Stakeholder Feedback and IESO Response

Demand Response Working Group – December 3, 2020 Webinar

Following the December 3, 2020 Demand Response Working Group (DRWG) engagement webinar, the Independent Electricity System Operator (IESO) invited stakeholders to provide feedback on the materials presented.

The IESO received feedback from:

Advanced Energy Management Alliance (AEMA)

Voltus Energy Canada

This feedback has been posted on the engagement webpage.

Note on Feedback Summary and IESO Response

The IESO appreciates the feedback received from stakeholders. The table below outlines a summary of the feedback received and an IESO response in relation to that feedback.

List of Demand Response Market Development Priorities

Feedback	IESO Response
AEMA supports the following priorities for the DR resource: • Transparency and decision-making for the IESO-administered markets (IAMs) and decisions involving DR resources • Enabling measurement and verification (M&V) alternatives • Opening up markets and programs to DR/DER and integration of DR/DER resources	The IESO appreciates this feedback and recognizes that stakeholders have consistently wanted additional transparency and further clarity around IESO decision-making. These viewpoints continue to inform IESO activities, including the Resource Adequacy engagement. As further details are developed over the course of 2021, decision-making frameworks will be shared with stakeholders for feedback. The IESO is in agreement that there is value in assessing the performance of the current baseline methodology against alternative M&V approaches to ensure that Hourly Demand Response (HDR) resource performance is being assessed accurately. In response to this feedback, the IESO is including a review of the baseline methodology for Commercial & Industrial HDR resources as a top priority in the draft list of prioritized market development activities that will be presented and discussed at the February 2021 DRWG. The IESO understands that stakeholders continue to seek greater participation of DR/DER resources in the IAMs. The IESO is currently developing a work plan to enable emerging and evolving resource types in the IAMs, including DERs, which is expected to be released by end of Q1 2021. Engagement with stakeholders on the details of this work plan will be communicated following its release and will build on past work with stakeholders in the Expanding Participation in Operating Reserve and Energy (EPOR-E) and other related engagements.

Feedback	IESO Response
Voltus challenged the notion that the current baseline methodology should be applied uniformly to all HDR resources. Voltus indicated disagreement with the use of the current baseline methodology and provided examples for why the baseline methodology and in-day adjustment factor (IDAF) can be inaccurate in measuring curtailment from some resources. Voltus argued that early consumption should not reflect negatively on the capacity delivered by a resource and is already discouraged by the dispatch charge. Voltus pointed to and agreed with a December 2019 DRWG presentation by AEMA that indicated that DR resources require the ability to choose from more than one option for baseline methodologies as is the case in other jurisdictions. Voltus questioned the IESO's reliability rationale for not proceeding with baseline methodologies that enable multi-hour ramp prior to the activation hour when the current IDAF encourages greater consumption during the IDAF window. Voltus asserted that the IDAF is not an effective nor fair market mechanism for excluding Industrial Conservation Initiative (ICI) reductions from HDR performance noting that HDR resources would have experienced baseline erosion if the ICI was active during the July 2020 HDR activations. Voltus also noted that the IDAF only captures ICI reductions during a specific time window, which may or may not be an accurate reflection of ICI curtailment. Voltus suggested the IESO should make several baseline methodologies available to HDR resources and if that won't be explored, the capacity charge should be revised to ensure it is not being applied to resources that have met their capacity obligations but have been unfairly assessed due to early curtailment.	Throughout 2020, IESO worked with the DRWG to explore alternative baseline methodologies for the C&I HDR resource type in Ontario. While the IESO acknowledges that there are specific circumstances under which alternative baseline methodologies may provide more accurate results, the use of an in-day adjustment is a common feature of the "high X of Y" baseline methodologies used to assess the performance of DR resources used in other jurisdictions. Please refer to the April 2020 DRWG Work Plan Update for details on the jurisdictional scan of US baseline methodologies that was presented to stakeholders. The IESO maintains that the IDAF was introduced to support baseline accuracy by ensuring consumption on the day-of activation is accounted for and is consistent with industry standard practice. However, the IESO is supportive of including a review of the C&I HDR baseline methodology and will include as a top priority in the draft list of prioritized market development activities that will be presented at the February 2021 DRWG meeting. Regarding the IDAF and interactions with ICI curtailments, in the absence of an IDAF, a resource participating in ICI may be incentivized to curtail load on anticipated system peaks, but not update their energy market bids to reflect reduced capacity availability. Under this scenario, if activated to curtail, the HDR resource would not have incremental capacity available to respond to its dispatch instructions. The IDAF ensures that lower consumption due to an ICI curtailment is reflected in the HDR performance assessment, in the event the resource does not remove or update their

