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July 9, 2019

Ontario Independent Electricity System Operator
Technical Panel

RE: Advanced Energy Management Comments to MRA 00439

I am writing to the Ontario Independent Electricity System Operator (“IESO”) Technical Panel on behalf of the Advanced Energy Management Alliance (“AEMA”) in response to the request for comments on Market Rule Amendment 00439-R00 through R05.

AEMA is an alliance of providers and supporters of distributed energy resources, including demand response (“DR”) and distributed generation, united to advocate for policies that empower and compensate customers appropriately in a manner which contributes to a more efficient, cost effective, resilient, reliable, and environmentally sustainable grid. These comments represent the view of the organization, not of any individual member.

AEMA’s members have been active participants in the IESO’s DR programs, market mechanisms and the stakeholder engagement activities for many years, including the evolution of the DR auction via the Demand Response Working Group, the current Market Renewal Program engagements, and the recent stakeholder sessions on the Transitional Capacity Auction.

Comments on MR-00439-R03

AEMA supports the development of a capacity market to address future resource adequacy in the IESO administered market. A properly designed capacity market will encourage broader competition for provision of capacity and thus best ensure resource adequacy and cost effectiveness, in the best interests of Ontario electricity consumers.

AEMA supports the expansion of Ontario's procurement of capacity products to additional resources; however, AEMA believes that the proposal for market rule changes may result in "discriminatory treatment against a class of market participants" [June 25th, Technical Panel presentation, page 37]. The proposed market rule changes are designed to permit participation by generators in the Transitional Capacity Auction ("TCA"), which is an expanded Demand Response Auction ("DRA"). The introduction of assets competing in the DRA that are not traditional DR assets was not anticipated until the Incremental Capacity Auction ("ICA") stream of the Market Renewal Program went live and the participation of load resources in other market constructs was permitted. Absent these opportunities, all DR resources, including commercial and industrial businesses in the province, will be disadvantaged in the TCA.

DR resources do not receive energy or utilization payments when their capacity is delivered and have been consistently advised by the IESO since the inception of the DRA that this should be reflected in their auction bid prices. Traditional dispatchable generators will receive energy payments for providing capacity and thus do not have to build this into their auction bid prices. DR resources would thus be at a competitive disadvantage to generators in the TCA.

For several years (since the transition of DR2/3 to the DR Auction) and through a variety of channels, AEMA members have been urging the IESO to remove the barriers that prohibit DR resources, including those comprised of aggregated load, to participate in the IESO-administered Energy, Ancillary and Operating Reserve markets. While the IESO now proposes to study the introduction of energy payments to DR resources, the study will not be concluded until late in 2020, and stakeholder feedback on the approach to conducting the analysis required was requested less than a month ago. This time frame will not result in a resolution of the issue prior to the first schedule TCA in December of 2019.

As stated by AMPCO in its submission on MR-00439, requiring DR resources to compete with generators in a TCA prior to resolution of the issue would:

- (a) Undermine competition and market confidence, not only failing to achieve the IESO's objectives for the TCA/ICA program but actually unduly constraining competition; and
- (b) Introduce undue and unjust discrimination against DR resources in the expanded auction program by requiring them to compete with generators prior to resolution of their eligibility for energy payments.

There are a number of DR participants that remain concerned about this issue, many of whom are AEMA members.

There does not appear to be any urgency to implement the first TCA by December 2019 (no imminent shortfall of capacity in 2020). This time frame could result in a

distortion of the market and in discrimination against the current DR community, including hundreds of Ontario businesses, leading to unfair results. AEMA is of the view that the TCA should not proceed prior to resolution of the energy payments issue; DR resources must be compensated for reducing electricity load at the same rates as if they met that demand with generated electricity. This is necessary in order to ensure a level playing field and fair and non-discriminatory competition amongst all resource types in any capacity auction. As the AMPCO submission so aptly stated, introducing an interim TCA, which undermines the ability of DR resources to compete in Ontario's electricity market, would be a regressive step in the quest for enhanced competition and innovation.

Thank you for consideration of these comments. Please feel reach to reach out should you have any questions at katherine@aem-alliance.org or +1-202-524-8832. We look forward to continuing to engage with this process.

Best regards,



Katherine Hamilton
Executive Director, AEMA

Cc: AEMA Canada Members: CPower Energy Management, Direct Energy, ecobee, Enel X, EnergyHub, Great Circle Solar, Itron, Nest, NRG, NRStor C&I, Rodan Energy Solutions, Stem, Gowling WLG.