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Memorandum

To: Technical Panel
From: Joshua Duru
Date: September 23, 2014
Re: MR-00408: Capacity Based Demand Response Program

Attached for Technical Panel review and consideration are the following documents:

- Market rule amendment proposals – Capacity Based Demand Response (DR) Program (IESOTP 283-5b):
 - MR-00408-R00: New Class of Market Participant;
 - MR-00408-R01: Participation and Operation;
 - MR-00408-R02: Settlements;
 - MR-00408-R03: Compliance;
 - MR-00408-R04: DR Security/Collateral.
- Written Submission from EnerNOC Inc. (IESOTP 283-5c).

The above amendments propose to translate the Ontario Power Authority's (OPA) wholesale DR3 contract terms into the market rules. The Capacity Based Demand Response program will be a temporary program that will transition DR resources from a program structure to the IESO-administered markets and ultimately to a demand response auction which will be described in the market rules at a later date. These rules will enable those DR3 contract holders who wish to participate in the IESO's Capacity Based Demand Response program to do so. The program will cease to exist on the date of delivery of the demand response auction which immediately precedes the expiry date of the last DR3 contract.

At its meeting on August 26, 2014, the Technical Panel reviewed a draft of amendment proposals MR-00408-R00-R04 (refer to historical document IESOTP 282-5b). The amendment proposals were posted on the IESO website for stakeholder comment for a three week period ending September 18th. The IESO has received one written submission supporting the amendment proposal.

The IESO held a Demand Response Working Group and public session on September 12, 2014 to introduce stakeholders to the concepts and design principles that will be included in market manuals. No major concerns related to the market rules or market manuals were noted. The IESO will continue to develop and finalize the market manuals in coordination with stakeholders through the DRWG and public sessions.

Since the August 26, 2014 Panel meeting, the following changes have been incorporated into MR-00408-R00-R04 and are highlighted within the proposal for Technical Panel consideration:

- Chapter 7, section 17.4.7 – the IESO has replaced the phrase:

“loss of life or injury, cause equipment damage, or cause a violation under any applicable law,” with
“the safety of any person, damage equipment, or violate any applicable law.”

At the August 26th Panel meeting, a generator representative noted the lack of consistency throughout the market rules of the above phrase, and suggested consistency throughout the market rules. In response to this request, the IESO has revised the language as noted above with existing section 7.5.3 of Chapter 7. The IESO will assess whether consistency of the above phrase is appropriate throughout the market rules, and if so, bring forth changes via the upcoming minor amendment omnibus.

- Chapter 9, sections 4.8.3 & 4.8.4 – the IESO has replaced the phrase:

“consistent with the applicable regulation under section 1.2 and in the manner specified in the applicable market manual,” with
“in the manner specified in the applicable market manual.”

The IESO is suggesting to delete the explicit cross reference to section 1.2 of Chapter 9, since the cross reference to this section could be seen as too broad, and refer to all regulation, not just global adjustment.

The intent of this revision is to simplify the market rule language, the IESO is not proposing a change in the calculation methodology. The detailed calculation will be specified in a market manual and will be modelled after the global adjustment calculation which is only charged to Ontario loads.

Panel Decision Required

The IESO recommends that the Technical Panel vote to recommend MR-00408-R00-R04 to the IESO Board for approval at its meeting on November 13, 2014. The recommended effective dates for MR-00408-R00-R04 are as follows:

- MR-00408-R00: New Class of Market Participant – December 5, 2014
- MR-00408-R01: Participation and Operation – March 4, 2015

- MR-00408-R02: Settlements – March 4, 2015
- MR-00408-R03: Compliance – March 4, 2015
- MR-00408-R04: Demand Response Security – December 5, 2014

The earlier, December 5th, 2014 effective dates will facilitate the registration of demand response market participants in advance of the March 4th, 2015 “go-live date” of the capacity based demand response program.

Yours truly,

Joshua Duru
Attach.