

September 17, 2020

Ms. Candice Trickey
Director, Corporate and Regulatory Affairs
Independent Electricity System Operator
120 Adelaide St W #1600
Toronto, ON M5H 1T1

Dear Ms. Trickey,

**RE: Energy Payments for Economic Activation of Demand Response Resources (“EPDR”)
Feedback in Response to IESO’s Webinar on August 26, 2020**

Ontario’s local distribution companies (LDCs) are the face of the industry to the overwhelming majority of the end users in the province: they serve over 5 million customers and deliver approximately 125 TWh - or about 90% - of all the electricity used in the province. Recognizing that the electricity sector is changing with increased uptake of distributed energy resources (DERs) and changing customer preferences, the Electricity Distributors Association asserts that LDCs will play an important role to enable, integrate and ensure the efficient operations of DERs within their networks.

We acknowledge that demand response (DR) resources are anticipated to play an important role in meeting Ontario’s resource adequacy requirements. Further, we assert DR can serve as an effective non-wire alternative in distribution system planning to respond to local system constraints as a stand-alone resource or in combination with other DERs or programs. The decisions the IESO makes with respect to the compensation of DR within the wholesale market will have consequences for LDCs, both in terms of uptake of DR within an LDC’s service territory and in terms of assessing wholesale market revenue streams.

The IESO has concluded, based on analysis performed by The Brattle Group, that it is not economically efficient to provide energy payments to consumers who curtail their consumption in response to the IESO’s in-market DR activations. However, the IESO suggested that it may be economically efficient to provide compensation to DR resources for shut down costs and has indicated that it may give further consideration for “2-part bids for DR” in the future. Based on the IESO’s webinar on August 26, 2020, we understand that the IESO is not prioritizing a further evaluation of “2-part bids for DR” at this time given the IESO’s ongoing focus on the Market Renewal Program (MRP).

We appreciate that the MRP is a substantive and complicated project requiring a significant amount of resources from the IESO and others to implement. However, there are several initiatives the IESO has identified as beyond the scope of MRP that would likewise also improve efficiency, improve competition, and reduce wholesale market costs. For example, in addition to revising “2-part bids for DR”, the IESO is contemplating additional “post-MRP” changes to the wholesale market, including:

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Electricity Distributors Association

- Long-term design for energy storage
- Expanding participation in energy and operating reserve
- DER integration options as part of the IESO's whitepaper series

We recommend that the IESO work with stakeholders to prioritize and appropriately sequence changes to the wholesale market. For example, the IESO may consider developing an outline or roadmap for changes to the wholesale market with rationale and include opportunity for stakeholder input. If a proposed change to the wholesale market would result in cost-savings for customers, we encourage the IESO to implement these changes at the earliest opportunity to benefit these customers, irrespective of MRP implementation.

We appreciate the opportunity to provide this input and look forward to the continued engagement with the IESO on these important topics. If you have any questions, please feel free to contact Kathi Farmer, Senior Regulatory Affairs Advisor, at [REDACTED] or [REDACTED].

Sincerely,

Original Signed by

Ted Wigdor
Vice President, Policy, Government & Corporate Affairs