Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00410-R00			
Subject:	Participation			
Title:	Demand Response Pilot Programs			
Nature of Proposal:	☐ Alteration	☐ Deletion	☒ Addition	
Chapter:	7, 11	Appendix:		
Sections:	Chapter 7, section 16 (new), Chapter 11, definitions			
Sub-sections proposed for amending:				

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel review	July 15, 2014
2.0	Draft for Technical Panel review	August 19, 2014
3.0	Submitted for Technical Panel Vote	September 23, 2014
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	September 30, 2014
5.0	Approved by IESO Board	November 13, 2014

Approved Amendment Publication Date:	November 13, 2014
Approved Amendment Effective Date:	MR-00410-R00 – December 5, 2014 MR-00410-R01 – March 4, 2015

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

The IESO proposes to amend the market rules to enable the demonstration of demand response (DR) capabilities through pilot programs in the IESO-administered markets (IAM). These rules would enable industry to demonstrate the capability to enter and operate within the IAM effectively, and allow the IESO to identify potential barriers to entry to the IAM. DR pilots would provide an opportunity to discover the type of market rule amendments that would be required for permanent inclusion in the market rules, based on practical experience with the pilots.

Specifically, this amendment proposes to:

- Obligate the IESO to use a competitive tendering process to identify potential participants capable of participating in DR pilot programs;
- Add a definition for "demand response pilot program," which will be a program applicable to a new class of market participant, a "demand response market participant"; and
- Specify the eligibility requirements for the DR pilot program;
- Introduce a "sunset clause" which specifies that any project under the DR pilot program shall not exceed two years;
- Exempt demonstration projects in the DR pilot programs from the market rules, except for Chapters 1 and 3, Chapter 7, section 16 and corresponding settlement sections in Chapter 9 (4.7I, 4.8.3 and 4.8.4).
- Specify that all disputes arising pursuant to a demonstration project under the DR pilot programs will be resolved using the existing dispute resolution process in section 2 of Chapter 3 of the market rules.

This proposal is based on stakeholder consultation as part of the Demand Response Working Group (DRWG) and public sessions.

Further information on the DRWG can be found on the IESO's website at:

http://www.ieso.ca/DRWG

Background

Refer to MR-00410-Q00

Discussion

It is proposed to add a new section, Chapter 7, section 16, titled "Demand Response Pilot Program"

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(DRPP). This section would specify that:

Introduction (section 16.1):

- The IESO shall employ a competitive tendering process in order to identify potential participants capable of participating in DR pilot programs (section 16.1.1);
- Based on competitive procurement, the IESO may enter into a contract between the IESO and a DR market participant who has demonstrated their ability to provide such DR services in accordance with the technical requirements specified by the IESO (section 16.1.2);
- Each DR market participant participating in a DR pilot program shall ensure that it complies with the provisions of the DRPP contract (section 16.1.3).
- To avoid potential conflicts with existing markets rules, those DR market participants participating in a DRPP will only have the following provisions of the market rules apply:
    - Chapters 1 and 3
    - Proposed section 16 of Chapter 7
    - Proposed sections 4.7I, 4.8.3 and 4.8.4 of Chapter (see R01)

  In addition to publishing the technical requirements for a demonstration project under the DRPP, the IESO plans to detail the majority of the technical requirements required for DRPP participants within the contracts between the IESO and DR market participant.

  Where appropriate, market rule amendments for a given application of demand response technology may be developed following the successful completion of a demonstration project.

Eligibility Requirements for the DR Pilot Program:

- The IESO is obligated to publish the technical requirements of each demonstration project under the DRPP (section 16.2.1);
- A DR market participant (see definition below) that is selected pursuant to a competitive procurement, may participate in the DRPP, provided that the IESO is satisfied it meets the applicable technical requirements of a project and enters into a DRPP contract with the IESO (sections 16.2.2 and 16.2.3);
- The IESO shall, in accordance with proposed sections 4.7I, 4.8.3 and 4.8.4 of Chapter 9 (see R01), recover or distribute to market participants the costs associated with a demonstration project under the DR pilot program (section 16.2.4);
- The IESO may refuse or remove a DR market participant from the program if their participation would negatively impact reliability (sections 16.2.5 and 16.2.6);
- Given that the demonstration program is meant to be a learning exercise for more permanent changes to the IAM, it is also proposed to add a provision (section 16.2.7) that limits any single demonstration project under the DRPP to two years.

Dispute Resolution:

- All disputes arising pursuant to a demonstration project under a DRPP contract will be resolved using the existing dispute resolution process in section 2, Chapter 3 of the market rules.

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Chapter 11 Definitions:

It is proposed to add a defined term for:

- "demand response pilot program," meaning a demonstration project, or projects which test the technical capabilities of a demand response service referred to in section 16 of Chapter 7.

