

IESO'S RESPONSES TO OEB INTERROGATORIES

OEB STAFF INTERROGATORY 1

INTERROGATORY

Ref: IESO Staff presentation to Demand Response Working Group (DRWG), March 1, 2018, Slides 10 – 14.

Reference: (FERC) Order No. 745 Demand Response Compensation in Organized Electricity Markets, March 15, 2011, paragraph 67, third sentence.

Preamble:

In the IESO Staff presentation to the DRWG on March 1, 2018 the referenced slides are entitled “Negawatts and Megawatts”. An example is provided demonstrating settlement outcomes for megawatts and “negawatts”. Slide 14 concludes that “the current practice of not providing a utilization payment is equal treatment for resources providing “negawatts” and megawatts”.

Questions:

a) Does the IESO regard the “negawatts” and megawatts in the example as economically equivalent or not economically equivalent? Why or why not?

b) If the IESO considers “negawatts” and megawatts to be economically equivalent, why does the IESO’s conclusion regarding utilization payments appear to contrast with the conclusion in FERC Order 745, that utilization payments should be paid to DR resources under certain conditions because “demand response....is a cost effective alternative to generation in the organized wholesale energy markets and payment of LMP represents the marginal value of a decrease in demand”.

RESPONSE

a) In the example in slides 10 to 14 of the IESO Staff presentation to the DRWG on March 1, 2018, a negawatt is not the economic equivalent of a megawatt. The reasoning for the IESO’s conclusion is explained on slide 14, titled “Negawatts and Megawatts”. The IESO recognizes that this is a simple example which was undertaken for the purposes of illustration and that the question is a complex one that requires further study.

The IESO is in the process of studying energy payments for in-market activation of demand response resources under circumstances that reflect operating conditions in Ontario as part of

1 the Energy Payments for Economic Activation of Demand Response Resources stakeholder
2 engagement. As part of that engagement, the IESO will seek to determine whether the energy
3 market service provided by demand response resources should be compensated in a manner
4 comparable to that of generation resources. provided by demand response resources should be
5 compensated in a manner comparable to that of generation resources.

6 At the October 11, 2019 stakeholder engagement meeting *Energy Payments* issue, the IESO
7 presented the draft scope of the research that will be carried out as part of the study and sought
8 stakeholder feedback on such scope (refer to slides 23-24 in Exhibit "K" to the Affidavit of
9 David Short sworn October 25, 2019).

10 The final scope of the study is expected to be presented at the next stakeholder engagement
11 meeting on December 11, 2019.

12 The IESO expects to make a final decision in Q2 2020 following the completion of the study.

13 b) As discussed in response to (a), the IESO has not yet determined whether a negawatt is the
14 equivalent of a megawatt in the Ontario context and whether treating them as such would
15 result in a net benefit to Ontario consumers.

OEB STAFF INTERROGATORY 2

INTERROGATORY

Ref: IESO Presentation to the DRWG, September 4, 2019, page 9; IESO Presentation to the Technical Panel June 25, 2019, Page 38

Preamble:

In the above-referenced IESO presentation to the Demand Response Working Group the IESO states:

- The IESO has no ability to confirm whether bids reflect real-time price sensitivity or the desire to avoid being “activated” in the market, and therefore no indication as to whether bids reflect costs.
- At the last stakeholder webinar (July 29), the IESO outlined some of the fundamental differences between HDR bids and physical dispatch resources
 - IESO does not settle consumption against HDR bids; no real-time dispatch instructions to comply with as is the case with dispatchable loads
 - The IESO has no visibility as to whether resources continue to consume if the price of electricity in real-time goes very high.

This comment was made in the context of assessing whether HDR resources should be paid for out-of-market activations, and if so, whether prices bid would be an appropriate amount for such payments.

Questions:

(a) If the IESO has no ability to assess whether an HDR’s Demand Response Energy Bid reflect costs, is it correct to say that HDR resources are economically dispatched in the RTEEM?

(b) How would the IESO be able to compare generation offers to HDR bids in order to optimally dispatch the system given the statement above?

(c) Does the IESO have similar concerns about the Demand Response Energy Bids made by dispatchable loads with DRA capacity commitments? If not, why not?

