



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00416-R03		
Subject:	Demand Response Auctions		
Title:	Demand Response Auctions – Non-Performance Charges & Settlement		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapters:	7 & 9	Appendix:	
Sections:	Chapter 7, sections 18.4.4 (new), Chapter 9, sections 1.1.2.17, 2.1.1A.6 (new), 4.7J (new), 4.8.3.3 (new), 4.8.4.3 (new)		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	August 4, 2015
2.0	Publish for Stakeholder Review and Comment	August 13, 2015
3.0	Submitted for Technical Panel Vote	September 15, 2015
4.0	Recommended by Technical Panel; Submitted for IESO Board Approval	September 22, 2015
5.0	Approved by IESO Board	October 22, 2015
Approved Amendment Publication Date:	October 22, 2015	
Approved Amendment Effective Date:	November 13, 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 in order to enable the settlement of amounts associated with obligations arising from a demand response auction, including availability payments, non-performance charges, and elected buy-outs.

This proposal is based on the Demand Response Auction stakeholder engagement.

Further information on the Demand Response Auction stakeholder engagement can be found on the IESO's website at:

<http://www.ieso.ca/Pages/Participate/Stakeholder-Engagement/Demand-Response-Auction.aspx>

Background

MR-00416-R03 will enable the settlement of Demand Response (DR) capacity obligations that are obtained through DR auctions.

For further background please see MR-00416:R00-R02.

Discussion

The following proposed market rules enable the settlements process associated with DR capacity obligations for hourly demand response (HDR) resources and dispatchable loads. Specifically, the proposed amendments enable the recovery of cost for the settlement of DR capacity obligations via an uplift charge using the same methodology to recover costs in the capacity based demand response (CBDR) program. In addition the proposed market rules specify payments and non-performance charges applicable to DR market participants with DR capacity obligations.

The proposed market rules will also specify the conditions when the IESO will draw on the DR auction deposit for a DR auction participant who has not fulfilled the eligibility requirements for energy market participation.

Chapter 7

Section 18.4 Demand Response Auction Deposits

It is proposed to insert new section 18.4.4 (continuation of section 18.4 on “Demand Response Auction Deposits” – MR-00416-R00) to specify that if a DR auction participant has not fulfilled the eligibility requirements for energy market participation (as specified in sections 19.2 and 19.3 of MR-00416-R00) and has not elected to buy-out of the DR capacity obligation pursuant to new proposed section 4.7J.3 (see below), that the participant shall forfeit its deposit, at the discretion of the IESO.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**Chapter 9****Section 1.1: Application and Purpose**

It is proposed to amend the market rules as follows:

- Amend sub-section 1.1.2.17 to expand the rights and obligations of the IESO and market participants in determining billing and payment with respect to financial obligations arising from DR capacity obligations.

Section 2: Settlement Data Collection and Management**DR Measurement Data:**

Currently the market rules only permit a registered wholesale meter to be used for determining settlement amounts, with some limited exceptions. Not all HDR resources will have registered wholesale meters that meet IESO standards, and meeting the existing wholesale metering requirements of Chapter 6 of the market rules would be a significant barrier to entry into the IESO-administered markets.

In those instances where an HDR resource does not have a registered wholesale meter, they will be obligated to submit measurement data to enable the IESO to determine compliance with a DR capacity obligation.

It is proposed to amend section 2.1 “Metering and Metering Responsibilities” of Chapter 9 of the market rules as follows:

- Insert sub-section 2.1.1A.6 to allow the IESO to determine settlement amounts related to DR capacity obligations on the basis of measurement data submitted to the IESO which may not be from a registered wholesale meter.

Section 4: Non-Hourly Settlement Amounts

It is proposed to insert new section 4.7J “Demand Response Capacity Obligations” in Chapter 9 of the market rules as follows:

- Insert section 4.7J.1 to obligate the IESO to remit availability payments, if any, to the applicable DR market participant in the time and manner specified in the applicable market manual.

