

Rate Design Options for IESO Interruptible Rate Pilot

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HOEP + Fixed + Demand

IESO to set the same fixed charge (\$/customer) for all customers and a minimum price bid for the demand charge

- The demand charge is designed be directionally more reflective of Class A's GA capacity cost
- Fixed charge reflects the balance of the GA costs for class A and the number of Class A customers

Participant provides a price bid for the demand charge and pays their bid price + fixed charge if accepted

Advantages

- Most cost-reflective: provides efficient demand price signal and preserves HOEP
- Can mitigate the potential of overvaluing demand interruption
- Reduce potential cost-shifting within class and between classes

Disadvantages

- Fixed charge concept is new to Class A customers
- May promote higher risk of grid defection

HOEP + Two-Part Demand

Similar to HOEP + Demand, but the demand charge consists of two components:

- A year-round \$/MW-month “base demand charge” to recover the non-capacity related GA charges. The monthly billing demand is measured during the system peak window (set by IESO)
- IESO to set a price bid for the “critical peak event demand charge” applied during event hours, and the charge is designed to be directionally more reflective of the capacity portion of the GA costs for class A. Participant provides a price bid and pays bid price if accepted

















Advantages

- Preserves HOEP price signal
- Can mitigate the potential of overvaluing demand interruption
- More opportunities to save on the demand charge by reducing their load during event hours
- Reduces the extent of cost shifting to Class B customers

Disadvantages

- Participants may find it too burdensome to manage their peak year-round

Summary of Rate Options

Rate Option	Cost-Reflectivity	Economic Efficiency	Proper Valuation of Demand Interruption	Simplicity
HOEP + Demand				
HOEP + Demand + Volumetric				
All-in Volumetric				
HOEP + Fixed + Demand				
HOEP + Two-Part Demand	