



June 15, 2020

IESO Stakeholder Engagement
Energy Payments for Demand Response

Submitted via email

Re: AMPCO Submission - Energy Payments for Demand Response

AMPCO is the voice of industrial power users in Ontario. Our mission is industrial electricity rates that are competitive and fair.

Attached are AMPCO's comments on the materials presented by the IESO (and its consultant, the Brattle Group) on May 21, 2020 on the subject of Energy Payments for Demand Response. AMPCO appreciates the opportunity to provide such feedback, and thanks the IESO for the deadline extension provided.

Best Regards,

[Original signed by]

Colin Anderson
President

Energy Payments for Demand Response

Submissions of the Association of Major Power Consumers in Ontario (AMPCO)

INTRODUCTION

AMPCO provides Ontario industries with effective advocacy on critical electricity policies, timely market analysis and expertise on regulatory matters that affect their bottom line. We are the forum of choice for major power consumers who recognize that their business success depends on an affordable and reliable electricity system.

These submissions are in relation to the materials presented by the IESO (and its consultant, the Brattle Group) on May 21, 2020 on the subject of Energy Payments for Demand Response. AMPCO's members are major power consumers, responsible for over 15 TWh of annual load in the province. A robust and affordable energy supply is critical to the success of their businesses, which is why AMPCO has an interest in this consultation.

AMPCO appreciates the opportunity to provide feedback and looks forward to continued dialogue.

AMPCO POSITION ON OPTIONS

AMPCO does not support either Option 1 or Option 2, for reasons set out below. Rather, AMPCO believes that additional discussion should take place regarding Option 4a, which has been screened out by the IESO. AMPCO does not agree with screening this option out and is requesting further consideration, and possible inclusion of this option within the Market Renewal Project.

JUSTIFICATION AND DISCUSSION

In the May 21, 2020 materials, the IESO has listed the following four options for consideration on the issue of compensation for Demand Response participants.

1. Risk Mitigation Approach
2. Cost Recovery Approach
3. Representative Cost
4. Two-Part Bid Reflected in Dispatch

Of these four options, the IESO has unilaterally “screened out” two of them (Options 3 and 4 above have been removed), which effectively reduces the number of options for consideration to two. In AMPCO’s submission, neither Option 1 nor Option 2 is acceptable.

- Option 1 appears to act against the need for activation of demand response. In general terms, capacity payments are made in anticipation of the ability to activate that capacity to provide energy, when needed. Any effort to ensure that activations do not occur seems to devalue the entire notion of demand response providing capacity. This is fundamentally misguided and AMPCO cannot support it.
- While Option 2 sounds reasonable at first consideration, one must remind one’s self that, due to commercial sensitivity, DR participants do not want to provide quantified cost information - at any time. This was bluntly stated as part of the Ontario Energy Board proceeding (EB-2019-0242) and was validated in the IESO’s stakeholder engagement. AMPCO sees no point in continuing to pursue this option.

The justification for screening out Options 3 and 4 is different from one to the next.

- Option 3 was screened out due to the absence of any quantified cost information being provided by DR providers, a situation that is unfortunate but understandable given the commercial sensitivity of such information. In its view,

the IESO has nothing upon which to base a representative cost value. It should be noted, however, that this is the approach that has been utilized for non-economic activations of demand response. AMPCO understands that non-economic activations will typically take place at a market price which is lower than the DR participant's energy bid. This makes the representative cost amount that is paid part of the entity's value of lost load (VOLL) rather than its shutdown costs, but in no way does this distinction make the payment amount any less arbitrary.

- Option 4 was screened out due to the complexity of the solution and the relatively short timeframes involved in implementing a solution. AMPCO does not agree that this option should be automatically screened out on this basis. Nowhere has the IESO provided information that supports its claim that this option would be difficult to implement in the timeframes desired. Part of the driver for Market Renewal has been the need to address long-standing issues in the Ontario market. In AMPCO's submission, energy payments for DR is one of those issues. Accordingly, AMPCO considers Option 4a to be the best option available and it should be included as part of the Market Renewal Program, with the required changes to the dispatch algorithm being included within that project.