

ONTARIO ENERGY BOARD

ASSOCIATION OF MAJOR POWER  
CONSUMERS IN ONTARIO (AMPCO)

Application for Review of an Amendment  
to the Independent Electricity System Operator Market Rules

INTERROGATORIES

of

AMPCO

1. **Reference:**

Affidavit of David Short Sworn October 25, 2019, Exhibit B, *Capacity Update Stakeholder Advisory Committee August 14, 2019*.

**Question:**

Please confirm that the referenced document reflects the IESO's most current capacity outlook information for the next decade, including any potential capacity shortfalls.

2. **Reference:**

IESO Transitional Capacity Auction: Phase I Design Document (April 11, 2019).

**Question:**

Section 1.1 of the referenced document sets out the design principles that will be applied in the creation of the TCA. The second principle listed in that section is:

- *Competition: Provide open, fair, non-discriminatory competitive opportunities for participants to help meet evolving system needs by evolving the DRA to enable additional resources.*

Please explain how the design of the TCA satisfies the cited principle in light of the fact that generators will be able to factor energy payments into their TCA bids to provide capacity whereas DR Resources will not.

3. **Reference:**

Affidavit of David Short Sworn October 25, 2019, Exhibit I; Demand Response Working Group 19-12-2017, Utilization Payments – Discussion Paper prepared by Navigant.

**Question:**

Please file the Terms of Reference for engagement by the IESO of Navigant Consulting for preparation of the referenced discussion paper.

4. **Reference:**

List of *Capacity Auction Market Rule Amendment – materials to be filed if there is an appeal as per S.6.3 of the IESO’s licence*, PDF page 6, item v. materials tabled before the Board of Directors in relation to the amendment or the subject matter of the amendment; 28-08-2019 sub-heading, bullet 4:

*Memorandum from Michael Lyle, Vice President, Legal Resources and Corporate Governance Chair, IESO Technical Panel RE: Recommendation from the Technical Panel on Market Rule Amendment Proposal*

**Question:**

In the referenced document the following statement appears:

*The IESO has taken the position that the proposed Phase I market rules do not unjustly discriminate against DR resources.*

- a. Please detail the basis for the position taken by the IESO as reflected in this statement.
- b. Please explain whether the IESO considered; i) *Transitional Capacity Auction: Phase I Design Document, April 11, 2019*; and/or ii) FERC Order 745 in arriving at this position, and if so please detail those considerations.

5. **Reference:**

Affidavit of David Short Sworn October 25, 2019, Exhibit D, page 5 (also included in *List of Capacity Auction Market Rule Amendment – materials to be filed if there is an appeal as per S.6.3 of the IESO’s licence*; PDF page 6, Section v.); *Reasons of the IESO Board in respect of an amendment to the market rules*.

At page 5 (in Part 6 – Reasons) in the referenced document the following statement appears:

*Lastly, relating to a technical panel process matter, the IESO Board noted that the AEMA/AMPCO joint brief was provided to the technical panel shortly before its August 13, 2019 meeting and the issue was raised as to whether the technical panel had sufficient time to consider the brief. The technical panel was provided an opportunity to delay the vote if members required more time to consider the joint brief, but the technical panel decided not to delay the matter. The IESO Board reviewed all the technical panel Materials and concluded that the technical panel exercised its discretion on an informed and reasonable basis.*

**Questions:**

- a. Please indicate how the IESO Board determines whether the technical panel exercised its discretion on an informed and reasonable basis, including the criteria applied.
- b. Has the IESO Board made such determinations in the past?
- c. If the response to part b. of this interrogatory is yes, please provide other examples from Board of Director Reasons documents that indicate that the IESO Board has considered the veracity of the Technical Panel's exercise of its discretion.

6. **Reference:**

Affidavit of David Short dated October 25, 2019, paragraph 22 refers to the Ontario electricity market structure put in place in 2002, noting that loads do not receive energy payments under this structure.

