



December 22, 2017

Via Email

IESO Stakeholder Engagement
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Re: DRWG November 16, 2017 Comments

Thank you for the opportunity to provide further comment on issues addressed during the November 16 meeting of the Demand Response Working Group.

IMPROVED UTILIZATION OF HDR RESOURCES

Rodan supports the IESO's initiatives to improve utilization of HDR resources. In particular, we support the proposal to add DRA resources to the EOSCA stack such that an EEA may be used to trigger a dispatch (within the existing dispatch rules).

We often hear from participants that while they have no issue providing the resource they are compensated to provide, they do need to be able to satisfy questions within their own organizations as to why their resource is needed. It is important to them to be able to easily articulate the need for their capacity in the system in a timely fashion if they want to maintain buy-in from their management. Feedback we have received makes it clear that the slightest impression of arbitrary dispatches is not well regarded by participants.

We ask the IESO to be mindful that the reasons for an EEA might not always be apparent to a casual observer of the market, so some consideration should be given to how easy it is to explain these dispatches using publicly published information.

Question – will an EEA0 be considered sufficient to activate a DRA resource, or must an EEA1 (or greater) be declared?

SCHEDULING FLEXIBILITY – STANDBY NOTICES

Rodan is open to discussion on activation lead times and standby notices. However, the requirement for notice must take into account that not all load resources have the same technical characteristics. Some facilities may increase production pre-event to take advantage of storage, while others might need to execute a more gradual shutdown of a sensitive process prior to curtailment. Quick response loads can almost always adapt to a longer notice period, but the reverse is not as universal.

As has been stated in previous submissions, some participants make process changes upon receipt of a standby notice to enable the possibility of later curtailment, so these notices are critical to their ability to act when called. Eliminating or substantially shortening the standby notice would impact the eligibility of many existing participants.

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.

In summary, Rodan does not favour elimination or substantial reduction of the standby notice.

SCHEDULING FLEXIBILITY – REDUCED DISPATCH TIMES

Rodan supports a shorter dispatch period as an adjunct to the existing PD-3 framework. Faster responding resources could elect to be dispatched sooner for an incentive and still be dispatched along side existing resources. However, shorter notice periods should not be imposed as a new minimum requirement for all resources. Instead of constraining the existing design, Rodan proposes that the IESO consider additional DR products with complimentary attributes.

SCHEDULING FLEXIBILITY – REMOVAL OF THE BID PRICE THRESHOLD AND ICI/DR AUCTION INTERACTION

Rodan believes there is little doubt that the bid price threshold of \$100 provides a barrier to dispatch – the IESO imposed it for this very reason. The justification for the threshold is that it prevents ICI participants from receiving a guaranteed dispatch instruction for a day that the IESO believes they would be curtailing anyway (sometimes erroneously called double-payment or double-dipping). This argument contends that a participant must not be compensated through DR Auction availability payments for curtailment activity that also results in a lower GA Demand Factor calculation and reduced GA payments in the following year. Thus, the bid threshold is designed to take away the certainty of a DRA dispatch so that facilities curtailing for ICI will have to do so outside of the DR Auction dispatch mechanism.

If the IESO is truly interested in increasing the number of dispatches, a reasoned discussion about the interplay between the ICI and other demand response initiatives must take place, with the full participation of the parties who contend that this is a problem. Rodan believes the following points are worthy of consideration:

1. ***The Bid Price Threshold is blunt and imprecise.*** Most facilities that curtail for ICI do so more frequently than just the 5 days that end up as system peak days. There is no guarantee at the time of curtailment that any one day will be a persisting peak day that is used in the global adjustment Demand Factor calculation. In effect, the bid threshold presupposes that every curtailment day will impact the Demand Factor calculation, which is not true. Since we know that a participant is likely to curtail more than 5 times in a base period in an effort to capture all peak days, ultimately there will be some days *not* in the top 5 where the threshold will have thwarted dispatch. The end effect is that the bid price threshold prevents dispatches on *more* than just the 5 peak days; it can also prevent market dispatch on any other near-peak day as well. Facilities are denied dispatch on the very days that the IESO believes are the most valuable.
2. ***ICI curtailment is voluntary.*** There is no certainty that an ICI curtailment will take place on any given day simply because it's a potential peak day. Conversely, DR Auction dispatches are

mandatory with no opt-out provisions, so the likelihood that a curtailment will proceed is much higher. The IESO values certainty, and the DRA availability payment is the price of facilitating predictable load behaviour.

