

September 30, 2014

Stakeholder engagement  
IESO

Re: Demand Response Working Group - DR Pilot comments

As previously discussed during our subcommittee meeting, we have not received examples of the settlement mechanism that the IESO is proposing for the DR pilot program. However, our understanding is that the IESO is developing a DR pilot program that will provide fixed payments (availability) to Loads who bid their capacity into the market when available. Furthermore we understand that there will be minimal or no variable payments (utilization) in this pilot program. We strongly recommend that a utilization payment mechanism be developed in addition to the availability payment. Please find two proposed models for a utilization payment below that can be a starting point for a further discussion.

One possible model is to provide a fixed utilization price (\$X/MW/h) which provides economic certainty to DR participants as to whether it is cost effective for them to participate in the pilot.

A second possible model is to pay participants the Day-Ahead Pre-dispatch price when dispatched off on a day-ahead commitment or the 3 hr pre-dispatch price if dispatched on the Trading day. This would incent load to participate in DR at a lower bid price, and provide operational certainty to both the load and the IESO. The utilization payment stream would also provide a lower availability payment through the Auction process by removing the downtime risk into this payment portion.

One of the objectives of the pilots program is to learn, and this option will provide the IESO the opportunity to test a unit commitment process more often, provide an additional opportunity to learn from an Auction/RFP process, and provide load curtailment when needed by the IESO and reduce cost to the market. This product could be sub set of the 100 MW pilot. We look forward to continued discussions with the IESO on the complete compensation scheme for the pilot programs.

Regards.

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