**Question:**

- a. Have energy payments of any description (including, but not limited to, utilization payments) been paid to, or contemplated for, demand response resources pursuant to any of the Ontario demand response programs, contracts or other market mechanisms which preceded the IESO's Demand Response Auction?
- b. If so, please provide a full list of such programs, contracts or market mechanisms and detail the form that such energy payments or contemplated energy payments took.

7. **References:**

Numerous of the disclosure materials filed by the IESO refer to FERC Order 745, including the "net benefits test" required by the FERC to ensure that energy payments to demand response resources are in the overall public interest in any particular jurisdiction.

The Affidavit of David Short dated October 25, 2019 (also refers to FERC Order 745, and includes the following statement at paragraph 18:

*In its Reasons [for adopting the Amendment] the IESO Board specifically addressed the position of AMPCO that the Amendment unjustly discriminates against demand response resources. The Board noted that AMPCO's position "relies heavily" on Order 745 from the [FERC] which requires energy payments to demand response resources when they are dispatched subject to the condition that they meet a "net benefit requirement". The IESO Board observed that FERC Order 745 is not determinative because:*

...

*b. it is unclear whether the net benefit requirement applies in Ontario, given the differences in Ontario's market design;*

**Question:**

- a. Was the Board of Directors provided with a copy of FERC Order 745 in the course of its deliberations?
- b. Was the Board of Directors provided with any further background on, or context for, FERC Order 745 in the course of its deliberations?
- c. Please explain what specific differences in Ontario's market design would render the net benefit requirement inapplicable?
- d. Please confirm that implementation of a net benefits test would protect the interests of Ontario's electricity consumers, including AMPCO's members, from any detrimental impact from extension of energy payments to demand response resources in appropriate circumstances. (If not confirmed, please provide reasons.)

**8. Reference:**

Affidavit of David Short dated October 25, 2019, paragraph 18.d):

*...the energy payment issue is not material because economic activations in the DRA have historically occurred in very limited circumstances and are not expected to be a material consideration for the December 2019 auction....*

**Questions:**

- a. Please explain the process by which successful Demand Response Auction resources are activated in the energy market.
- b. Do electricity generators incur costs when dispatched in the energy market? Would energy payments compensate generators for such costs?
- c. Do demand response resources incur costs when activated in the energy market? Please confirm that there is no compensation, beyond capacity

availability payments for successful Demand Response Auction resources, for such activations.

- d. Could the availability of energy payments for demand response resources affect economic activations of those resources?
- e. Has the IESO investigated the linkage between the existence of energy payments and capacity offer strategies? If so, please summarize the IESO's conclusions from such investigations.

9. **Reference:**

Affidavit of David Short dated October 25, 2019 (Short Affidavit), paragraph 27:

*The IESO expects to present its draft decision and rationale on the issue [of energy payments for economic activation of demand response resources] for stakeholder review in May 2020 and render a final decision and rationale in June 2020. The IESO would then commence the market rule amendment process for any changes that are needed to implement the decision.*

Exhibit K, page 8 of the Short Affidavit provides a timeline for the referenced stakeholder review.

**Question:**

If the Ontario Energy Board determined that the market rule amendments creating the Transitional Capacity Auction (TCA) should be revoked on the basis that the IESO must resolve the issue of energy payments for demand response resources prior implementation of such amendments;

- a. What adjustments could be made to the current timeline to expedite the IESO's "Final Decision and rationale" on the issue?
- b. Please extend the timeline as potentially adjusted (pursuant to part a. of this question) to illustrate when the appropriate market rule amendments could be put in place to;
  - i. implement the final IESO decision and rationale, assuming that energy payments are found to be appropriate; and
  - ii. re-implement the revoked market rule amendments to facilitate the TCA.
- c. Please indicate the TCA schedule that could be implemented taking into consideration the timeline provided in response to part b. and of this question, and leading up to a capacity commitment period commencing June 1, 2023.