

DR CAPACITY OBLIGATION TRANSFER PROPOSAL

Demand Response Working Group
Meeting #3

July 15, 2016

Purpose

- To present further details on the DR Capacity Obligation transfer proposal to stakeholders



Proposal

IESO Proposal: A DRAP may transfer all or part of their DR Capacity Obligation to another DRAP

Conditions:

- Transferee may only receive a Capacity Obligation up to the quantity of qualified capacity for that Commitment Period for that zone/type that they did not clear
- Transferee must satisfy deposit/Prudential requirements
- Transfer must:
 - **be initiated prior** to the start of the Capacity Obligation's Commitment Period
 - be for capacity that is of the same type (physical/virtual) and zone
 - leave both transferor and transferee with either 0MW or at least 1MW in DR Capacity Obligation to allow for energy market participation

Stakeholder Feedback

- The IESO has received supportive feedback from stakeholders for the Capacity Obligation proposal

“... supports the IESO proposal to allow capacity transfers to enable market growth and ensure the availability of DR capacity”

“The proposal does not have any adverse impacts on the effectiveness of the market;... many more participants will be incentivized to participate”

Stakeholder Feedback cont.

Stakeholder Question: Why must the DR Capacity Transfer be of the same “type”?

DR Capacity Obligation transfers between participants must be of the same “type” (virtual/physical) in order to maintain the integrity of the original auction results. Also, allowing changes of Capacity Obligation types after the auction is held would provide an unfair advantage to transferees because participants who clear the auction cannot change their obligation’s characteristics.

Stakeholder Feedback cont.

Stakeholder Feedback: DR Capacity Obligation transfers should also be available during the Commitment Period.

The IESO's proposal limits transfers only to the forward period to allow for implementation of this proposal for the next DR Auction.

The IESO is supportive in principle of transfers during the commitment period but has identified a number of potential legal and market issues that must be resolved before committing to this change.

Stakeholder Feedback cont.

Stakeholder Feedback: The participant recommends the IESO consider market power and speculation issues stemming from Capacity Obligation transfers.

The IESO considers the potential for market power and speculation issues among other things in the context of the development of a rigorous market design. However, at this stage, IESO does not foresee this proposal creating additional issues prior to the commitment period. The IESO will continue to monitor participant activities to identify whether such behaviour is present.

Proposed Transfer Process

Request Transfer

- Transferor sends email to the IESO to initiate transfer including: obligation ID, zone, type, capacity transferred, confirmation from transferee
- Must be initiated prior to start of the Commitment Period

Evaluation

- IESO notifies transferee of required deposit or Prudential Support for the transfer
- Transferee must post required deposit or Prudential Support

Approval

- IESO will verify conditions met and sufficient deposit or Prudential Support is posted. Both participants will be notified when transfer complete
- After approval, the transferor's deposit can be reduced by amount of the transferee's deposit, if applicable

Deposit and Prudential Support Impact

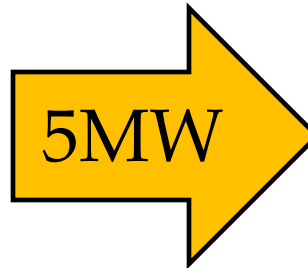
- The transferee must satisfy updated deposit or Prudential Support requirements from the transferred quantity in order to have transfer approved

For Transferee	Deposit or Prudential
If resource ready to participate in energy market to meet transferred capacity's obligation	Prudential Support rules apply
Otherwise	Deposit rules apply

- Transferor may reduce deposit/Prudential Support by the quantity of transferred MW upon approved transfer

Example

MP1
Summer, Virtual, Toronto
Qualified 11MW
Cleared 10MW



MP2
Summer, Virtual, Toronto
Qualified 10MW
Cleared 5MW

- 1 MP1 (Transferor) emails IESO to request transfer prior to start of Commitment Period
- Obligation ID: 12345, Summer 2017, Toronto, Virtual, 5MW, Confirmation from MP2 (transferee) acknowledging transfer of 5MW

- 2 IESO notifies MP2 of updated deposit or Prudential Support required
- Assume MP2 has no resource registered in zone to be transferred
 - DR Auction Deposit = $3\% \times \text{DR Capacity} \times \text{Max Auction Clearing Price} \times \# \text{ business days in Commitment Period}$

- 3 MP2 posts deposit of \$9,984.60 [$3\% \times 5\text{MW} \times \516×129]

- 4 IESO approves transfer if conditions met and sufficient funds are posted
- Will email both participants of transfer status
 - Transferor may reduce deposit by \$9,984.60 if transfer is approved



