

IESO York Region Non-Wires Alternatives Demonstration Project

IESO Response to July 23, 2020 Webinar Questions

On July 23, 2020, the IESO and Alectra Utilities presented an overview of the draft Rules for the IESO York Region Local Electricity Market Demonstration Project. A number of questions were asked during the webinar, a recording of which can be found [here](#). There were a handful of questions asked during the webinar that the IESO did not have a chance to provide a response to. In the table below, the IESO has provided these questions and the IESO's response.

Please note these Questions and Answers ("Q&A"s) have been developed for the purpose of assisting interested parties in understanding the draft Demonstration Rules (the "Draft Rules"), which provide an overview of the currently proposed rules for the IESO York Region Non-Wires Alternatives Demonstration Project and is subject to on-going revision.

The posting of the Draft Rules and these Q&As are made exclusively for the convenience of stakeholders, prospective participants, and other interested parties, and can be found under the July 23, 2020 entry on the IESO York Region NWA Demonstration Project [webpage](#).

The information contained in this document and related documents shall not be relied upon by any stakeholder, prospective participant, or other interested party as a basis for any commitment, expectation, interpretation and/or design decision.

All capitalized terms in these Q&As have the meanings ascribed to them in the Draft Rules.

Reading these Q&As is NOT a substitute for reading and understanding the Draft Rules. Interested parties are advised to read and understand all of the Draft Rules, and to seek their own advice from advisors with relevant expertise. These Q&As are not binding on the IESO or Alectra and in no way vary or impact the interpretation of the Draft Rules.

In the event there is any conflict or inconsistency between this document and the Demonstration Rules which are published in final form after stakeholdering (the "Revised Rules"), if any, the terms in the Revised Rules shall govern.

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1.	The timelines are quite short for unbuilt DERs - will Alectra assist/fast track interconnection requirements for DERs that win a capacity obligation to help meet the timelines?	As the local electricity distribution company, Alectra is required to comply with the Distribution System Code as related to interconnection requirements, timelines and process. Preference will not be awarded to participants in the Demonstration Project. Participants in the demonstration are advised to begin their connection efforts early to avoid timing issues.
2.	With DER growth, is there an increased risk of stress on an LDC's distribution grid? What controls are being put in place to ensure safe operation and maintenance of the grid?	<p>DERs are not new. Numerous controls are already in place to ensure the safe operation and maintenance of the distribution system with DERs in full operation (including through its CIA and connection processes). No exceptions to these requirements will be given for participants in this Demonstration.</p> <p>One of the primary purposes of this Demonstration Project is to provide for a small scale and controlled environment to facilitate further DER growth where Alectra can gather even more detailed information to facilitate the continued safety, reliability and efficient operations of the local distribution system.</p>
3.	The previous webinar had indicated that solar would be eligible to participate, but this one indicates that it won't - Why the change?	The Demonstration Project team is unaware of any existing potentially eligible solar PV project that is considering participating in the Demonstration. If there are such projects, we encourage the proponents to contact us. Such facilities would have to be uncontracted (e.g. no Feed-In-Tariff contract) and newly built or expected to be built by March 31, 2021. Furthermore, the DER would not be able to participate in the net metering program simultaneously with the Demonstration.

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4.	Many areas of the demonstration project rules outline areas where the DSO will have discretion; will there be a "fairness monitor" or similar to oversee consistency?	Thank you for raising this. The Demonstration project team will provide further information on September 10 as part of responses to written feedback submissions and final Demonstration Rules.
5.	The draft rules state the Direct Participant or Contributor require "ownership" of the DER - would the IESO/Alectra consider "control" over the DER instead? For example, a DR participant may contract for services from a load customer.	<p>This requirement is consistent with those in the IESO Capacity Auction (see section 5.2 of Market Manual 12). The intent of the Demonstration is to only narrowly deviate from existing approaches to demonstrate a concept or facilitate the Demonstration.</p> <p>Please note that an Aggregator in the Demonstration needs User Rights over Contributor DERs. The definition of User Rights is broader than ownership – please see Appendix A of the Draft Rules for more information.</p>
6.	With respect to eligibility of the Registrant - what specifically will be required to demonstrate "sufficient financial capability"?	The Registrant will be required to represent and warrant that it has sufficient financial capability to perform its obligations under the Contract (see Section 3.2 of the Draft Rules). The DSO may also request additional information from the Registrant to assess compliance with this eligibility requirement. The type of information that may be requested will depend upon the specific concerns that the DSO may have in respect of the financial capability of the specific Registrant.
7.	Also, can you address some of the risk and challenges associated with this new DR auction?	Potential participants should consult with their independent advisers to assess the risk and challenges associated with this Demonstration. This assessment can generally only be completed with a specific understanding of the particular facts of a potential participant and their DER resource.

