

Transitional Capacity Based Demand Response Market Rules

Demand Response Public Session #2
July 9, 2014



- Purpose/Recap
- Market Rules versus Market Manuals
- Overview of Proposed Market Rule Amendments
- Next steps & Technical Panel timelines
- Request for Feedback

Purpose:

- To provide stakeholders with an overview of the proposed market rules required to transition the OPA's DR3 contract terms into the IESO-administered market

Recap:

- April 3rd Working Group Meeting
 - High level overview of potential market rule development areas
 - Overview of Technical Panel process and timeline
 - Explanation of market rules vs market manuals
- June 3rd Working Group Meeting
 - Review of potential market rule impacts
 - Update on Technical Panel and stakeholder timelines

- IESO Market Rules will outline market participant and IESO obligations.
- IESO Market Manuals will outline the specifics of how to meet those obligations.
 - Where appropriate, details from the DR3 contracts will move to the applicable market manual

Chapter 2: Participation

- This chapter contains the procedures and obligations for applying to the IESO for authorization to participate in the IESO-administered markets, including prudential (i.e. collateral) requirements.

Proposed Transitional Market Rule Amendments

- Section 2 – Classes of MPs: create a new class, “demand response market participants”
- Define in Chapter 11, “demand response market participant” meaning aggregators or a direct participant that participate in the capacity based DR or the DR pilot programs

Chapter 2 cont'd: Participation

- Framework will allow for the “containment” of demand response market participant obligations throughout the market rules to only those required for the transitional capacity based DR and DR pilots
- Entities wishing to participate solely in capacity based DR and/or DR pilots would apply to be authorized as a demand response market participant
- Proposed definition “demand response market participant” does not prohibit other, existing classes of MPs from participating in DR programs
- Additional Chapter 11 definitions may be required, such as, “demand response direct participant,” “demand response aggregator,” to incorporate other definitions and concepts from the OPA contracts

Chapter 2 cont'd: DR Security

- Approach: IESO does not propose any material changes to the nature of DR security calculations for the transitional rules
- An enduring security/prudential construct will be developed with stakeholders for the DR auction mechanism

Proposed Transitional Market Rule Amendments

Chapter 2, 5A(new):

- Each DR MP shall provide and at all times maintain, DR security with the IESO
 - The value of which is not less than the DR MP's security obligation

Chapter 2, 5A(new) cont'd:

- If DR security is due to expire or terminate, at least 10 business days prior to expiration/termination, replacement security must be provided
- Where any part of DR security ceases to be current or valid for any reason, replacement security must be provided within 2 business days
- If the IESO draws on security, DR MP must, within 5 business days provide the IESO with additional security

Chapter 2, 5A(new) cont'd:

- IESO shall determine a DR MP's security obligation as currently calculated in OPA contracts:
 - Highest monthly contracted MW in any season * \$10,000 per MW
 - The \$10,000 will not be hardcoded in the market rules, but specified in the applicable market manual
- Letters of credit will be the only acceptable form of collateral
- Required letter of credit provisions acceptable to the IESO will be specified in the MRs (similar to existing requirements for LCs in Ch 2 Appendices, section 1.6 of the market rules)

Chapter 7: System Operations and Physical Markets

- This chapter sets forth the rules governing the operations of the electricity system, the market clearing and pricing process in the physical markets

Proposed Transitional Market Rule Amendments

Chapter 7, section 17 (new)

- Term and Termination:
 - Temporary program to transition OPA's existing DR3 contracts to IESO capacity based program
 - Sunset clause: program will cease to exist after the delivery date of the DR auction following the expiry of the final DR3 contract in 2018
 - MP rights and obligations to transfer from contract to market

Chapter 7, section 17 (new) cont'd:

- Eligibility Requirements

Demand Response Market Participants:

- Shall demonstrate to the satisfaction of IESO that it can provide a minimum level of DR reduction, as specified in MM
- Shall operate, maintain and submit to the IESO an M&V plan, at their own expense, for IESO approval as in applicable MM
- Shall not modify, vary or amend M&V plan without first requesting IESO authorization and approval, as in the applicable MM
- Shall either be (i) a DR direct participant; (ii) a DR aggregator as per the applicable MM
- Shall provide DR security (i.e. prudential support)

Rights of Refusal and Removal:

