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## Market Rule Amendment Proposal

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### PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00437-R00		
Subject:	Request for review of market rule pursuant to Chapter 3, section 4.2.4		
Title:	Demand Response Market Rule unjustly discriminates against a Market Participant / a class of Market Participants		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input type="checkbox"/> Deletion	<input type="checkbox"/> Addition
Chapter:	Market Rule Chapter 7	Appendix:	
Sections:	18.2 and 19.2.1.1		
Sub-sections proposed for amending:			

### PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	November 28, 2018
2.0	Draft for Technical Panel Review	April 9, 2019
3.0	Publish for Stakeholder Review and Comment	April 16, 2019
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

#### BACKGROUND:

Resolute FP Canada Inc. ("Resolute") is filing this request for an amendment to Chapter 7, sections 18.2 and 19.2.1.1 of the Market Rules (the "Market Rules") pursuant to Chapter 3, section 4.2.4 of the Market Rules and ss. 35(1) and 35(4) of the Electricity Act, 1998 ("Electricity Act").

The purpose of this amendment is to restore the original intention of the Market Rules with respect to the determination of a demand response market participant's demand response capacity (Chapter 7, s. 18.2) and eligibility to participate as an hourly demand response resource (Chapter 7, s. 19.2.1.1) (collectively, the "Capacity and Eligibility Requirements").

The original intention of the Capacity and Eligibility Requirements, as expressed in presentations to the Technical Panel and in the Market Rule Amendment proposals in respect of the Market Rules, included transitioning Capacity and Eligibility Requirements under the DR2, DR3 and CBDR programs (as defined below) to the DRA.

In order to ensure that the proposed amendments do not result in unanticipated consequences and do not constitute a design change to the DRA, Resolute has revised its proposed amendment to ensure that the amendment does not result in changes to Capacity and Eligibility Requirements that have not already been considered by the Technical Panel and approved under the DR2, DR3 and CBDR Programs. To achieve this, the revision simply confirms that "nothing in this Rule shall disqualify demand response metering configurations previously approved under the DR2, DR3, or CBDR programs."

The full text of the proposed amendment is in Part 4.

#### BRIEF DESCRIPTION OF THE ISSUE:

##### Context

As a Demand Response Market Participant ("**DRMP**"), Resolute has been providing DR to the IESO under the Demand Response 2 ("**DR2**") and Demand Response 3 ("**DR3**") programs created by the IESO's predecessor, the Ontario Power Authority, as well as the Capacity Based Demand Response program ("**CBDR**") and the current DR auction ("**DRA**") (collectively, DR2, DR3, CBDR and DRA will be referred to as the "**Demand Response Programs**").

For the purpose of its participation in the Demand Response Programs, Resolute registered its Thunder Bay news-mill manufacturing facility as the Demand Response Program resource (the "**Mill**"). To do this, Resolute made use of two revenue-grade electricity meters; one that measures the consumption of the Mill from IESO-controlled grid (the "**IESO Grid Meter**"), and the other that measures the consumption of the Mill from its cogeneration facility (the "**Mill Revenue Meter**").

### PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

The sum of the data measurements from these two meters accurately identify the total load of the Mill and that Facility's available capacity for the Demand Response Programs. The total load for the Mill was determined, and continues to be, between 70 - 110 megawatts, depending on manufacturing operations.

The IESO accepted this measurement as accurately reflecting the total available capacity of Resolute's Mill and approved Resolute's participation in DR2, DR3, CBDR and the DRA.

#### **Resolute's Registration For The 2016/2017 Auction**

In registering for the DRA, and with the IESO's knowledge, guidance, and participation, Resolute understood that the total load of the Mill would be measured using the same aggregated meter data, measured by both the IESO Grid Meter and the Mill Revenue Meter, as was previously relied on to determine Resolute's total available capacity for the DR2, DR3 and CBDR Programs.

Resolute was successful in both the 2016 and 2017 DRAs, and the IESO awarded it a maximum demand response capacity obligation of between 46 and 51 megawatts under these programs, reflective of its actual total load.

#### **REASON FOR THE REQUESTED AMENDMENT:**

In supporting the Market Rules in 2015, the Technical Panel was advised that the purpose of the Market Rules was to improve the "**integration of existing DR contracts** in the IESO-administered energy market and dispatch process".<sup>1</sup>

The first steps involved in achieving this goal were to "implement market rules to **transition DR3 contractual terms** for a market based structure (capacity-based demand response)" and to "implement a DR Auction mechanism **"to replace OPA DR contracts"**".<sup>2</sup> Similarly, the Technical Panel was advised that the target MW requirement for the DR auction "was based on **the quantity of DR expiring from CBDR to maintain 500 MW target.**"<sup>3</sup>

The Participation and authorization amendment to the Market Rules were described as facilitating the continuance of currently approved facilities and facilitating new DR participation."<sup>4</sup>

"In order to attract the broadest range of potential DR providers, **including current demand response providers** as well as new entrants and new technologies, we have sought to reduce the requirements for participation in the auction."

<sup>1</sup> Demand Response Auctions - Overview, Presentation to Technical Panel, January 20, 2015.p. 2.

