

# Illustrative Global Adjustment Payments under Different Interruptible Rate Design Options

PRESENTED BY

Sanem Sergici  
Long Lam

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# Introduction

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IESO and Brattle previously presented five rate design options for the Interruptible Rate Pilot

1. HOEP + Demand Charge
2. HOEP + Demand Charge + Volumetric Charge
3. All-in Volumetric Charge
4. HOEP + Demand Charge + Fixed Charge
5. HOEP + Two-Part Demand Charge

In this presentation, we provide additional information on our rate design method and illustrative examples of what an example participant is likely to pay based on their facility characteristics under the five rate options.

**The rates presented in this deck are illustrative at this time.** The final rate design will be based on the alternative rate option selected and forecast of relevant parameters

# Interruptible Rate Design

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Per the Minister's letter, what pilot participants are expected to pay must exceed what Class A customers are anticipated to pay under the Industrial Conservation Initiative (ICI) program, on average

We expect to design the interruptible rates to be revenue neutral to what the IESO collects from Class A customers for Global Adjustment (GA) payments

- If the interruptible rates were to be deployed to all of Class A customers, IESO would collect the same amount from the interruptible charges as the amount of Class A customers Global Adjustment payments, *before any changes in load response*
- Actual payment may be lower or higher than what *individual* Class A customers would pay depending on ability to interrupt load, load profile, final rate design, among other factors

Final rate design will be based on forecasts of relevant parameters

# Example GA Payment: Option 1 versus ICI Participation

Participants in the interruptible pilot stand to benefit as much as they would, under perfect ICI participation

## Illustrative GA Payments Under Rate Option 1, Perfect and Imperfect ICI Participation

*Example participant has 6 MW peak, 4 MW of contract demand & 3,958 MWh usage/month*

	Option 1: HOEP + Demand Charge	Status Quo Class A - Perfect ICI Participation	Status Quo Class A - Meeting 3/5 Peaks for ICI
<b>Minimum Charges Set by the IESO</b>			
Demand Charge (\$/MW-month)	\$31,667	\$31,667	\$31,667
Volumetric Charge (\$/MWh)			
Risk Premium Multiplier			
Fixed Charge (\$)			
Base Demand Charge for Non-Event (\$/MW-month)			
<b>Additional Charge Based on Bid Submitted by Pilot Participant</b>			
Bid for Demand Charge (\$/MW-month)	\$0		
Bid for Volumetric Charge (\$/MWh)			
<b>Total GA Based Charges</b>			
Demand Charge (\$/MW-month)	\$31,667	\$31,667	\$31,667
Volumetric Charge (\$/MWh)			
Fixed Charge (\$)			
Base Demand Charge for Non-Event (\$/MW-month)			
<b>Total GA Payment per month (\$)</b>	<b>\$126,667</b>	<b>\$126,667</b>	<b>\$152,000</b>

*Notes: We assume Global Adjustment Costs of \$380,000/MW-year; Class A Coincident Peak Demand of 3,500 MW/year; Class A Non-Coincident Peak Demand of 5,000 MW/year; Class A Consumption of 40,000,000 MWh/year. Final rate design will be based on forecasted values. Model assumes no non-performance in the pilot. Actual price bid must be greater than 0. The illustrative rates would change from month to month in the “floating” approach discussed in rates options presentation.*

# Example GA Payment Across Five Rate Options



## Illustrative GA Payments Across Five Rate Options

Example participant has 6 MW peak, 4 MW of contract demand & 3,958 MWh usage/month

	Option 1: HOEP + Demand Charge	Option 2: HOEP + Demand + Volumetric Charge	Option 3: All-in Volumetric Charge	Option 4: HOEP + Demand + Fixed Charge	Option 5: HOEP + Two-Part Demand Charge
<b>Minimum Charges Set by the IESO</b>					
Demand Charge (\$/MW-month)	\$31,667	\$25,000		\$30,666	\$28,095
Volumetric Charge (\$/MWh)		\$7	\$33		
Risk Premium Multiplier			1.1		
Fixed Charge (\$)				\$5,000	
Base Demand Charge for Non-Event (\$/MW-month)					\$2,500
<b>Additional Charge Based on Bid Submitted by Pilot Participant</b>					
Bid for Demand Charge (\$/MW-month)	\$0			\$0	\$0
Bid for Volumetric Charge (\$/MWh)		\$0	\$0		
<b>Total GA Based Charges</b>					
Demand Charge (\$/MW-month)	\$31,667	\$25,000		\$30,666	\$28,095
Volumetric Charge (\$/MWh)		\$7	\$37		
Fixed Charge (\$)				\$5,000	
Base Demand Charge for Non-Event (\$/MW-month)					\$2,500
<b>Total GA Payment per month (\$)</b>	<b>\$126,667</b>	<b>\$127,708</b>	<b>\$144,776</b>	<b>\$127,662</b>	<b>\$127,381</b>

Notes: We assume Global Adjustment Costs of \$380,000/MW-year; Class A Coincident Peak Demand of 3,500 MW/year; Class A Non-Coincident Peak Demand of 5,000 MW/year; Class A Consumption of 40,000,000 MWh/year. Risk premium reflects a cost associated with the risk of a setting a constant all-in price based on forecasted GA and HOEP. Final rate design will be based on forecasted values. Model assume no non-performance in the pilot. Actual price bid must be greater than 0. The illustrative rates would change from month to month in the “floating” approach discussed in rates options presentation.