In accordance with sections 19.4.1 and 19.5.1 (refer to MR-00416-R02: Energy Market Participation) participants with a DR capacity obligation will receive an availability payment every month of the commitment period. The availability payment will be determined as follows:

$$= DR \text{ Auction Clearing Price} \times DR \text{ Capacity Obligation} \times \# \text{ of Business Days in Month}$$

The method for recovery of total availability payments from the market will be outlined in the applicable market manual, and will be consistent with the methodology used to calculate global adjustment distribution charges for class A and B loads. This is the same method used for the CBDR program.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT**Insert section 4.7J.2 – Non-Performance Charges:**

Availability payments may be offset by non-performance charges which are detailed in this section 4.7J.2. Non-performance charges have been created to incent DR market participants to fulfill their DR capacity obligation. The four types of charges include: (i) availability charges; (ii) dispatch charges; (iii) administration charges and (iv) capacity charges. DR market participants/DR auction participants who cannot fulfil their DR capacity obligation may elect to “buy-out” all or a portion of their DR capacity obligations.

- Insert section 4.7J.2 to specify that a DR market participant shall, in accordance with the applicable market manual, be subject to the following non-performance charges for failing to meet the requirements of a DR capacity obligation:

DR Availability Charges:

- Insert section 4.7J.2.1 to specify that a DR market participant shall be subject to an availability charge for every hour of the availability window the participant fails to submit DR energy bids for the amount of their respective DR capacity obligation in either the day-ahead commitment process or in the real-time energy market. For HDR resources, DR energy bids that are part of at least a four consecutive hour block during the availability window will be deemed as available.
 - If a DR market participant does not meet their availability requirement, the following charge will be applied:

$$\text{Unavailable MWh} \times \frac{\text{DR Auction Clearing Price}}{\text{Hours per Day in Avail. Window}} \times \text{Non-Performance Factor}$$

- The “Non-Performance Factor” will be determined in relation to the periods of peak demand when DR is most needed. “Non-Performance Factors” will be outlined in the applicable market manual.

DR Dispatch Charges:

- Insert section 4.7J.2.2 to specify that a DR market participant participating with an HDR resource shall be subject to a dispatch charge for failing to comply with the activation notice or activation notice resulting from an activation test in accordance with section 19.4.5 and 19.4.12.
 - If a participant fails to comply with an activation notice, the following dispatch charge will be applied:

$$\text{DR Scheduled} \times \frac{\text{DR Auction Clearing Price}}{\text{Hours per Day in Avail. Window}} \times \text{Non-Performance Factor}$$

- The IESO will utilize the “High 15 of 20 with an In-day Adjustment Baseline” methodology to calculate compliance with dispatch, with a 15% compliance deadband. This is the same methodology used to measure compliance in the CBDR program.

DR Administration Charges:

- Insert section 4.7J.2.3 to specify that a DR market participant participating with an HDR

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

resource shall be subject to an administration charge for failing to submit measurement data to the IESO in the time and manner specified by the IESO.

- Participants will be required to submit monthly measurement data to the IESO on the sixth business day before the end of the following month. The IESO will inform participants within three business days of any errors in the submitted data. After receiving such notification from the IESO the participant will have another three business days to re-submit the measurement data (without any errors) in order to avoid an administration charge. These timelines will be detailed in the applicable market manual.
- The following administration charge will be applied for failing to comply with section 4.7J.2.3:

DR Capacity Obligation (MW) × DR Auction Clearing Price (\$/MW-day) × # of Business Days in the Month

DR Capacity Charges:

- Insert section 4.7J.2.4 to specify that a DR market participant participating with an HDR resource that fails to deliver capacity with an activation notice or activation test will be subject to a DR capacity charge.
 - The IESO will measure compliance to deliver capacity through an activation notice or activation test for an hourly demand response resource with the “High 15 of 20 with an In-day Adjustment Baseline” with a 20% upper band. The charge will be based on the full availability payment from the month of activation.
- Insert section 4.7J.2.5 to specify that a DR market participant participating with a dispatchable load that fails to deliver capacity through an activation test will be subject to a DR capacity charge.
- The charge will be based on one month’s availability payment, calculated as follows:

DR Capacity Obligation (MW) × DR Auction Clearing Price (\$/MW-day) × # of Business Days in the Month

DR “Buy-Out” Option:

DR market participants or DR auction participants who cannot fulfill their DR capacity obligation may elect to “buy-out” a portion, or all of their DR capacity obligations.

