# Feedback Form - Public

# Interruptible Rate Pilot: Initial Design Elements – October, 2022

## Feedback Provided by:

- Name:
- Title:
- Organization: Carlsun Energy Solutions
- [redacted]
- Date: Nov 1, 2022
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- Following the focused consultation sessions with potential pilot participants, the IESO is seeking feedback on a number of questions related to initial design elements of the Interruptible Rate Pilot.
- **Please provide feedback by October 28, 2022 to engagement@ieso.ca.** Please use subject header: *Interruptible Rate Pilot*.
- To promote transparency, your responses in this public feedback form will be posted on the Interruptible Rate Pilot webpage, unless otherwise requested by the sender. If you would like to submit feedback confidentially, please use the additional feedback form labeled as 'Confidential'.
- The IESO will consider and work to incorporate comments, as appropriate, and provide responses at a follow-up session with potential pilot participants in November 2022. Thank you for your valuable contribution to the consultation process.

## Public Feedback: Specific Questions

*Please note: Responses in this section will be posted on the Interruptible Rate Pilot engagement webpage.*

| Topic | Feedback |
|---|---|
| Please provide feedback on the draft eligibility criteria and interruption process, including in particular the following square bracketed parameters that are contained in the IESO's consultation deck:<br><br>On slide 9, re: draft eligibility criteria:<br>- have peak demand of at least [5] MW<br>- have the capability to interrupt at least [20-50%] of its peak demand for four hours<br>- have a maximum of [20-50] MW of curtailable demand<br><br>On slide 11, re: interruption events:<br>- subject to a maximum of [40-100] interruption hours and [10-20] events per year<br><br>On slide 13, re: contract demand dead-band:<br>- If actual demand is greater/lower than a [±5%] dead-band around the contract demand, then non-performance/incentive rates would apply | Slide 9: "Hydrogen producers are exempt from the 5MW peak demand minimum." Would there be a minimum size for hydrogen producers?<br><br>"20-50MW maximum curtailable demand." We understand that the IESO proposed this limit to ensure that the 200MW pilot is not taken by only one or two participants. This makes sense for the pilot, but perhaps not for the permanent program. Is it thought that there would be a maximum curtailable demand in the permanent program?<br><br>Hydrogen production facilities would be uniquely able to provide contract demands in the range of 5% of total load. For example, a hydrogen project that can deliver a load reduction plan that reduces load from 100% to 5% would avoid impacting daily system peaks nearly entirely, while at the same time minimizing GA payments. Will there be a minimum contract demand as part of the pilot or permanent interruptible rate programs?<br><br>Slide 11: Number of interruption events seems reasonable. Hydrogen production projects could likely offer more interruption events/duration than conventional larger users if it were to mean better rates.<br><br>On slide 13, re: contract demand dead-band: Proposed deadband is reasonable. |

| Topic | Feedback |
|---|---|
| Please provide feedback on the five rate design options that Brattle presented. Which options do you prefer and why? What options are you the most opposed to and why?<br><br>Do you prefer the use of a "fixed" (i.e., constant throughout the pilot) or "floating" (i.e., changing based on monthly Global Adjustment) pilot settlement? | Option 1 (HOEP + Demand Charge) would be preferred for hydrogen projects out of the options listed. It is preferred since it offers the greatest benefit to facilities that can significantly curtail their load. Hydrogen production facilities would be uniquely able to provide contract demands in the range of 5% of total load.<br><br>Volumetric approaches are not preferred as they offer little benefit to electricity users who consume primarily during off-peak hours. Volumetric approach does not allow large consumers to benefit from lower HOEP prices during off-peak timeframes.<br><br>The Floating settlement option is preferred. Fixed settlement does not seem practical in the context of a permanent program.<br><br>The rate options provided are geared toward large industrial consumers. We believe pricing mechanisms for hydrogen projects should be considered separately in order to build the sector and maximize flexible load and decarbonization benefits that off-peak hydrogen production can provide. |
| Please provide any feedback on the proposed method of exiting the pilot (as described on slide 14 of the IESO's consultation deck)? | Proposed method is reasonable for existing customers. It is not clear how new hydrogen projects would exit the pilot – especially those hydrogen projects that would qualify for the pilot but not for ICI. |
| Do the tentative project timelines work for you to participate in the pilot (see slide 7 of the IESO's consultation deck)? | Timeline is reasonable for participants already in operation. |

## Public Feedback: General Comments

Carlsun is encouraged to see the IESO move forward with the design of an interruptible rate as, we believe, such a pricing mechanism could be ideally suited for hydrogen production projects in Ontario. However, having reviewed the draft design, it appears that hydrogen production is not a specific priority area for this pilot. We ask the IESO to provide clarity on the following point:

- In the Spring of 2022, the Ministry of Energy posted a proposal on Ontario's Regulatory Registry entitled Accelerating Growth in Hydrogen Energy Through Electricity Rate Options (ERO number 019-5381). Option 3 was to include a *dedicated* stream for hydrogen producers. Our understanding was that the current engagement was to develop this dedicated stream. Is there, in fact, going to be a dedicated rate pilot for hydrogen producers? Our view is that the unique circumstances and importance of the hydrogen sector warrants a dedicated program that goes beyond the few exceptions to the eligibility criteria already featured in the draft pilot design.

Minister Smith's August 29, 2022, letter to the IESO stated, "Consideration should be made as to how an interruptible rate could support the province's Low-Carbon Hydrogen Strategy." We would highlight that the current rate design does not make appear to make this consideration. The goal of the draft rate pilot design appears to be the same as the current ICI program (reducing peak system load).

The Low-Carbon Hydrogen Strategy specifically describes how, "increasing electricity demand during off-peak hours when demand for electricity is lowest provides a new customer base for Ontario's low-carbon electricity, allowing existing system costs to be shared across a large consumption base." Hydrogen production would be ideally suited to make up a significant part of this new customer base, however, building this hydrogen production capacity would require electricity pricing that recognizes the strategic importance of the sector as compared to large incumbent users.

We would suggest that a dedicated interruptible rate stream for hydrogen projects be developed to recognize the ability of the hydrogen sector to provide value to the grid system where conventional loads are limited (growing the off-peak customer base, decarbonizing difficult-to-electrify industries, providing load flexibility, etc.).

A hydrogen rate option should aim to accomplish the following:

1) Encourage building of *new* hydrogen production projects in Ontario by providing *off-peak* electricity price predictability, preferably for a term of 20 years or more.

2) Pricing should be offered *below* rates being paid currently by conventional transmission-connected loads recognizing the flexible load and decarbonization attributes of hydrogen production.

3) Potential hydrogen projects should compete for participation in the hydrogen rate program based on the following factors:

- Benefits provided by the project to the grid system.
- The impact each project would have on reducing greenhouse gas emissions.

- Alignment of the project with the goals of the low-carbon hydrogen strategy.

We believe that significant potential exists to reduce system costs and achieve the goals of the Low-Carbon Hydrogen Strategy, however, achieving this potential will require dedicated support in the form of an interruptible rate that recognizes the exceptional value of the hydrogen sector.