

Market Manual Changes for Settlement of Capacity Based DR

Demand Response Working Group
August 6, 2014



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- Market Manuals for DR Settlement
- Settlement Data Requirements
- M&V Baseline Methodology
- Compensation
- Performance Evaluation & Performance Set-Offs
- Performance Breaches
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- Questions

- Settlement of Demand Response:



- Weekly settlement data must be submitted by participants for IESO processing to establish a baseline, calculate actual curtailment delivered, to check for adherence to DR compliance rules, and to determine appropriate settlement amounts
- Participants receive preliminary & final settlement statements as well as a monthly invoice from the IESO

Market Rule	Section	Concept	Applicable Market Manual
Chapter 2 (Participation)	7.1.1	Payment Default Procedure	MM 5, Part 5.9 (Settlement Payment Methods & Schedule)
Chapter 3 (Administration, Supervision, Enforcement)	6.3.3	Events of Default: Actions for drawing/replacing DR security	MM 5, Part 5.9 (Settlement Payment Methods & Schedule)
Chapter 7 (System Operations & Physical Markets)	17.4.1, 17.4.6, 17.4.10, 17.4.11	Compensation, performance set-offs, performance breaches	MM 5, Part 5.5 (Physical Market Settlement Statements)
Chapter 9 (Settlements & Billing)	2.1.1A.5, 4.7H, 4.7H.2, 4.7H.3, 4.8.3	Data submission requirements, IESO right to audit data, payment/recovery on DR account level	MM 5, Part 5.5 (Physical Market Settlement Statements), MM 5, Part 5.6 (Physical Market Settlement Invoicing) MM 5, Part 5.9 (Settlement Payment Methods & Schedule)

- IESO Charge Types & Equations document will contain all charge types & equations from DR3 contracts

Market Manual 5, Part 5.5, (Physical Market Settlement Statements), New Section for Settlement Data for Capacity Based Demand Response (CBDR)

Demand Response Market Participant's must submit:

- weekly retail revenue *meter* data submitted by 15:00 EST on the **third *business day*** of the following week (V1); and
 - revisions to the weekly data received by 15:00 EST on the last *business day* of the month following the completed contract month (V2)
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- For DR3 participants with revenue meters: IESO will use revenue metering data collected as part of our market settlement process
 - IESO verifies the actual settlement data against the M&V Plan (submitted as per MM 1.1) and our calculations to check for compliance with curtailment obligation
 - Meter standards will be consistent with those in DR3 Contract

MM 5, Part 5.5, New Section for Baseline Methodology for Capacity Based Demand Response

Curtailement = (15 of 20 Baseline X IDA factor) – Metered Consumption

- High 15 of 20 method calculated as stated in contract (consistent with current process – calculated on the DR account level)
- Mandatory In-Day Adjustment (IDA) (multiplicative, capped at +/- 20%) will use 3 hour adjustment window occurring 1 hour prior to activation event
 - Look back period for calculating IDA will be 15 of 20 Suitable Business Day for the same 3 hours as those of the adjustment window
- Option for Weather Sensitive Adjustment will be removed

MM 5, Part 5.5, New Section for Payments relating to Capacity Based Demand Response

How Availability Payments are Settled

- Consistent with MM 5.5 section 1.6.15.1
- Availability Payment for each DR account based on the Hours of Availability, Monthly Contracted MW and the Adjusted Availability Rate
- Calculated once a month in the month following the contract month and applied as a manual line item to the last *trading day* of the month:
- Changes to charge types - to be determined

How Availability Over-Delivery Payments are Settled

- Consistent with MM 5.5 section 1.6.15.1
- Changes to charge types – to be determined

How Utilization Payments are Settled

- Consistent with MM 5.5 section 1.6.15.1
- Changes to charge types – to be determined

Settlements Market Manuals:

- **MM 5, Part 5.6** (Physical Market Settlement Invoicing) will indicate all MP payments due to the IESO and all IESO payments due to MP's for all settlement charge types
- **MM 5, Part 5.5** (Physical Markets Settlement Statements) provides detailed information on these charge types
- **MM 5, Part 5.9** (Settlement Payment Methods & Schedule) describes the activities and schedule required by the *IESO* and MP's for the processing of payments – also includes process for under/overpayment

- All Performance Set-Offs will be consistent with DR3 contract and will be contained in a new section in MM 5.5
- A table for Performance Set-Off factors will also be contained in MM 5.5
- “Not Fully Available for Curtailment” (NFAfC) will be consistent with DR3 Contracts and the test will be contained in Operations MM 4.2. Applicable Performance Set-Off for NFAfC condition will be in Settlements MM 5.5
- Performance Set-Offs may not be applied when “Performance Exemptions” exist as per Operations MM 4.2
- IESO has the right to audit participant’s settlement data and recover previous payments if overpayment was made as per MM 5.9

All Performance Set-Offs will be consistent with DR3 contract and will be contained in new section in MM 5.5:

- Table for Performance Set-Off factors will also be contained in MM 5.5

- Settlement payments are subject to Performance Set-Offs for both Availability and Utilization for failure to comply with the following:
 - (Reliability) maintaining a Reliability Rate of at least 85% for each interval;
 - (Timely Confirmation) confirming in a timely manner when required by us to do so; or
 - (Low confirmation) confirming at least 85% of the Monthly contacted MW for a Confirmed Hour.

- Additionally, participants will be subject to a Performance Set-Off for:
 - Being flagged as ‘Not Fully Available for Curtailment’;
 - Any days that they declare a planned non-performance event; or
 - Failing to deliver settlement data in a timely manner

MM 5 Part 5.5: Physical Markets Settlement Statements, new section for Performance Breaches

- Performance Breach occurs:
 - For an Activation Event per Zone:
 - Actual Activated MWh / Activation MW < 80%
 - Confirmed MW / Monthly Committed MW < 80%
- Participant fails to provide a complete set of weekly settlement data for a DR account by the fourth week after the deadline
- Performance Breach is evaluated per DR participant using the most up-to-date settlement data (V1 or V2) aggregated by DR Account by Zone (*in accordance with IESO zonal DR dispatch model*)

Performance Breaches:

- **1st PB:** the current month's availability payment for each of the participant's DR Accounts within the non-compliant zone will be clawed back
- **2nd PB:** current month's availability payment plus IESO has the right to terminate all of the DR schedules within the non-compliant DR Accounts
- **3rd PB:** Participant may be terminated from the program and/or may be subject to compliance actions in accordance with section 6 of chapter 3 of the Market Rules

- ‘HST Guide for IESO Transactions’ – All Capacity Based DR Settlement charge types will be subject to HST

- In accordance with Chapter 3 section 6.3.3 of MR if a MP commits an event of default the IESO may:
 - Draw upon part or all of the market participant's DR security for either amount owing or where DR security is due to expire/terminate and has not been replaced
 - Applicable Market Manual is MM 5, Part 5.9 Settlement Payment Methods and Schedule

Q. Will moving the V1 settlement data submission date to 'third business day of the following week' correct data submission issues identified by DRWG?

- Feedback and questions can be submitted to stakeholder.engagement@ieso.ca