

Memorandum

To: Stakeholder Advisory Committee

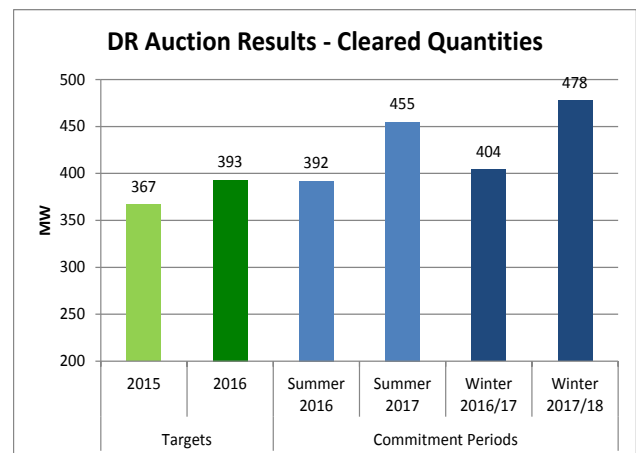
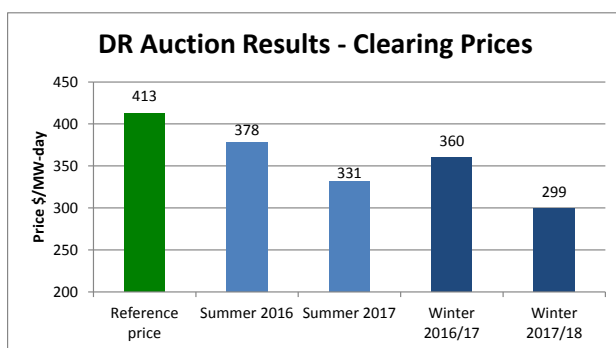
From: JoAnne Butler, Vice President, Market and Resource Development
Leonard Kula, Vice President Market and System Operations and COO

Date: January 24, 2017

Subject: IESO Business Update – Results of Demand Response Auction

The IESO’s second annual demand response (DR) auction was held in December 2016 and resulted in an increased level of participation with an overall net increase in the amount of DR procured through the auction mechanism when compared to the auction held in December 2015.

The clearing price for the summer commitment period is \$331.33/MW-day, and for the winter commitment period is \$299.48/MW-day. This is a reduction of 12 percent for the summer and 17 percent for the winter commitment period when compared to the 2015 DR auction, reflecting good competition between existing resources and new entrants. The amount of DR procured through the auction increased by 16 percent in the summer to 455.2 MW and 18 percent in the winter to 477.5 MW from last year.



Successful proponents from this year's auction included high-volume transmission-connected industrial, commercial and institutional users, as well as consumers whose facilities are connected to low-voltage distribution systems and whose contributions are managed by an aggregator. For the first time, residential homeowners, participating through an aggregator, were eligible to take part in the auction and were successful in being selected.

A new element of the DR Auction that has been integrated in time for the 2017 commitment periods is the Capacity Obligation Transfer which allows participants with a capacity obligation from the DR Auction to transfer some or all of their respective demand response capacity to another qualified Demand Response Auction Participant. This enhancement was a direct result of stakeholder feedback received through the Demand Response Working Group (DRWG). The DRWG will continue to assist the IESO in the evolution of DR in the IESO-administered markets; the DRWG work plan for 2017 is expected to be finalized by the end of Q1.

The full list of successful participants is available in the Post Auction Report, posted on the IESO's Public Reports website at <http://reports.ieso.ca/>.

The next DR auction will be held in December 2017, for delivery of DR capacity between May 2018 and April 2019.