MDAG and the OEB. If the IESO wishes to engage the MDAG, AMPCO has no objections. However, given the role of the OEB in adjudicating conflicts that may arise pursuant to market rule development, AMPCO does not feel that it is appropriate to engage the Board, in any capacity, on this question. The OEB (whether Staff</p> | <p>the stakeholder engagement on energy payments for economic activation of demand response resources, which is a new engagement created to seek broad stakeholder input on the issue. More information on the engagement can be found here.</p> |

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| | | <p>or Board Members) should not be asked to opine on an issue that it could potentially have to decide later. This represents a clear conflict of interest.</p> <p>When is a decision required by? The issue of compensation for economic activations must be clearly decided – and implemented – prior to the initiation of the TCA.</p> <p>While AMPCO supports the IESO’s desire to learn from TCAs in advance of the design and implementation of the Incremental Capacity Auction (ICA), it does not place that desire above the need to implement a fair and non-discriminatory TCA in a situation where no immediate reliability concern is required to be addressed.</p> <p>AMPCO recommends a six month delay in the start of the TCA in order to accommodate all the work that needs to be done to properly implement the auction.</p> <p>Alternatively, if for whatever reason the IESO cannot abandon its December 2019 TCA deadline, then the following approach could be adopted. The TCA can proceed on its original timeline, but the promised May 2020 implementation date for out-of-market activations must also apply to implementation of economic activations.</p> | |