



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00433-R00		
Subject:	Demand Response		
Title:	Notification and Activation of Hourly Demand Response		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	7	Appendix:	N/A
Sections:	19		
Sub-sections proposed for amending:	19.4.2, 19.4.4		

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	May 15, 2018
2.0	Publish for Stakeholder Review and Comment	May 24, 2018
3.0	Submitted for Technical Panel Vote	June 19, 2018
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	June 26, 2018
5.0	Approved by IESO Board	August 29, 2018
Approved Amendment Publication Date:	August 30, 2018	
Approved Amendment Effective Date:	Expected to be in May 2019, upon the implementation of the required IT system changes and to align with the start of the delivery period associated with the next DR auction. The IESO will specify the effective date in a notice to all market participants.	

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 increase the utilization of Hourly Demand Response (HDR) resources by reducing the minimum dispatch duration and increasing real-time availability. The proposed amendment will provide greater flexibility and real-time availability by modifying the requirements for standby and activation notices, thereby increasing the value of HDR resources.

This proposal is based on input from the Demand Response Working Group (DRWG).

Further information on the DRWG can be found on the IESO's website at: [IESO Demand Response Working Group](#).

Background

The IESO established the DRWG in 2014 to facilitate the transition of demand response (DR) in Ontario from a contract based approach to a market based approach. The IESO's goal was to develop DR to ensure that it can compete with traditional supply resources and to develop an auction platform as an alternative to traditional contract-based procurement of DR. In December 2015 the IESO held its first DR auction as the capacity procurement platform to allow for the competitive and transparent selection of DR resources. Through the DR auction the IESO has successfully transitioned procuring DR capacity from a previously contract-based approach to a competitive auction mechanism while growing the amount of DR capacity and reducing the cost of DR to Ontario.¹

The IESO continues to work with the DRWG to look at opportunities to enhance the value of DR resources to the system. For 2018 the goal for the DRWG is to develop DR so that it can compete with traditional supply resources in the future and ensure its alignment with the Market Renewal Program, including the future Incremental Capacity Auction. In 2017 and 2018, the DRWG identified increasing the utilization of hourly DR as an essential item to realize the overall goals for DR. The current requirements for utilizing HDR resources limit both their availability and utilization in real-time. HDR resources can only be utilized if they are scheduled for four consecutive hours².

¹ [2017 DR Auction Results](#)

² A DR capacity obligation obtained through the DR auction can be delivered through participation in the energy market with either an HDR resource or with a dispatchable load facility. An HDR resource provides four hour blocks of DR when issued both a standby and activation notice by the IESO. A dispatchable load facility with a DR capacity obligation will be dispatched through the energy market

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

After considering DRWG feedback, the IESO presented its final proposal to the DRWG in April 2018 to reduce the minimum dispatch duration and to increase real-time availability of HDR as follows:

Standby Notice – Replace Four Consecutive Hour Scheduling Requirement with One Hour:

- Issue a standby notice when an HDR resource is scheduled for at least 1 hour of the availability window by 7 am of the dispatch day instead of requiring a schedule of 4 consecutive hours.

Standby Notice Price Threshold:

- A standby notice price threshold will be set at \$200 for the Summer 2019 and Winter 2019/20 commitment periods. The threshold will then be revised to \$100 starting from the Summer 2020 commitment period. The standby notice price threshold will be included in Market Manual 9.3: Operation of the DACP. Future changes to the price threshold will be determined in coordination with stakeholders.
- A standby notice will also be issued when the applicable pre-dispatch shadow price for an HDR resource is equal to or greater than the standby notice price threshold for at least one hour of the availability window. This is in addition to the current schedule based trigger³ for issuing a standby notice.

Activation Notice - Replace Four Consecutive Hour Scheduling Requirement with One Hour::

- Activate an HDR resource when at least one hour is scheduled for DR in the three hour-ahead pre-dispatch instead of requiring a schedule of four consecutive hours in the three hour-ahead pre-dispatch. One hour will be the minimum schedule and four hours will be the maximum schedule for HDR resources.

The following proposed market rule amendments reflect the above proposals for enhancing DR in Ontario.

Discussion

Chapter 7, section 19 provides the market rules framework related to energy market participation as a demand response market participant (DRMP) and the delivery of a DR capacity obligation received through the DR auction. The proposed market rule amendments to reduce the minimum dispatch duration and to increase real-time availability of HDR will provide more flexibility in the issuing of standby and activation notices for HDR resources.

the same way a dispatchable load without a DR capacity obligation is dispatched, which is on a 5 minute basis.

