



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.: MR-00221-R00	
Subject: System Reliability - Ancillary Services	
Title: Extension of Emergency Demand Response Program	
Nature of proposal (please indicate with X): <u> X </u> Alteration <u> </u> Deletion <u> </u> Addition	
Chapter: 5	Appendix:
Sections: 4.8A	
Sub-sections proposed for amending: 4.8A.2	

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Submit for Technical Panel Review	21 Feb 2003
2.0	Recommended by Technical Panel and submitted for IMO Board Approval	25 Feb 2003
3.0	Approved by IMO Board	28 March 2003

Approved Amendment *Publication* Date: 3 April 2003

Approved Amendment *Effective* Date: 1 May 2003

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IMO-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 *IMO-administered markets*.

It is proposed to extend the Emergency Demand Response Program (EDRP) by 12 months in accordance with the direction provided by the IMO Board at its meeting in February 2003.

The current market rules for the Emergency Demand Response Program (EDRP), approved by the IMO-Board shortly after market commencement, have a sunset provision which will end the program if the market rules are not amended or renewed within 12 months of the market commencement date. In other words, the program will otherwise end on April 30, 2003.

The establishment of the EDRP arose out of resource adequacy concerns. At the time that the program was established, the extent to which loads would respond to high market prices during periods of tight supply was uncertain. The EDRP was established as an emergency control action. It can only be initiated during periods of emergency, after the market has exhausted all sources of energy supply, to avoid the involuntary curtailment of non-dispatchable load. The reduction in load by the market participants under the program is voluntary and upon activation by the IMO, they will indicate the amount of load reduction, if any, they will be undertaking.

The summer of 2002 was unusually hot and humid. The weather, and consumers' reaction to it, sent electricity demands in the province to record levels. While there was evidence of some price responsive actions by consumers, it was insufficient to avoid heavy reliance on interconnections and very high market prices. As a consequence, consumers became much more aware of the level of market prices during the summer heat waves, and its impact on their electricity bills. One could otherwise expect that, all-else being equal, the consumer responsiveness to price this past summer may continue and actually increase, in future times of high prices.

The recent government initiative to fix energy prices, is expected to have a dampening effect on any such customer reaction to market prices and there is now a concern that consumers will not respond to high prices and cut back on usage during periods of tight supply.

Although additional supply capacity may become available over the next few months, and the IMO is looking at a program for hour-ahead dispatchable load(which may improve price responsiveness among the larger market participants), the IMO believes that there is significant uncertainty regarding both the supply situation and customer price-responsiveness. Given these uncertainties, it is prudent to continue with the EDRP and extend it for an additional year.

The operational experience with the EDRP has been that the IMO has placed program participants "on alert" only once. The IMO has never called for any reduction in load through the program. As EDRP participants have incurred no costs, and no standby or usage payments by the IMO-administered market have been required.

PART 4 – PROPOSED AMENDMENT

4.8A Emergency Demand Response Load

- 4.8A.1 Emergency demand response load is load that, subject to section 4.8A.2, can be called upon by the *IMO* to be interrupted on short notice in order to maintain the *reliability* of the *IMO-controlled grid*. The *IMO* may request these loads to reduce consumption prior to or during an *emergency operating state*.
- 4.8A.2 Section 4.8A.1 and related sections 9.2.2.4 of chapter 7 and 4.2.3A of chapter 9 shall, subject to further amendment or renewal, cease to have effect ~~12-24~~ months after the date on which section 26.(1) of the *Electricity Act, 1998* comes into force.

PART 5 – IMO BOARD COMMENTS