Ontario Energy Board | Commission de l'énergie de l'Ontario

**BY EMAIL**

October 28, 2019

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Christine E. Long

Dear Ms. Long:

**Re: OEB Staff Interrogatories**
**Association of Major Power Consumers in Ontario (AMPCO)**
**Application to Review Amendments to the Market Rules Made by the Independent Electricity System Operator**
**Ontario Energy Board: File No.: EB-2019-0242**

Pursuant to Procedural Order No. 3, please find attached the interrogatories of OEB staff to AMPCO in the above referenced proceeding.

Yours truly,

*Original Signed by*

Michael Bell
Project Advisor, Application Policy and Climate Change

cc: All Parties in EB-2019-0242

# ONTARIO ENERGY BOARD

## OEB Staff Interrogatories to AMPCO

**Association of Major Power Consumers in Ontario**

**Application to Review Amendments to the Market Rules Made by the Independent Electricity System Operator**

EB-2019-0242

## October 28, 2019

**AMPCO-Staff-1**

Ref: AMPCO Application, Paragraph 22 (page 6); Affidavit of Colin Anderson Page 4, para. 15, 17

Preamble:

AMPCO's application states that under the Transitional Capacity Auction (TCA) rules generators will offer into the auction at prices that take into account their anticipated energy payments. DR resources will have to compete against these bids without an equivalent energy payment stream, putting DR resources at a competitive disadvantage to generators in the capacity market.

The Affidavit refers to an IESO proposed "work-around" that has sometimes been used.

> *In that "work-around" DR resources have increased their capacity offers by an amount sometimes referred to as a "utilization payment". This "utilization payment" is thought of as a partial proxy for energy payments upon activation. Inclusion of this proxy allows the DR Resources to offer a price that would provide them with some compensation if they are activated for energy. If this proxy methodology were to be used by DR Resources in the TCA it would increase their offers and make them uncompetitive relative to generators.*

The Affidavit also states "Those participants who include "utilization payments" in their capacity offers (DR Resources) are unlikely to clear the capacity market since they will be including cost elements that other participants (generators) will not be including, because those other participants will cover those costs in their energy payments that they will receive when activated."

Questions:

(a) Please provide a detailed list of the cost elements or cost categories that DR resources include in their capacity offer prices for the Demand Response Auction. (DRA) Please also provide an approximate percentage value that each element would account for in the total auction offer price. Please respond for a typical dispatchable load Demand Response Auction Participant (DRAP), and a typical Hourly Demand Response (HDR) resource DRAP.

(b) Does the above-mentioned utilization payment proxy sometimes used by DR Resources also relate to costs of being activated? If so, please identify what these costs are. Please also identify, for a typical dispatchable load and HDR participant, an approximate breakdown of these costs and all other elements that form part of these participants' Demand Response Energy Bids.

(c) Please explain the circumstances under which the partial proxy "work-around" is used, and the circumstances under which it is not used.
(d) To what degree does the "work-around" reflect a capitalization of energy market costs borne by demand responders with DRA capacity obligations into their offer prices for the DRA? Are these costs always present for a demand responder with a DRA capacity obligation, or are they only present when the demand responder is activated?
(e) A dispatchable load with a commitment in the DRA must make Demand Response Energy Bids into the Day Ahead Commitment Process (DACP) and the real time energy market (RTEM), and these bids must cover all hours in its availability window. A dispatchable load that does not have a commitment from the DRA may enter bids in DACP and the RTEM if it wants to consume energy. If these two dispatchable loads are in all other respects the same, please:
    i. explain how their energy bids into the DACP and the RTEM would be different. In providing this explanation please identify all significant elements that comprise the energy price bid for a given quantity of energy demanded.
    ii. Identify any other differences in the situation of a dispatchable load with a commitment from the DRA and one without.
    iii. Explain whether and how these differences will cause the behaviour of these two participants to differ.

**AMPCO-Staff-2**

Ref: (FERC) Order No. 745 Demand Response Compensation in Organized Electricity Markets, March 15, 2011, paragraphs 24, 25, 28, 42, 43, 57, 60, 63, 103, 104, footnote 199, paragraphs, 105, 107, 108, footnote 208, paragraphs 110, 111, 114.

Reference Commissioner Moeller's dissenting opinion page 4, paragraph 3; page 4, footnote 11; page 5, paragraph 2; page 5, footnote 12; page 7, paragraph 1; page 7, footnote 21, page 8, paragraph 1, page 8, footnote 26; page 8, footnote 27; page 8, footnote 29; page 9, paragraph 1; page 9, footnote 33; page 10, paragraph 1.

Preamble:

The paragraphs and footnotes listed in the reference above deal with how FERC's decision relating to the payment of LMP for demand response activations interacts with the fact that many potential demand responders in the electricity markets under FERC's jurisdiction pay state-level regulated retail rates for the energy they consume. This appears to be quite different as compared to the Ontario electricity market where potential demand responders typically pay either the market clearing price determined in the Real Time Energy Market (for Class A loads), or the Hourly Ontario Energy Price (HOEP) plus a volumetric charge for Global Adjustment (for Class B loads).

The contrast between the U.S. discussion and the Ontario discussion suggests differences in how demand responders participate in the IESO-administered markets in Ontario as compared to similar demand responders in U.S. FERC-regulated electricity markets.

Questions:

(a) What differences between demand response participation in energy markets in the U.S. and in Ontario are you aware of?

(b) Are any such differences relevant to the question of energy payments for the economic dispatch of demand response resources in Ontario? If so, why?

**AMPCO-Staff-3**

Ref: Transitional Capacity Auction, Phase I Design Document, June 5, 2019, p.11

Preamble:

The IESO's Phase I design document for the TCA describes the different approach in relation to the dispatch of dispatchable load resources and non-dispatchable load resources, which are referred to as Hourly Demand Response (HDR) resources. That document notes dispatchable load resources deliver energy by following the IESO's five-minute dispatch instructions. In contrast, HDR resources receive a "standby report" in advance of a potential activation between 15:00 EST day-ahead until 07:00 EST on the dispatch day, if they were scheduled to curtail. HDR resources would then be notified that they will be dispatched by receiving an Activation Notice about 2.5 hours before the start of the first dispatch hour. Dispatchable load resources are therefore subject to the same requirements as generators (i.e., 5 minute dispatch), while HDR resource requirements are not.

AMPCO does not distinguish between the different types of DR in the application (i.e., dispatchable and not dispatchable).

Questions:

(a) Is AMPCO's position that all DR resources should be eligible to receive an energy payment?

(b) If so, given the differences between dispatchable and non-dispatchable loads discussed above, please explain why HDR resources should receive the same treatment as dispatchable load resources in relation to receiving an energy payment.