

UPDATE ON TARGET CAPACITY

Demand Response Working Group
Meeting #3

July 15, 2016

Objective

- This presentation will outline the IESO's proposal on increasing Target Capacity in order to meet multiple objectives:
 1. Contribute to Ontario's reliability needs cost effectively
 2. Provide a stable marketplace for DR to grow in Ontario
 3. Meet government policy objectives

Background

The 2013 Long-Term Energy Plan (LTEP) set a target for Ontario to be able to utilize Demand Response to meet 10% of peak demand by 2025 (~2,400MW)

Stakeholder Feedback: The IESO should take a long-term view in setting Target Capacity. DR Sector growth requires an investment of time and resources.

IESO Proposal

IESO Proposal: Increase Target Capacity by 7% per year for both Summer and Winter Commitment Periods until the 2025 delivery year

- Provides clarity on long term DR growth to meet provincial targets and a stable business environment for:
 1. Market Participants to plan their business
 2. The IESO to integrate DR into established energy markets and monitor performance
- Provides a realistic growth trajectory to mitigate unnecessary cost and risks

DR Capacity Breakdown

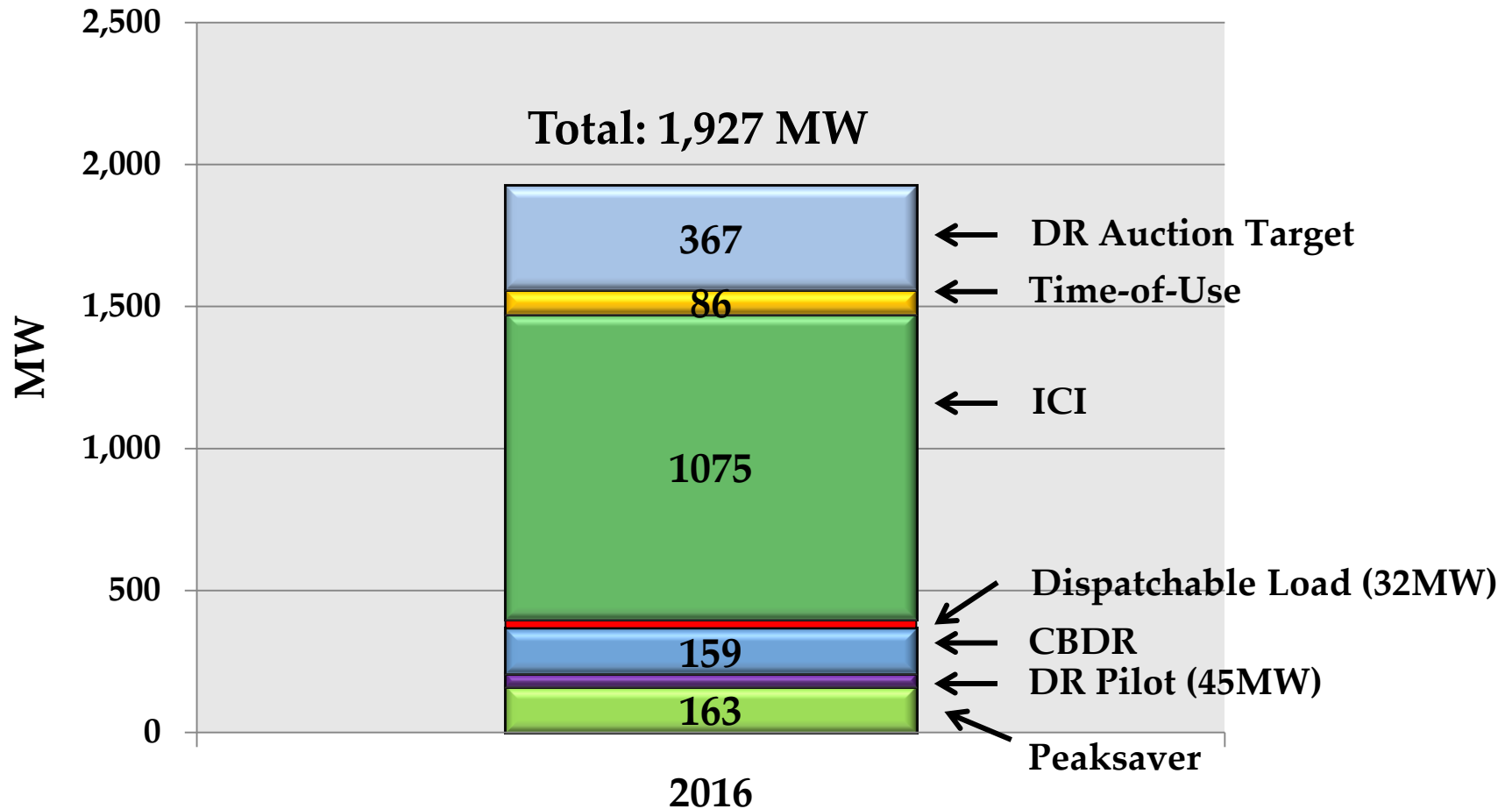
Term	Definition
Time-of-Use (TOU)	The observed impact of time-of-use meters during system peaks
Industrial Conservation Initiative (ICI)	The observed impact of ICI over the 5 peak days based on current eligibility
Capacity-Based Demand Response (CBDR)	The quantity of capacity participating in the Capacity-Based Demand Response program
Dispatchable Load	The observed quantity of Dispatchable Load available during system peak, adjusted for participation in ICI, DR Auction and DR Pilot

DR Capacity Breakdown

Term	Definition
DR Pilot	The quantity of DR Pilot resources procured, adjusted for participation in DR Auction
Peaksaver	The effective capacity of Peaksaver resources
DR Auction Target Capacity	The quantity of capacity the IESO seeks to procure through the DR Auction The quantity has not been adjusted for non-performance.