- IESO may refuse participation for reliability or may remove if continued participation would negatively impact reliability 11

Chapter 7, section 17 (new) cont'd:

- Mechanism to contain market rule obligations to those specific to demand response market participants
 - Certain chapters, such as Chapters 1 (Introduction and Interpretation of the Market Rules – includes legislative authority, obligations of the IESO and liability & indemnification) and 3 (Admin/Supervision/Enforcement – includes dispute resolution, confidentiality, enforcement) expected to be applicable to DR MPs in their entirety

Market Rules Not Applicable to DR Market Participants (DR MPs)

- List of chapters/sections which will not apply to demand response market participants
 - Similar to existing provision for *financial market participants* participating in the TR markets (CH 8, section 4.8.5)

Chapter 7, section 17 (new) cont'd

- Program Parameters

Demand Response Market Participant:

- May reduce its monthly or daily MW with respect to any given DR schedule – as per applicable MM and subject to IESO approval
- Shall confirm that the demand reduction was not applied to any other demand reduction program, as per applicable MM

Chapter 7, section 17 (new) cont'd:

- Program Operation

- Maximum hours of curtailment per year shall be set out in each DR schedule, as per applicable MM

IESO:

- May include standing offers for use in pre-dispatch for consumption reduction resulting from the Capacity Based DR
- May issue a standby notice to a demand response market participant, as per applicable MM
- May issue an activation notice after the issuance of a standby notice, as per applicable MM
- Shall report any demand reduction activation under this program – as per applicable MM

- Program Operation cont'd

Demand Response Market Participant (all as per applicable market manual):

- Shall be eligible for compensation with respect to all DR schedules for providing curtailment
- Shall issue to the IESO a confirmation of intent to provide a demand reduction if required
- Meet Fully Available for Curtailment requirement
- Who has issued a confirmation notice, shall activate its demand reduction after receiving an activation notice from the IESO
- Shall reply to standby and activation notifications where required, unless performance exemptions apply
- May request non-performance events if the IESO is notified in advance and approves request
- May not receive all or a portion of its compensation if demand is not reduced upon activation and may be subject to compliance actions (Chapter 3) & may be penalized beyond compensation.

Chapter 9: Settlements and Billing

- This chapter sets out the respective rights and obligations of the IESO and MPs in determining, billing for and effecting payment in respect of financial obligations arising from the IESO-administered markets, provisions of the markets.

Proposed Transitional Market Rule Amendments

Chapter 9, section 2.1.1A

- Amend to allow the IESO to determine settlement amounts for Capacity Based DR using the submitted M&V plans

Chapter 9, section 4.7H (new)

Demand Response Market Participant:

- Shall provide settlement data to the IESO as specified in the applicable MM. If settlement data is not provided in the time and manner specified by the IESO, MPs may be subject to performance set-offs and/or performance breaches

IESO:

- May audit any submitted settlement data
- Shall remit payments to DR MPs on a settlement account level, in the time and manner specified in the applicable MM
- May recover payments or portion of payment if the audit indicates an overpayment was made
- Shall recover costs associated with DR via uplift

Chapter 3: Administration, Supervision, Enforcement

- This chapter sets forth the dispute resolution process, the manner of market monitoring and how surveillance activities will be carried out, the procedures for market rule amendments, the procedures governing protection of confidential information, and the manner in which the IESO will monitor, assess and enforce compliance.

*Please note that all existing provisions of Chapter 3 will be applicable to demand response market participants

Proposed Transitional Market Rule Amendments

Chapter 3, section 8 (new)

- If a DR MP does not comply with DR activation signal, and if a performance exemption is not applicable, the participant will be charged penalties and may be deemed to be in performance breach. Participants may be subject to termination after a 3rd breach, as per the applicable MM.

- Technical Panel timelines
 - July 22nd TP meeting:
 - Request vote that amendment submission for market rules to enable Pilot Programs warrants consideration
 - Review and discuss the draft market rule amendments for Capacity Based DR and Pilot Programs
 - August 26th/September 30th TP meeting:
 - TP vote to post for stakeholder comments, TP vote to recommend for Board approval
 - Target for IESO Board approval – November 13th

- Are there any sections of the DR3 contract not mentioned today which should be included in the market rule amendment?
- Please provide feedback and additional comments by July 16th to stakeholder.engagement@ieso.ca