Note: As part of MR-00408-R00: Capacity Based Demand Response, a new class of market participant – "demand response market participant" will be created in section 2 of Chapter 2:

- "demand response market participant" means a person who is a market participant that participates only in capacity based demand response or demand response pilot programs.

A participant wishing to participate in the IAM solely through activity in the DRPP would apply to be authorized as a "demand response market participant."

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Chapter 7

16. Demand Response Pilot Program

16.1 Introduction

16.1.1 The *IESO* shall employ a competitive tendering process in order to identify potential *demand response market participants* capable of participating in a *demand response pilot program*.

16.1.2 Based on the competitive tendering process in section 16.1.1, the *IESO* may enter into a contract between the *IESO* and a *demand response market participant* participating in the *demand response pilot program*, who has demonstrated their ability to provide such *demand* response services in accordance with the technical requirements specified by the *IESO*.

16.1.3 Each *demand response market participant* that:

16.1.3.1 has entered into a *demand response pilot program* contract with the *IESO*; and

16.1.3.2 is not, at any time during the term of such *demand response pilot program* contract, the *registered market participant* for that *facility*,

shall ensure that the *registered market participant* for that *facility* complies with the provisions of the *demand response pilot program* contract.

16.1.4 With respect to demonstration projects authorized under the *demand response pilot program*, only the following provisions of the *market rules* shall apply to a *demand response market participant* that is authorized by the *IESO* to participate only in the *demand response pilot program*:

6.3.3.1 Chapters 1, 3;

6.3.3.2 Section 16 of Chapter 7;

6.3.3.3 Sections 4.7I, 4.8.3 and 4.8.4 of Chapter 9.

16.2 Eligibility Requirements for the Demand Response Pilot Program

16.2.1 The *IESO* shall publish the technical requirements of each demonstration project under the *demand response pilot program*.

16.2.2 A *demand response market participant* that is selected, pursuant to section 16.1.1, may be eligible to participate in the *demand response pilot program*, provided that the *IESO* is satisfied that the *demand response market participant* meets the applicable demonstration project technical requirements.

16.2.3 A *demand response market participant* that is selected, pursuant to section 16.1.1 to participate in a demonstration project under the *demand response pilot program* must provide services pursuant to a contract with the *IESO*.

16.2.4 The *IESO* shall, in accordance with sections 4.7I, 4.8.3 and 4.8.4 of Chapter 9, recover or distribute to *market participants*, the costs associated with a demonstration project under the *demand response pilot program*.

16.2.5 The *IESO* may refuse a *demand response market participant's* participation in the *demand response pilot program* if their participation would negatively impact the *reliable* operation of the *IESO-controlled grid*.

16.2.6 The *IESO* may remove a *demand response market participant* that is participating in the *demand response pilot program* if its continued participation would negatively impact the *reliable* operation of the *IESO-controlled grid*. The *IESO* may temporarily remove a *demand response market participant* that is participating in the *demand response pilot program* if the conditions on the *IESO-controlled grid* are such that their participation would negatively impact the *reliable* operation of the *IESO-controlled grid*.

16.2.7 The duration of any demonstration project under the *demand response pilot program* shall not exceed two years.

16.3 Dispute Resolution

16.3.1 All disputes arising pursuant to a demonstration project under a *demand response pilot program* contract shall be resolved using the dispute resolution process set forth in section 2 of Chapter 3.

Chapter 11

demand response pilot program means a demonstration project, or projects for a *demand* response service referred to in section 16 of Chapter 7;

Note: The following definition is proposed in MR-00408-R00: Capacity Demand Response, which creates a new class of demand response market participant under section 2 of Chapter 2.

demand response market participant means a *market participant* that participates only in *capacity based demand response* or the *demand response pilot programs*;

PART 5 – IESO BOARD DECISION RATIONALE

These rule amendments enable the demonstration of demand response capabilities through pilot programs in the IESO-administered markets.

Market Rule Amendment Proposal

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Identification No.:	MR-00410-R01			
Subject:	Settlements			
Title:	Demand Response Pilot Programs			
Nature of Proposal:	☐ Alteration	☐ Deletion	☒ Addition	
Chapter:	9	Appendix:		
Sections:	4			
Sub-sections proposed for amending:	4.7I (new), 4.8.3.2(new), 4.8.4.2 (new)			

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Summary

The IESO proposes to amend the market rules to enable the settlement of the Demand Response Pilot Program (DRPP).

