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Pilot for Demand Response Program

To whom it may concern:

The current Liberal Government will not allow price volatility to drive customer behaviour like deregulation attempted to do, in the past. They will likely keep the present price-cap system in place for a period of time. While in opposition, they called deregulation an expensive and messy experiment. However, short-term alternatives are not that easy to identify.

It is time to stop using price volatility as a stick to shape customer demand. Instead, we need to offer demand reduction incentives to drive customer behaviour, in such a way, as to create lower overall operating costs for all market participants.

Load is load. The IMO should only be interested in the magnitude and duration of the demand response, not which sector supplied the reduction. They may also be interested in the speed of demand response delivery (ramp rates) and reliability of repeat performance. In these two categories, retail loads (residential, commercial and institutional) might outperform wholesale loads (industrial). Therefore, we recommend that the Pilot be offered to a wide range of customers provided that the customer class can document the magnitude and duration of the demand response. The incentive (carrot) for such reductions should be based on the market-clearing price (MCP). On several occasions, we have indicated to the IMO that to achieve residential demand reductions interval meters are not essential!

Direct digital load control is a viable alternative in all market sectors. We only need to measure (or calculate) the magnitude and accurately time-stamp the demand response duration. From this basic data; others can calculate the customer payment.

Under such a scheme, water heater load control, commercial thermal storage, commercial chiller load management and/or industrial electrical arc furnace controls would all be on an equal playing field with generation options. Above all, we need a flexible demand response program, that we can use to test the customer participation rates and the overall market efficiency improvement. As previously mentioned, we have additional program details that we could share with other interest groups in the appropriate forum.

Yours truly,

Terra *Power* Systems Inc.