- Insert section 4.7J.3 to specify that a DR market or auction participant may elect to be subject to a buy-out charge if they wish to reduce all, or a portion of their DR capacity obligation for the remainder of their commitment period. Participants can buy-out their entire obligation or a portion of their obligation, provided the remaining portion is at least 1 MW.
 - The IESO’s buy-out charge will be calculated as follows:

(Availability Payments – Availability Charges) x 50%

The availability payments will be calculated as described in section 4.7J.1 and the

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

availability charge will be calculated as described in section 4.7J.2.1, with the exception that the DR capacity obligation used in the calculations will equal the amount of MW that are being reduced.

Insert section 4.7J.4:

- Insert section 4.7J.4 to specify that the IESO may audit a DR market participant’s submitted measurement data and supporting information, and that the participant shall provide such information in the time and manner specified by the IESO. 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, the IESO shall recover from or distribute to a DR market participant any resulting over or under payment as applicable. Any amounts recovered or distributed to a DR market participant shall be correspondingly distributed to or recovered from market participants in accordance with proposed section 4.8.3 or 4.8.4 below.

Section 4.8 – Additional Non-Hourly Settlement Amounts:

It is also proposed to insert a new section 4.8.3.3 and 4.8.4.3 under “Additional non-hourly settlement amounts” of Chapter 9 of the market rules as follows:

- Insert section 4.8.3.3 to 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 DR market participants in accordance with section 4.7J related to the settlement of a DR capacity obligation; and
- Insert section 4.8.4.3 to obligate the IESO, at the end of each energy market billing period, to distribute to market participants, as specified in the applicable market manual, any adjustments to DR market participants in accordance with section 4.7J related to the settlement of a DR capacity obligation.

PART 4 – PROPOSED AMENDMENT**Chapter 7**

18.4 Demand Response Auction Deposits

18.4.4 In the event a demand response auction participant has not satisfied the applicable eligibility requirements specified in sections 19.2 and 19.3 of Chapter 7 and has not elected to buy-out the demand response capacity obligation in accordance with section 4.7J.3 of Chapter 9, the demand response auction participant shall, at the IESO’s sole discretion, forfeit its demand response auction deposit.

Chapter 9

1.1 Application and Purpose

1.1.1 This chapter applies to:

1.1.1.1 the *IESO*; and

1.1.1.2 market participants.

1.1.2 This chapter sets out the respective rights and obligations of the *IESO* and of *market participants* in determining, billing for and effecting payment in respect of financial obligations arising from the *IESO-administered markets*, other provisions of the *market rules*, the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*, including the following:

1.1.2.1 [Intentionally left blank – section deleted]

1.1.2.2 the *energy market*;

1.1.2.3 the *operating reserve market*;

1.1.2.4 congestion management;

1.1.2.5 *transmission rights (TRs)*;

1.1.2.6 [Intentionally left blank – section deleted]

1.1.2.7 *operating deviations*;

1.1.2.8 *ancillary services* and *reliability must-run contracts*;

1.1.2.9 *transmission service charges* and *connection charges* collected by the *IESO*;

1.1.2.10 rural rate protection;

1.1.2.11 the *IESO administration charge*;

1.1.2.12 penalties and fines;

1.1.2.13 any *debt retirement charge*;

1.1.2.14 rebates and other payments arising from market power mitigation measures;

1.1.2.15 the day-ahead commitment process;

1.1.2.16 forecasting services relating to *variable generation*; and

- 1.1.2.17 the *capacity based demand response program*, ~~and~~ *demand response pilot program* and demand response capacity obligations.
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2. Settlement Data Collection and Management

2.1 Metering and Metering Responsibilities

2.1.1 Subject to section 2.1.1A, every *meter* utilised for determining *settlement amounts* according to this Chapter must be a *registered wholesale meter (RWM)*.