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		<p>The Demonstration is a two-year initiative with limited geographical scope and specific objectives to explore and is not designed to be an enduring program. It is not a new DR auction.</p> <p>The Demonstration project team is seeking feedback on the Draft Rules in order to identify risks or challenges. Stakeholders are strongly encouraged to provide comments.</p>
8.	Is a lease to own generator installation eligible?	No. DERs must be owned by a Direct Participant or Contributor (please see sections 2.2.1(a) and 2.4.1(a), respectively).
9.	It appears that the program rules treat storage akin to "generation" and does not recognize the load-side capabilities. Is there a risk that the full value of a storage DER won't be recognized? Also, are there any restrictions on the storage operations outside the availability window?	<p>The Demonstration recognizes the value of both directly connected Storage Resources and behind-the-meter storage participating as a Demand Response Resource. Behind-the-meter storage may participate in the Demonstration and is treated the same as the other Permitted Resources (see 2.2.1(b) of the Draft Rules).</p> <p>Yes, there are restrictions on storage operations outside the Availability Window. Those restrictions are specified in the Draft Rules and will be further articulated in the Contract.</p> <p>For example, and without limiting the generality of the foregoing: The requirement in the Demonstration is that the Demand Response Resource must follow the instructions of Activation Notices (when issued) for the Activation Hours.</p>

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		<p>Throughout the Commitment Period (regardless of whether the timeframe in question is within or outside the Availability Window), a Direct DER cannot be a registered facility in the IESO-Administered Markets and a Contributor DER cannot be used as a contributor in the IESO-Administered Markets.</p>
10.	<p>Can you provide more details and information with respect to determination of Local Requirement, Loading Threshold and Load Forecasting used to determine dispatch per the Local Energy Auction? Will this information be reported/published? Similarly, will details of the Platform algorithm be public?</p>	<p>Please see section 6.2 of the Draft Rules for further information on how the Local Requirement, Loading Threshold, and Load Forecast relate and will be determined. The Load Forecast and actual loading in the Demonstration Area will also be published on the Platform on a near-real time basis.</p> <p>The activation logic (or “Platform algorithm” as referred to in the question) is detailed in Appendix E and is discussed in Section 6.2 of the Draft Rules.</p>

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11.	Can you give some colour on the \$100/MWh number?	<p>The Demonstrations local energy auction design was largely informed by the current participation model for Hourly Demand Response resources in the IESO- Administered Markets (IAMs). Hourly Demand Response resources receive a standby notice prior to 7am of the dispatch day when the pre-dispatch shadow price is equal or greater than \$100/MWh for at least 1 hour during the availability window. Consequently, the \$100/MWh standby trigger is consistent with how Hourly Demand Response resources currently participate in the IAMs. Please see 7.2.1 of Market Manual 4.3 for further details. IESO initially used a supply cushion-based trigger for standby notices but transitioned to a price-based trigger to increase the scheduling flexibility of HDR resources to ensure availability during times of system need. More information on how the price-based trigger was set is available in Demand Response Working Group materials, particularly the April 20, 2018 presentation DR Enhancement Update”.</p> <p>Using day-ahead shadow prices greater than or equal to \$100/MWh as part of the criteria for sending Standby Notices also limits ‘wholesale-level’ activations in the Demonstration to periods when a peak is expected.</p>
12.	To help determine the ongoing and long-term potential value of DER, is there a mechanism to allocate on a per MW basis, the "capital and cost" avoidance related to not having to build traditional wires solutions? And is this amount awarded to competitive DER participants?	<p>The Demonstration is structured such that it notionally sends operational and economic signals for both local and system capacity and energy needs. In this approach, the transmission and distribution (T&D) network ‘deferral value’ is a component of the capacity value of the DERs, for which they receive Availability Payments in the Demonstration.</p>

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		<p>In determining the Maximum Capacity Price in the Demonstration, a one-year transmission and distribution deferral value (notionally based on the needs in York Region and simulating the maximum value year) was added to a resource reference price. In other words, the Local Capacity Price in the Demonstration Area may be higher than the prices in other areas where there is not a "non-wires" need and which is a benefit that the participating DERs would receive.</p>
13.	<p>Could a resource be split into multiple (non overlapping) bids? If you have a 3 MW resource and then you could submit three 1 MW bids?</p>	<p>In accordance with section 2.2.2 of the Draft Rules, only one DER can be registered per Connection Point. In accordance with section 5.8 of the Draft Rules, one Capacity Offer can only be submitted for an Eligible DER in the Local Capacity Auction, but the Capacity Offer can be split into up to 5 price-quantity pairs. Similarly, up to 5 price-quantity pairs can be provided as part of the Bids/Offer in the Local Energy Auctions.</p>