Background

Refer to MR-00410-Q00

Discussion

It is proposed to insert a new section 4.7I, "Demand Response Pilot Program" in Chapter 9 of the market rules as follows:

- Obligate DR market participants to provide DR measurement data to the IESO as set out in the contracts signed with the IESO. The IESO would be permitted to audit at any time, any DR measurement data and supporting information submitted by a DRPP participant as a measure to ensure the IESO-administered market is providing appropriate payments for demand responses undertaken by DR market participants. DR market participants must provide such information in the time and manner specified by the IESO (section 4.7I.1);
- Obligate the IESO to remit DRPP payments, if any, to the applicable DR market participants in the time and manner specified in the applicable market manual (section 4.7I.2); and
- Allow the IESO to recover or distribute any previous DRPP payments, or portion thereof, if the IESO's audit of the DR market participant's DR measurement data and supporting information indicates that the actual data differed from the submitted data. Any amounts will be recovered from or distributed to market participants in accordance with proposed section 4.8.3.2 or 4.8.4.2 below.

It is also proposed to insert a news section 4.8.3.2 and 4.8.4.2 under "Additional non-hourly settlement amounts" of Chapter 9 of the market rules as follows:

- Obligate the IESO, at the end of each energy market billing period, to recover from market participants, as specified in the applicable market manual, any compensation paid in that energy market billing period to DRPP participants in accordance with section 4.7I (section 4.8.3.2); and
- Obligate the IESO to distribute to market participants, as specified in the applicable market manual, any adjustments to DRPP participants in accordance with section 4.7I (section 4.8.4.2).

  As referenced in MR-00408-R02: Capacity Based Demand Response – Settlements, the method for recovery from, and distribution to, market participants shall be outlined in the

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applicable market manual and consistent with the global adjustment calculation, which is allocated only to Ontario loads.

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Chapter 9

4.7I Demand Response Pilot Program

4.7I.1 A *demand response market participant* shall provide *demand* response measurement data to the *IESO* in the time and manner specified in the *demand response pilot program* contract with the *IESO*. At any time, the *IESO* may audit any submitted *demand* response measurement data and supporting information, and the *demand response market participant* shall provide such information in the time and manner specified by the *IESO*.

4.7I.2 The *IESO* shall remit *demand response pilot program* payments, if any, to the applicable *demand response market participant* in the time and manner specified in the *demand response pilot program* contract with the *IESO*.

4.7I.3 The *IESO* shall recover from or distribute to a *demand response market participant* any previous *demand response pilot program* payment or portion thereof if the audit of the *demand response market participant*'s *demand* response measurement data and supporting information submitted under section 4.7I.1 indicates that the actual data differed from the submitted data. Any amounts recovered or required to be distributed to a *demand response market participant* under this section shall be distributed to or recovered from *market participants* in accordance with sections 4.8.3 and 4.8.4.

4.8 Additional Non-Hourly Settlement Amounts

4.8.1 The *IESO* shall, at the end of each *energy market billing period*, recover from *market participants*, on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *RWMs* and *intertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period*, the following amounts:

4.8.1.1 any compensation paid in that *energy market billing period* by the *IESO* pursuant to section 5.3.4 of Chapter 4;

4.8.1.2 any compensation paid in that *energy market billing period* by the *IESO* pursuant to section 5.3.4 of Chapter 5;

4.8.2 The *IESO* shall, at the end of each *energy market billing period*, distribute to *market participants*, on a pro-rata basis across all allocated quantities of *energy* withdrawn at all *RWMs* and *intertie metering points* during all *metering intervals* and *settlement hours* within that *energy market billing period*, the following amounts:

4.8.2.1 any compensation received by the *IESO* for the provision of *emergency energy* pursuant to section 4.4A.1 of Chapter 5;

4.8.2.2 any compensation received by the *IESO* as a result of a local market power investigation as set out in sections 1.7.1 and 1.7.2 of Appendix 7.6;

Note: The following proposed sections 4.8.3, 4.8.3.1, 4.8.4, and 4.8.4.1 (highlighted in grey) are proposed in MR-00408-R02: Capacity Based Demand Response Program – Settlements:

4.8.3 The *IESO* shall, at the end of each *energy market billing period*, recover from *market participants*, in the manner specified in the applicable *market manual*, the following amounts:

4.8.3.1 any compensation for *demand response market participants* paid in that *energy market billing* period by the *IESO* pursuant to section 4.7H; and

Note: As part of this package, MR-00410-R01, the following section is proposed:

4.8.3.2 any compensation for *demand response market participants* paid in that *energy market billing* period by the *IESO* pursuant to section 4.7I.

4.8.4 The *IESO* shall distribute to *market participants*, in the manner specified in the applicable *market manual*, the following amounts:

4.8.4.1 any adjustments to *demand response market participant* payments pursuant to section 4.7H; and

Note: As part of this package, MR-00410-R01, the following section is proposed:

4.8.4.2 any adjustments to *demand response* *market participant* payments pursuant to section 4.7I.

PART 5 – IESO BOARD DECISION RATIONALE

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