2.1.1A Nothing in section 2.1.1 shall be construed as requiring the *IESO* to determine *settlement amounts* on the basis of an *RWM* in circumstances where:

2.1.1A.1 it is permitted to use another *meter* for this purpose pursuant to section 3.1.4A; ~~or~~

2.1.1A.2 in circumstances where the *IESO* has determined that determination of *settlement amounts* using a *metering installation* whose registration has expired is required for the efficient operation of the *IESO-administered markets*; ~~or~~

2.1.1A.3 [Intentionally left blank – section deleted]

2.1.1A.4 the *IESO* has not permitted the use of the *RWM* for determining *settlement amounts* for the reason specified section 4.2.2A of Chapter 6; ~~or~~

2.1.1A.5 the *IESO* is determining *settlement amounts* related to the *capacity based demand response program* specified in section 17 of Chapter 7 using a measurement and verification plan submitted and approved under section 17.2.1.2 of Chapter 7; ~~or~~

2.1.1A.6 the *IESO* is determining *settlement amounts* related to *demand response capacity obligations* using measurement data submitted by *demand response market participants* with an *hourly demand response resource*.

4. Non-hourly Settlement Amounts

4.7J Demand Response Capacity Obligations

4.7J.1 The *IESO* shall remit an availability payment associated with a *demand response capacity obligation*, if any, to the applicable *demand response market participant*, in the manner specified in the applicable *market manual*.

4.7J.2 A *demand response market participant* with a *demand response capacity obligation* shall, **in accordance with the applicable market manual**, be subject to **the following** non-performance charges if the *demand response market participant* does not satisfy the requirements of its *demand response capacity obligation*:

Demand Response Availability Charges

4.7J.2.1 A *demand response market participant* shall be subject to an availability charge for every hour of the availability window it fails to submit *demand response energy bids* in the amount of their *demand response capacity obligation* in either the day-ahead commitment process or in the *real-time energy market*.

Demand Response Dispatch Charges

4.7J.2.2 A *demand response market participant* participating with an *hourly demand response* resource shall be subject to a dispatch charge for failure to comply with an activation notice received under section 19.4.5 of Chapter 7.

Demand Response Administration Charges

4.7J.2.3 A *demand response market participant* participating with an *hourly demand response* resource shall be subject to a *demand response* administration charge for failure to provide *demand response* measurement data to the *IESO*.

Demand Response Capacity Charges

4.7J.2.4 Subject to sections 19.4.5 and 19.4.12 of Chapter 7, a *demand response market participant* participating with an *hourly demand response* resource that fails to provide capacity through an activation notice or activation test, shall be subject to a *demand response capacity* charge.

4.7J.2.5 Subject to section 19.5.8, a *demand response market participant* participating with a *dispatchable load* that fails to provide capacity through an activation test shall be subject to a *demand response capacity* charge.

4.7J.3 A demand response market participant or a demand response auction participant may elect to be subject to a buy-out charge for all, or a portion of, their demand response capacity obligation in accordance with the applicable market manual, if they are unable to fulfill a demand response capacity obligation for the remaining portion of a commitment period.

4.7J.4 At any time, the IESO may audit any submitted demand response measurement data and supporting information and a demand response market participant shall provide such information in the time and manner specified by the IESO. If, as a result of such an audit, the IESO determines that actual measurement data and supporting information differed from the submitted measurement data and supporting information, the IESO shall recover from or distribute to a demand response market participant any resulting over or under payment, as applicable. Any amounts recovered or distributed to a demand response market participant shall be distributed to or recovered from market participants in accordance with sections 4.8.3 and 4.8.4.

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~~

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; ~~and-~~

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

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~~

4.8.4.2 any adjustments to demand response market participant payments pursuant to section 4.7I; ~~and-~~

4.8.4.3 any adjustments to demand response market participant payments pursuant to section 4.7J.

PART 5 – IESO BOARD DECISION RATIONALE

The amendment will enable the settlement of amounts associated with obligations arising from a demand response auction, including availability payments, non-performance charges, and elected buy-
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PART 5 – IESO BOARD DECISION RATIONALE

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