Feedback	IESO Response
	energy bids to reflect reduced capacity availability. Finally, market participants are reminded that as part of the enhancements to the December 2020 Capacity Auction, starting with the summer 2021 commitment period, HDR resources are subject to Capacity Charges for test activations only. This change was introduced to align the treatment of HDR resources with the treatment of other Capacity Auction resource types.

HDR Objective Statement

Feedback	IESO Response
AEMA believes the HDR objective statement put forth by the IESO will limit the possibilities and create barriers to the evolution of the HDR resource. AEMA supports efforts to identify and remove barriers for DR resources to participate in all IAMs and programs, if they meet the technical needs.	In response to stakeholder feedback and after further internal IESO discussion, the IESO will not proceed with establishing an objective statement for the HDR participation model. The IESO would like to clarify that the intent of developing the HDR objective statement was not to introduce additional barriers to the evolution of DR resources in Ontario, or limit the future possibilities of the types of products and services that the underlying contributors to an HDR resource can provide to the grid. In fact, the statement noted that IESO was broadly supportive of exploring design changes that could enhance the value of the resource type, and demand side resources more broadly, for maintaining system reliability, such as increasing flexibility of utilization, or by providing additional services. Rather, in response to comments from stakeholders and the Market Surveillance Panel, the intent was to clearly articulate how the IESO relies upon HDR resources to faciliate identification and

Feedback	IESO Response
	assessment of market development activities (e.g. where are there misalignments between the participation model design and the objective? Which are most impactful changes to align the model and the objective?).
Voltus echoed the comments provided by AEMA on the objective statement and noted that, at the current time, HDR resources may be used primarily to support the system during emergencies, in the future, as DERs become more prevalent, it will be pivotal for the IESO to model, schedule and measure HDRs. Voltus questioned the need for an HDR objective statement when the IESO is exploring enabling greater participation of DR resources in the IAMs through the EPOR-E initative. Voltus provided a suggested amendment to the HDR objective statement if the IESO required it to focus internal resources on exploring and implementing design changes to further enable HDRs in the IAMs.	In response to stakeholder feedback and after further internal IESO discussion, the IESO will not proceed with establishing an objective statement for the HDR participation model. The IESO is currently developing a work plan to enable emerging and evolving resource types in the IAMs, including DERs, which is expected to be released by end of Q1 2021.

Expanding Participation in Operating Reserve and Energy (EPOR-E)

Feedback	IESO Response
AEMA looks forward to reviewing the work plan to enable greater resource participation in the IAMs and expects the work plan and engagement schedules to be released in January 2021 and will be a continuation of the work already completed and underway.	The IESO is currently developing a work plan to enable emerging and evolving resource types in the IAMs, which is expected to be released by end of Q1 2021. Engagement with stakeholders on the details of this work plan will be communicated following its release and will build on past work with stakeholders in the EPOR-E and other related engagements.
Voltus observed that the IESO is simultaneously pursuing an investigation of how to further enable DR and other resources to provide real-time energy products through EPOR-E while also rejecting any	IESO notes that DR resources that can respond in real-time and meet other requirements (e.g. minimum resource size) are currently enabled to provide the real-

Feedback	IESO Response
changes required to make DR more dynamic and able to deliver these products. Voltus requested the IESO develop a scope of work for the DRWG to assist the EPOR-E initiative after the release of the Phase 1 memo.	time products they are technically capable of providing through the Dispatchable Load participation model. The EPOR-E report released in January 2021, speaks to misalignments between requirements to participate in the energy and Operating Reserve markets and the HDR participation model as a starting point to understand opportunities to enhance participation from more flexible HDR contributors. The IESO is currently developing a work plan to enable emerging and evolving resource types in the IAMs, which is expected to be released by end of Q1 2021. Engagement with stakeholders on the details of this work plan will be communicated following its release and will build on past work with stakeholders in the EPOR-E and other related engagements.