

# Demand Response Working Group

## July 2019: Response to Stakeholder Feedback on Out of Market Activation Payments – HDR Proposal

Following the June 19, 2019 Demand Response Working Group (DRWG) stakeholder meeting, the IESO invited stakeholders to provide comments and feedback to help advance efforts of the group. The IESO received feedback from:

Northland Power Inc.  
AEMA  
AMPCO  
Rodan Energy Solutions

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

### Note on Feedback Summary

The IESO appreciates the feedback received from stakeholders on the Out of Market Activation Payments – HDR 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. All feedback received has been noted and will be considered as the work of the DRWG moves forward. Below, the IESO has provided a summary table which outlines responses in respect of specific feedback or questions for which an IESO response was required at this time.

**Stakeholder comments and IESO responses**

The IESO has proposed 3 potential methodologies that they are considering in determining compensation for Out of Market activations:

1. Using energy bids as representative costs
2. Historical precedents, such as CBDR activation payments
3. Identify costs on individual or type of resource basis

Design Element / Issue	Stakeholder	Feedback	IESO Response
Out of Market Activation Payments – HDR Proposal	Northland Power Inc.	<p>Given the IESO’s experience with the RT-GCG program, the IESO should determine whether the high costs and time required to accurately define, verify and audit provides more benefit to the IESO and participants than the alternatives. For bullet #3, similar to what it did with the RT-GCG program, the IESO will need to consider whether its prepared to go through the process of defining explicitly what costs are allowed and not allowed. If the IESO goes down this route it shouldn’t leave the door open for potential audits, but be explicit not if a participant will be audited in the future, but when they will be audited in the future and how the IESO would assess their costs to determine whether those costs are reasonable for cost recovery.</p> <p>Given, that one of the reasons the IESO went through with the pre-approval process in the RT-GCG Stakeholder Engagement was to eliminate</p>	<p>Thank you for the feedback. The IESO has taken these comments into account and will present a proposal and rationale at the next DRWG meeting scheduled for July 29, 2019. Materials can be found <a href="#">here</a>.</p>

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		<p>the need for costly audits, the IESO should reconsider this option and instead think of a reasonable methodology to apply to either bullet #1 or #2 above.</p>	
	AEMA	<p>AEMA recommends that the IESO should use the energy bids as representative costs to the out-of-market action to determine compensation. Hourly Demand Response (HDR) resources are comprised of a number of different constituent businesses, each with their own curtailment costs. By utilizing the energy bid, market participants will be able to submit as many price-quantity pairs as are necessary to represent the activation cost of their HDR resources. Additionally, these same energy bids should be the cost-basis for activation payments – AEMA recognizes that this last point is under consideration by the IESO.</p> <p>Some HDR contributors may have shutdown costs which exceed the current energy market price cap, but AEMA believes this approach will give market participants the flexibility needed to reflect a substantial portion of activations costs while limiting the administrative burden to both the IESO and market participants. Finally, there will be no need for additional data requirements, as market participants will already need to</p>	<p>Thank you for the feedback. The IESO has taken these comments into account and will present a proposal and rationale at the next DRWG meeting scheduled for July 29, 2019. Materials can be found <a href="#">here</a>.</p>

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		supply measurement and data verification of the dispatch/test. From an administrative standpoint, this also creates the least amount of administrative burden in determining the price of the dispatch.	
	AMPCO	<p>In AMPCO's opinion, the third option would be an administrative nightmare for the IESO and should not be further considered.</p> <p>The second option has the advantage of having been used previously as part of the Capacity-Based Demand Response (CBDR) Program. However, the value of CBDR, set at that time at \$200, seems somewhat arbitrary. While AMPCO could live with this approach, it does not recommend this as the final solution.</p> <p>The first option has the advantage of being most consistent with what other participants will be receiving. For this reason alone, AMPCO is in favour of option one - using energy bids as representative costs.</p>	Thank you for the feedback. The IESO has taken these comments into account and will present a proposal and rationale at the next DRWG meeting scheduled for July 29, 2019. Materials can be found <a href="#">here</a> .
	Rodan Energy Solutions	Basing compensation on energy bids seems to be the common-sense approach, as this is an existing process that already reflects the cost of dispatch. Using this mechanism will have the lowest administrative impact and will maintain	Thank you for the feedback. The IESO has taken these comments into account and will present a proposal and rationale at the next DRWG meeting scheduled for July 29, 2019. Materials can be found <a href="#">here</a> .

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		<p>forward compatibility with future energy payments.</p> <p>Basing compensation on fixed proxy value as was done for DR3 and CBDR limits the ability of participants to indicate their costs, and using a customized proxy of activation costs for each contributor as determined by the IESO would add unnecessary complexity and administrative burden to the program (particularly for aggregators).</p>	