

Energy payments for economic activation of Demand Response resources

Engagement Plan

UPDATED: October 10, 2019

I. Introduction

Energy payments (or utilization payments) for in-market dispatch of demand response (DR) resources has been an ongoing topic of discussion at the Demand Response Working Group (DRWG) ¹. The IESO commissioned Navigant to prepare a Demand Response [discussion paper](#) in order to facilitate an informed discussion on the topic. The Navigant paper concluded, in part, that the “arguments for and against utilization payments are nuanced and prudent. Responsible stakeholders can arrive at different conclusions based on preferences for “evaluation criteria” and that “Additional effort is required to estimate the quantum of the impacts”.

Stakeholder interest in energy payments was renewed as a result of proposed market rule amendments² to enable off-contract, non-regulated dispatchable generators to participate in the capacity auction along with dispatchable loads and hourly demand response resources.

To date, DRWG has been the forum for discussions with stakeholders on energy payments for DR resources – for both in-market dispatch and out-of-market activations. However, given that energy payments for in-market dispatch of DR resources is a complex issue and would be a substantive change to Ontario’s energy market, the IESO has determined that a broader stakeholder engagement is needed to advise on this issue. Energy payments for out-of-market activations will continue to be discussed through DRWG³ with the intent to implement the proposal by the December 2019 capacity auction.

Through this engagement, the IESO will seek feedback from stakeholders on:

- The inputs and outputs of the research and analysis required to determine whether there is a net benefit to electricity consumers if DR resources are compensated with energy payments for in-market activations. The IESO will commission a third party consultant to support the research and analysis.
- The IESO’s decision and rationale on whether demand response resources will be compensated with energy payments for in-market activations.

This engagement plan outlines the objectives, approach, timeline and considerations for engaging stakeholders. This engagement plan may be subject to review and updated as the

¹ More information about the group can be found on the DRWG [webpage](#)

² Refer to MR-00439 – Transitional Capacity Auction at <http://www.ieso.ca/en/Sector-Participants/Change-Management/Proposed-Market-Rule-Amendments>

³ Refer to the DRWG [webpage](#) for more information on cost recovery for out-of-market activations.

process evolves. All comments and enquiries on this engagement can be directed to engagement@ieso.ca.

II. Stakeholders and Communities

The IESO encourages all interested parties to participate as described in the Approach section below. The IESO anticipates that this initiative will be of particular interest to demand response participants, generators, industry associations, consumer groups, transmission-connected customers, energy technology companies and other energy solution providers.

III. Engagement Objectives

The objective of this engagement is to provide a forum for stakeholders to advise on the research and analysis required to help inform the IESO's decision on whether demand response resources will be compensated with energy payments for in-market activations. Stakeholders will have a role in informing the scope of work for the research and analysis, be invited to share their perspectives on the key findings, and will have an opportunity to provide feedback on the IESO's proposed decision on whether demand response resources will be compensated with energy payments for in-market activations. Should the IESO decide that demand response resources be compensated with energy payments for in-market dispatch, this engagement plan will be updated accordingly.

IV. Approach

The implementation of this engagement plan will be in accordance with the IESO's approved [engagement principles](#).

This process is a public engagement process. All materials will be posted on the dedicated IESO engagement webpage for this initiative. In addition, any information/input supplied by interested parties will also be posted, with their consent.

The approach for this engagement initiative includes opportunities to provide input through various channels such as in-person meetings, webinars, and written feedback. The IESO will consider all relevant input and illustrate how feedback was considered to shape the stated objectives.

Stakeholders from other engagements, including the DRWG and the Market Development Advisory Group (MDAG), are invited to participate directly in this engagement. Any materials shared regarding this engagement for information in other forums will be made available through this engagement.

V. Proposed Engagement Schedule

Anticipated timing for this engagement is presented below.

Timing	Engagement Activity
August 22, 2019	Engagement launched
October 10, 2019	Review engagement plan and objectives, draft scope of research and analysis for stakeholder feedback
November 2019	Present final study scope and study plan
Q1 2020	Present draft research findings and/or analysis for stakeholder review
Q1 2020	Post final research findings and analysis
May 2020	Present draft IESO decision and rationale for stakeholder review
June 2020	Post IESO final decision and rationale

VI. Additional Background and Resources

Demand Response Auction: For details on past demand response auctions including auction results, timelines and related documents.

- [Demand Response Auction engagement webpage](#)
- [Introduction to the Demand Response Auction Training Guide](#)
- [Market Manual 12: Demand Response Auction](#)

Related Engagements:

- [DRWG engagement webpage](#)
- [Meeting Ontario's Capacity Needs: 2020-2024 engagement webpage](#)
- [Capacity Auctions engagement page](#)