3. ***The Bid Price Threshold does not achieve its stated purpose of discouraging ICI curtailments amongst DR Auction participants.*** Most DR Auction participants who also pursue ICI continue to curtail without regard for the bid threshold. If subsequent days require a DR Auction dispatch, performance will be jeopardized by the baseline erosion effect of the earlier out-of-market ICI curtailment. Baseline erosion results from not being able to remove the ICI curtailment days with low load levels from the baseline computation, as opposed to DR Auction dispatch/activation days which are automatically removed. This can result in non-performance penalties at a rate that is multiple to the earnings. Since DR Auction availability is paid independently of dispatch status, all the bid threshold really accomplishes is to provide the IESO the opportunity to charge future penalties to the DR Auction participants; it does very little to modify behaviour.
4. Even if the bid threshold were to be removed and a facility was dispatched on a potential ICI peak day, there is a high likelihood that they will receive significant performance penalties as a result of the In-day Adjustment to the baseline. In Rodan's experience, facilities curtailing for ICI tend to do so in the hours bracketing the peak (i.e. they reduce load significantly prior to the projected peak hour and stay down well past the peak hour in order to conservatively capture the peak). This approach will likely result in an ICI curtailment time that does not align perfectly with the hours of a DRA dispatch (usually by starting too early). Curtailing too early creates an unfavourable adjustment factor and possible non-performance penalties at a rate that is multiple to the earnings.
5. If the only reason for bid threshold's existence is to ensure that participants don't appear to be compensated twice, then the effect can be achieved much more surgically by specifically adjusting the availability payment for any DRA dispatches occurring on the final 5 peak days in the ICI base period. This could be an annual reconciliation and has the advantage of not impacting any days that are not ultimately included in the calculation of a participant's Global Adjustment Demand Factor. However, given the likely penalties discussed in point 4, there may be very little (or nothing) to adjust.

Assuming that IESO policy is to avoid paying DR payments on days used for the ICI Demand Factor calculation, the current implementation is imprecise and impedes dispatch on non-system peak days. If the double payment argument is a broader rejection of the concept that a market participant should be able to receive multiple payment streams by enrolling a resource in complimentary services, then this is at odds with the current consensus that participants should be able to "stack" these services.

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.

GENERAL COMMENTS

DR AUCTION AND THE INCREMENTAL CAPACITY AUCTION (ICA)

With the ongoing development of the ICA, the DRWG needs to clearly define its mandate to prevent the ICA design discussions 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.

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.

GREEN BUTTON

The discussion of the Ministry's support of Green Button is welcome news for the demand side, and hopefully will be well received by LDCs seeking clear direction on how to implement uniform third party access to data. Rodan believes the Ministry should be mindful of the following elements in order to facilitate a workable Green Button implementation:

- An appropriate focus on Connect my Data for Commercial and Industrial customers. There is an immediate and growing need for programmatic third-party access to interval data.
- Mandatory rollout of a standardized implementation of Green Button, with an aggressive implementation schedule (preferably before 2020).
- Should delays occur, an alternate means of programmatic access to interval data by authorized third parties must be provided until the organization can complete their Green Button implementation. There is an immediate requirement for access that is poorly served by the current framework.
- The IESO metering group must coordinate with the Green Button architects to ensure that the data meets their standards for participation in programs like DRA and the ICA. It would be unthinkable to make the investment in Green Button to finally provide universal third-party access to interval data, only to have the IESO perceive it as unfit for use in the marketplace. Although Green Button may not be within the IESO's purview, its intended uses certainly are.

As an aggregator, we make the distinction for “programmatic” or automated access because utilities are increasingly replacing conventional direct access to meters via dialup to manual data downloads from web portals that require human intervention. This is not viable, and the added manual labour component renders these participants unsuitable for aggregation. The end effect is that barriers are created to ratepayers’ participation in programs such as the DR Auction by making them too costly to aggregate. This also increases the costs for any other energy monitoring activities and programs the participant may wish to engage in.

ONGOING IESO AUDIT OF DR AUCTION PARTICIPANTS

The current Market Rules allow the IESO to audit the meter data and registration information of DR Auction participants. This can represent a significant undertaking for both the IESO and the participant, particularly for aggregators who are expected to provide meter data and supporting documentation for hundreds of contributors across nearly every LDC in the province.

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:

- 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.
- 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.

TESTING OF HOURLY DEMAND RESPONSE RESOURCES

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.

Sincerely,
Rodan Energy Solutions