<sup>2</sup> Demand Response Auctions - Overview, Presentation to Technical Panel, January 20, 2015.p. 3.

<sup>3</sup> Demand Response Auctions - Overview, Presentation to Technical Panel, January 20, 2015.p. 7.

<sup>4</sup> Demand Response Auctions - Overview, Presentation to Technical Panel, June 2 20, 2015.p. 8.

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Similarly, the Market Rule Amendment Submission in respect of the Market Rules specifically stated that, "In developing the demand response auction, **the approach has been to facilitate participation by current demand response providers**, potential new participants and new technologies."<sup>5</sup>

The Market Rules were drafted in a way to facilitate these objectives. Specifically, the Market Rules made no material changes or restrictions to the Capacity and Eligibility Requirements that are set out in the Market Rules respecting the IESO's CBDR Programs."<sup>6</sup>

Despite the approval of the continuation of the existing Capacity and Eligibility Requirements, after the Market Rules were passed, IESO staff took the position that the baseline measurement for Resolute's participation in the DRA will no longer reflect the CBDR Capacity and Eligibility Requirements that are set out in the market rules. Instead, staff's position was that the Capacity and Eligibility Requirements would only take into account measurement data from the IESO Grid Meter. As a result, staff advised that it will not accept or refer to measurement data from the Mill Revenue Meter.

The consequence of IESO Staff's position is that the electricity measured by the Mill Revenue Meter meter will no longer take into account in measuring the Mill's baseline consumption. Consequently, the mill will, for the first time, and contrary to the IESO's approved participation in the DR2, DR3<sup>7</sup> and CBDR Programs, artificially be deemed to only consume electricity from the grid and Resolute will not be able to have its demand reduction measured against the demand served by its self-generation (and measured by the Mill Revenue Meter).

IESO Staff has been unable to identify a Market Rule that supports this position and, in particular, could not identify how the Market Rules that transitioned the CBDR program to the DRA supported this change.

In discussing Resolute's amendments to the Market Rules with the Technical Panel, Staff raised two concerns. First, that scenarios that involve variations of Resolute's approved Capacity and Eligibility Requirements "could potentially yield unintended consequences if not thoroughly assessed"; and second, that Resolute's proposal is a "design change"<sup>8</sup>

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<sup>5</sup> Demand Response Auctions - Participant Authorization & Facility Registration, Version 5, p. 2 (MR-00416-ROO), undated.

<sup>6</sup> See Market Rules, Chapter 7, s. 17.2.1. For a comparison of the Capacity and Eligibility Requirements under the CBDR and the DRA, see Appendix A.

<sup>7</sup> The approvals for DR2 and DR3 were made by the IESO's predecessor organization, the Ontario Power Authority ("OPA"). The approvals for the CBDR were made by the post-merger IESO. Upon the amalgamation of the two organizations, the obligations, etc. of the OPA became obligations of the IESO: See Electricity Act, ss. 25.8(1).3.

<sup>8</sup> IESO Response to Proposed Market Rule Amendment submitted by Resolute, MR-00437: Demand Response - Registration and Metering Requirement, Technical Panel, March 5, 2019.

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Resolute understands the concerns respecting unintended consequences and has therefore revised its proposed amendment to ensure that it does not result in changes to Capacity and Eligibility Requirements that have not been considered by the Technical Panel and approved under the DR2, DR3 and CBDR Programs.

As to the "design change" point, it does not seem plausible that a configuration that has been in place and unchanged since 2013 has somehow become a design change. In any event, the revised amendment set out in Part 4 makes it clear that the Market Rule does not result in changes to metering configurations previously approved under the DR2, DR3 or CBDR programs.

The proposed changes to the Market Rules are set out in Part 4, below (proposed text to market rules is underlined).

If the IESO does not correct this outcome, then the current Market Rules are inconsistent with the purposes of the Electricity Act and discriminatory, and should be overturned by the Ontario Energy Board.

### PART 4 – PROPOSED AMENDMENT

As Resolute believes that the current Market Rules are clear, no specific amendments are required. However, under the circumstances, Resolute believe that the following amendments will restore the original intention of the Market Rules:

Chapter 7, Section 18.2.1.2

18.2.1 No person may participate in a demand response auction nor receive a demand response capacity obligation unless that person has:

18.2.1.2 submitted and has been approved by the IESO, using forms and procedures as may be established by the IESO in the applicable market manual, the amount of demand response capacity that the demand response auction participant is willing to provide, provided that nothing in this Rule shall disqualify demand response metering configurations previously approved under the DR2, DR3 or CBDR programs;

Chapter 7, Section 19.2.1.1:

19.2.1 A demand response market participant is eligible to participate as an hourly demand response resource provided that the demand response market participant:

19.2.1.1 demonstrates to the satisfaction of the IESO that it can provide the demand response capacity obligation, as specified in the applicable market manual, provided that nothing in this Rule shall disqualify demand response metering configurations previously approved under the DR2, DR3 or CBDR programs;

**PART 5 – IESO BOARD DECISION RATIONALE**

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