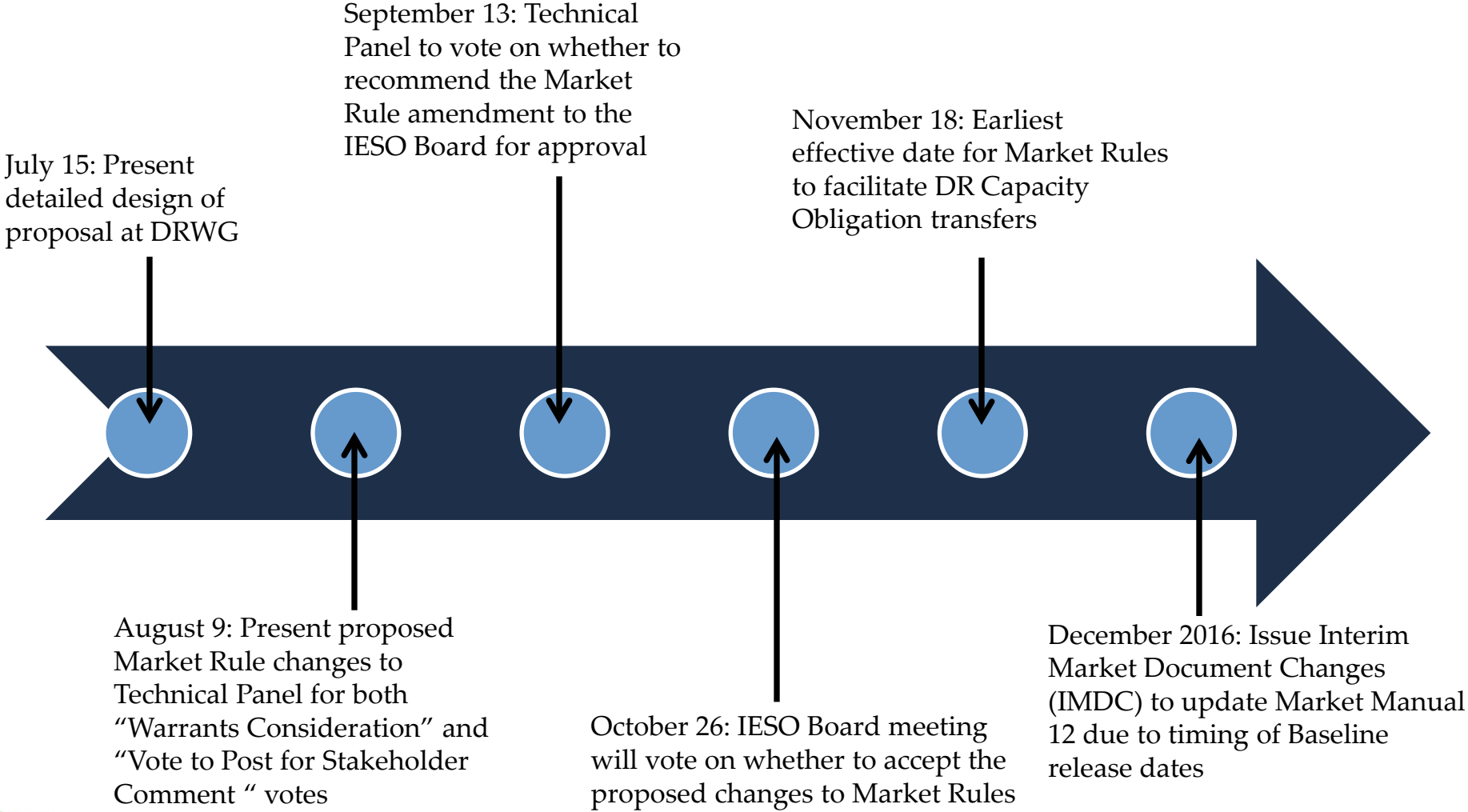
Market Rule Impacts

- Market Rule changes will be required to facilitate the transfer of DR Capacity Obligations from one DR Auction Participant to another. The amendments will:
 - Allow us to treat a DRAP that receives a DR Capacity Obligation through transfer in the same way as a DRAP that clears the DR Auction
 - Enable the transfer of a DR Capacity Obligation, outlining the conditions of transfer and the new obligations placed on the IESO/DRAPs (new market rules under section 18 of Chapter 7)
 - Amend the publishing requirements (s 18.8 of CH 7) to reflect the changes presented in the transfer proposal
 - Amend the DR Deposit/Prudential Support obligations, if applicable

Market Manual Impacts

- Market Manual 12: Demand Response Auction will require amendments to implement this proposal
 - Add MM12, Section 9 to outline the DR Capacity Obligation transfer process for participants
 - Update MM12, Section 4 to reflect the DR Auction Deposit requirements stemming from DR Capacity Obligation transfers

Proposed Market Rule Timelines



Impact to Report Publishing

- To facilitate this proposal, the IESO will need make two changes the Post-Auction Summary Report
 1. The IESO proposes to republish the Post-Auction Summary Report prior to the start of each Commitment Period
 - Publishes an updated list of participants with DR Capacity Obligations
 - Post-Auction Summary report is currently only published right after the running of the DR Auction

Impact to Report Publishing cont.

2. The IESO proposes to publish the qualified capacities of all auction participants in the Post-Auction Summary report
 - Allows DR Auction Participants to see who is available to participate in transfers

Summer Commitment Period			
Zone	Participant	Qualified MW	Cleared MW
Southwest	DRAP1	10	10
	DRAP2	10	5
	DRAP3	15	12
	DRAP4	5	0

Timelines

- The IESO proposes a deadline for DR Capacity Obligation Transfer requests to be received prior to the start of the Commitment Period
- Participants are still subject to all other Auction and supporting process timelines
- The IESO will continue to review issues associated with transfers during the commitment period.

Feedback

- Please provide your feedback on the proposal and timelines by July 22, 2016. This is necessary to inform the Market Rule amendment language that will be brought to the August Technical Panel meeting
- To provide feedback, contact engagement@ieso.ca