³ Standby notice is issued when the maximum bid quantity of the resource exceeds the Pre-Dispatch Constrained schedule for any hour that lies within the hours of availability.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENTChapter 7Section 19.4 – Standby and Activation Notices

- Amend section 19.4.2 to reduce the four consecutive hour scheduling requirement for the IESO to issue an HDR resource a standby notification. The IESO proposes that the standby notification be issued when, for at least one hour during the dispatch day availability window:
 - an HDR resource has a day-ahead schedule of record or pre-dispatch schedule less than the resource’s total bid quantity; or
 - the applicable pre-dispatch shadow price for an HDR resource is equal to or greater than the standby notice price threshold. The standby notice price threshold will be determined and published by the IESO.
- Amend section 19.4.4 to reduce the four consecutive hour scheduling requirement for the IESO to issue an HDR resource an activation notice. The IESO proposes that an activation notice be issued (following the issuance of a standby notice) when the HDR resource has a pre-dispatch schedule less than the resource’s total bid quantity for at least one hour. The minimum activation length will be one hour and the maximum activation length will be 4 hours as determined by the three hour-ahead pre-dispatch, once the first scheduled hour is established.

PART 4 – PROPOSED AMENDMENT

19. Demand Response Market Participants with Demand Response Capacity Obligations

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19.4 Energy Market Participation for Hourly Demand Response Resources

- 19.4.1 *A demand response market participant with a demand response capacity obligation participating with an hourly demand response resource shall be eligible for an availability payment in accordance with the applicable market manual. Availability payments may be offset by non-performance charges in accordance with section 4.7J of Chapter 9.*

Standby and Activation Notices

- 19.4.2 If an *hourly demand response resource* has a day-ahead *schedule of record* or a *pre-dispatch schedule* less than the resource's total *bid quantity*, or if the applicable pre-dispatch shadow price for an hourly demand response resource is equal to or greater than the standby notice price threshold, determined by the IESO, for at least ~~four consecutive one~~ hours during the *dispatch day availability window*, the *IESO* shall issue a standby notice to the applicable *demand response market participant* by 07:00 EST in accordance with the applicable *market manual*.
- 19.4.3 If the *IESO* does not issue a standby notice to a *demand response market participant* by 07:00 EST, the *demand response market participant* shall remove their *bids* for the *hourly demand response resource* as soon as practicable and before 9:00 EST. A *demand response market participant* that does not remove their *bids* for the *hourly demand response resource* before 9:00 EST shall comply with any corresponding activation notices issued by the *IESO* in accordance with section 19.4.5.
- 19.4.4 The *IESO* shall issue an activation notice to a *demand response market participant* ahead of the activation period, in accordance with the applicable *market manual* if a standby notice has been issued in accordance with section 19.4.2 or a *demand response market participant* has not removed their *bids* in accordance with section 19.4.3, and the applicable *hourly demand response resource* has a *pre-dispatch schedule* less than the resource's total *bid quantity* for at least ~~one~~four consecutive hours during the *dispatch day availability window*.
- 19.4.5 If a *demand response market participant* receives an activation notice pursuant to section 19.4.4, the *demand response market participant* shall comply with the activation notice, unless such a reduction would endanger the safety of any person, damage equipment, or violate any *applicable law*. In such circumstances, the *demand response market participant* shall notify the *IESO* as soon as practicable.
- 19.4.6 A *demand response market participant* may be subject to non-performance charges, and the *IESO* may take action pursuant to sections 19.2.2 and 19.2.3 if a *demand response market participant* does not comply with an activation notice pursuant to this section 19, in accordance with the applicable *market manual*. The *demand response market participant* may also be subject to compliance actions in accordance with section 6 of Chapter 3.
- 19.4.7 A *demand response market participant* that expects its *hourly demand response resource* to operate in a manner that differs materially from the activation notice issued to it in accordance with this section 19 shall notify the *IESO* as soon as possible and in accordance with the applicable *market manual*.
- 19.4.8 The *IESO* may disqualify from future participation in the *demand response auction* any *demand response market participant's hourly demand response*

resource that fails to reduce its consumption when called upon in accordance with this section 19.

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PART 5 – IESO BOARD DECISION RATIONALE

The amendments will provide greater flexibility and real-time availability by modifying the requirements for standby and activation notices, thereby increasing the value of HDR resources.