

# UPDATE ON TARGET CAPACITY AND COMMITMENT PERIOD

Demand Response Working Group  
Meeting #4

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September 30, 2016

# Objective

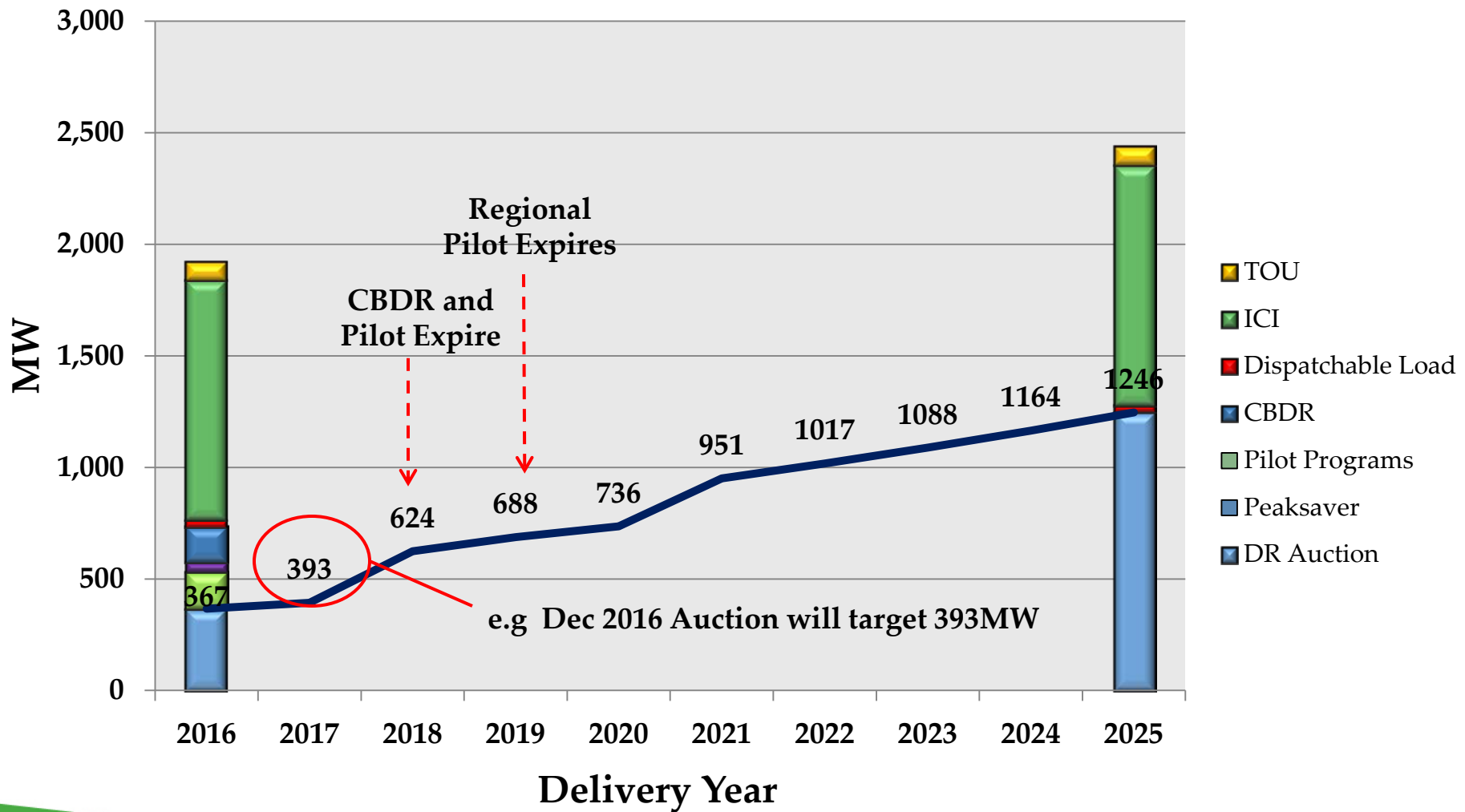
- To provide an update on the Target Capacity and Commitment Period for the DR Auction

# Target Capacity 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

# Proposed Growth Trajectory



# Stakeholder Feedback

- The IESO has received supportive feedback from stakeholders on the Target Capacity growth proposal

*“... supportive of the proposed growth trajectory of DR and agrees that it will assist the IESO to meet the multiple objectives”*

*“... supports the IESO’s commitment to meeting the provincial target of ~2,400MW of demand response capacity”*

# Next Steps – Target Capacity

- The IESO will increase Target Capacity by 7% per year
  - Target Capacity for the 2016 DR Auction increased to 393MW
- Will 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
  - Emergence of an unidentified reliability need
- Ensure consistency with policy goals

# Commitment Period

- At the last DRWG, the IESO solicited stakeholder feedback on the Commitment Period
- Key considerations include:
  - Annual auction frequency
  - Foster open competition and maintaining an equal playing field between incumbents and new entrants or technologies
  - Impacts to optimization and pricing for future auctions as well as overall cost
  - Fair and consistent application of rules and obligations
  - Alignment with future incremental capacity auction design

# Stakeholder Feedback

- The IESO has received stakeholder feedback supporting the current Commitment Period design for reasons including:
  1. *Shorter Commitment Periods provide more opportunity to institute rule changes especially in DRA's early years*
  2. *Longer periods increase business risk and would decrease participation*
  3. *Coordination with other programs such as ICI*
  4. *Buy-down costs could be extremely high*
  5. *Longer periods may be barrier to new participants*



# Commitment Period – Next Steps

- Commitment Periods will remain as 6-month Summer and Winter periods
- The IESO plans to re-engage stakeholders to discuss Commitment Periods in development of an incremental capacity auction