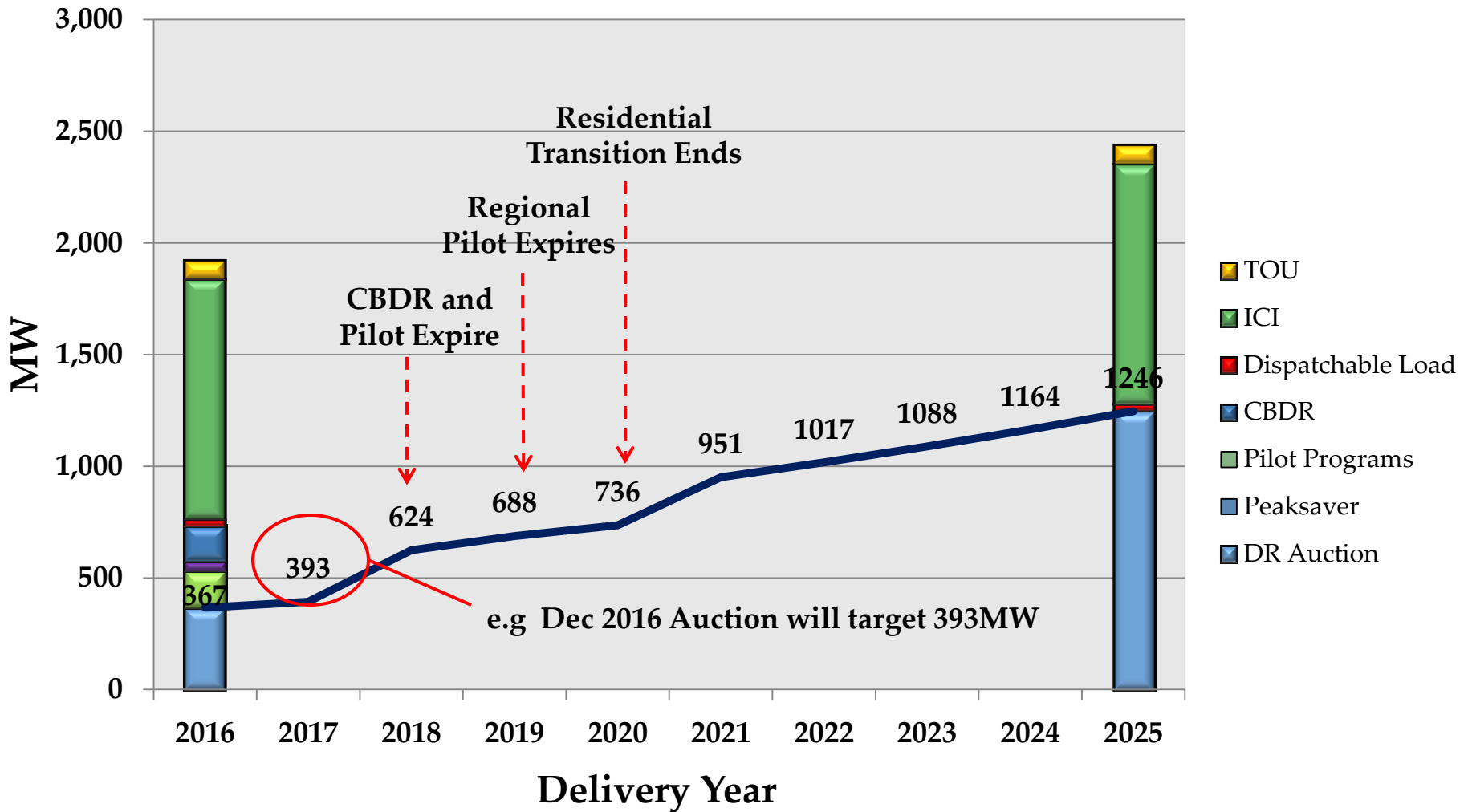
Current DR Capacity

Summer 2016 DR Breakdown



Note: Dispatchable load and Pilot MWs have been discounted to avoid double counting with Auction MWs

Proposed Growth Trajectory



Revision of Growth Targets

To mitigate risks associated with committing to a long term growth trajectory the IESO plans to:

- Maintain IESO's review of Target Capacity at least every three years (MM12, Sec 3.5)
- Establish triggers to review the growth rate in the event of material event such as:
 - Large disruptive impact to the market e.g economic downturn
 - Large forecast changes in peak demand and system conditions
 - Material change in policy goals
 - Emergence of an unidentified reliability need
- IESO will commit to reporting on the state of the market to the DRWG at least once per year

Other considerations

- The proposed growth trajectory outlines a base level of expected DR Target Capacity growth through the DR Auction
- Actual DR growth will be determined by the competitiveness of offers in the DR Auction
- The IESO plans to re-engage stakeholders on a Capacity Auction in 2016
 - Once in place DR will be able to compete with all other resources to meet Ontario's future capacity needs as contracts expire in the 2020s
 - By the late 2020s approximately 12,000MW of contracted capacity will need to be replaced or re-procured

Next Steps

- Invite stakeholder feedback on proposed approach
- Finalise Target Growth rates
- Review and amend appropriate Market Manuals as required