

# Energy Payments for Economic Activation of Demand Response Resources: Feedback Form

---

Meeting Date: May 21, 2020

Date Submitted: 2020/06/11

Feedback Provided By:

Organization: Electricity Distributors Association (EDA)

Main Contact: Kathi Farmer

Following the May 21, 2020 Energy Payments for Economic Activation of Demand Response (DR) Resources webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. Background information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

**Please submit feedback to [engagement@ieso.ca](mailto:engagement@ieso.ca) by June 11, 2020. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential".**

Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

# Stakeholder Feedback:

## Shut-down Costs – Option 1: Risk Mitigation Approach

### Requests

### Stakeholder Feedback

What is a reasonable cap on in-market activations?

The EDA recommends that the IESO provide its methodology for

determining the maximum number of DR activations and demonstrate that it is capable of achieving economically efficient outcomes.

The EDA anticipates that the IESO's approach will consider the benefits of increased certainty of the maximum number of activations on the proponent's costs and the disadvantages of potentially reduced availability of DR resources. Intuitively, fewer maximum activations could erode the value of DR resources; however, it would provide a significant level of certainty for DR proponents (with the assumption that greater certainty would enable lower Capacity Auction prices). Conversely, a higher cap may provide some certainty of activation for individual DR proponents while maintaining the value of DR resources.

The EDA notes that establishing a cap on the total number of DR activations is a feature of interruptible rates in some jurisdictions.

The EDA also proposes that the IESO consider:

- Whether the maximum number of DR activations should be a fixed feature of auctions or if it will be dynamic and change from auction to auction.
- How a cap could affect IESO operations, and whether it would result in the IESO being less likely to schedule DR resources.

How should a cap differ for hourly demand response (HDRs) and dispatchable loads?

To be technologically agnostic, the EDA proposes similar treatments for HDR and dispatchable loads, to the extent possible. The EDA recommends that the IESO provide its methodology for determining the maximum number of DR activations and demonstrate that it is capable of achieving economically efficient outcomes.

## Shut-down Costs – Option 2: Cost Recovery Approach

### Requests

### Stakeholder Feedback

What costs should be included in eligible costs?  
 Proponent would incur costs to shut down after each activation, costs to be made recoverable.  
 Issue: what is an eligible cost, how is it submitted, how is it verified?  
 Should IESO pay for all activation or net against proponent savings?

Among the shut down costs eligible for cost recovery are:

- costs incurred by the DR proponent directly attributable to IESO activation
- opportunity costs (e.g., lost manufacturing production)
- costs to resume normal levels of operations following activation.

Proponents will need to know at the earliest opportunity if the IESO intends to limit total eligible costs, by nature or amount.

What savings and revenues should be included in the calculation of a make- whole payment?

At a minimum, savings could include savings associated with the reduction in electricity usage and the reduction of other variable costs of the activation period.

What evidence can be provided and used to audit costs?

To reduce the IESO's administrative burden, the IESO could accept audited statements from an independent appropriately qualified third-party verifier.

## Shut-down Costs – Options 3 and 4 (Screened Out): Representative Cost and 2-Part Bid Reflected in Dispatch

### Requests

### Stakeholder Feedback

Is there anything else that should be considered in screening out Options 3 and 4?

The EDA agrees that, at this time, the “Representative Cost” approach should be screened out and that the IESO should consider when and how (e.g., for dependencies with other IESO timelines or procedures) to explore table 2-Part Bids.

### General Comments:

The EDA is encouraged that the IESO has presented two options for near-term consideration. We also note that the IESO has shifted from considering “energy payments” for the economic activation of DR and is now focusing on remunerating DR providers based on all costs of DR activation. This consultation was initiated to address DR proponents’ concerns about a perceived unfair advantage to generators that have access to both energy payments and capacity payments when DR proponents have access to energy payments only. Prior to finalizing this initiative, the IESO should analyze the impact of any proposed changes on competition and on the achievement of economically efficient outcomes.