RESPONSE

(a) The comments made in the presentation were in the context of a discussion pertaining to out-of-market activations of HDR resources as stated on slide 2 of the presentation. The IESO does not understand the relevance of these comments to Board staff's questions about in-market activations.

That being said, it is correct to state that HDR resources are economically activated in the RTEM. Dispatch in the RTEM is a function of the HDR resource's bid into the market. The IESO has no visibility into the actual costs of the market participant upon activation.

(b) The Dispatch Scheduling and Optimization ("DSO") sequences and evaluates bids and offers of all resources, including dispatchable loads, on the basis of economics. This process will apply to compare generation offers to HDR bids although there are timing differences due to the stand-by and activation lead-times for HDR resources compared to other resources. Further information about dispatch under the DSO can be found in the market rules Chapter 7, Appendices.

(c) The IESO does not have concerns about Demand Response Energy Bids made by dispatchable loads with DRA capacity commitments that are related to the comments made in the presentation.

OEB STAFF INTERROGATORY 3

INTERROGATORY

Ref: Memorandum of Michael Lyle, Vice-President, Legal Resources and Corporate Governance; Chair, IESO Technical Panel to IESO Board of Directors, dated August 20, 2019

Preamble:

On page 3, paragraph 2 of the above noted Memorandum, Mr. Lyle states:

The IESO takes the position that the proposed Phase I market rules do not unjustly discriminate against DR resources. Phase I initiates a process that will allow more market participants to access a capacity auction, thereby increasing competition and providing the greatest value for ratepayers while meeting a growing reliability need.

Question:

Please explain how the IESO has come to the conclusion that the TCA Phase I market rules do not unjustly discriminate against DR resources.

RESPONSE

The TCA market rule amendments introduce new competition to the IESO's capacity auction, which will enhance economic efficiency. The IESO is unaware of any reason to conclude that such competition from new resource types would result in unjust economic discrimination against any class of market participants in form or effect.

The TCA rules are built upon the existing, underlying design of the IESO energy market, in which demand side resources do not, and have never received, energy payments for load reduction. The TCA market rule amendments do not deviate from the underlying design, nor do they introduce new differences in treatment between demand-side and generation resources.

If the IESO were to adapt a FERC-style "net benefit test" for determining when energy payments to DR resources may be warranted, it is unclear that it would demonstrate any net benefit to Ontario consumers. The only Ontario specific evidence before the Board on this point comes from Navigant who concluded that "more DR activations (as a result of bidding into the market at prices lower than traditional generators) would not actually lead to reduced cost to consumers since generators have their compensation guaranteed". In other words, any reductions in the IESO market price may simply be offset by out of market Global Adjustment payments which are ultimately paid by consumers.

1 Moreover, based on the historical infrequency of DR resource activation in the DRA, and the
2 IESO's short-term forecast for capacity need, the IESO estimates a very low probability of
3 economic DR resource activation during the TCA commitment period. Given this low
4 probability of DR resource activation, theoretical access to energy payments should have no
5 material impact on DR auction offers, and so should have no effect on their competitiveness in
6 the auction.

OEB STAFF INTERROGATORY 4**INTERROGATORY**

Please provide the following data about the participation of various demand response provider categories in the Demand Response Auction and Real Time Energy Market.

HDR Participants	<ul style="list-style-type: none"> • Number of Participants • Total MW Capacity for this group • Average hourly consumption for both 2018-2019 Commitment Periods* • Average hourly consumption for High 5 Hours in 2018 	<ul style="list-style-type: none"> • Number of Participants • Total MW Capacity for this group • Average hourly consumption for both 2018-2019 Commitment Periods* • Average hourly consumption for High 5 Hours in 2018
Dispatchable Load Participants	Same Information as above	Same Information as above

* Average hourly consumption is to be defined as Total MWh consumed in all availability window hours for the 2018 Summer Commitment period and the 2018-2019 winter commitment period, divided by the total number of hours in those two commitment periods.

RESPONSE

The IESO has made best efforts to present the data in the format requested. Note that HDR participants can be physical or virtual resources; physical resources are wholesale revenue metered by the IESO and virtual resources are not. Virtual HDR resources meet their capacity obligations through a portfolio of contributors. Virtual HDR resources are not classified as Class A or Class B consumers, and thus are excluded from the data table. Therefore, the data table shows only the HDR participants with physical capacity obligations. Please note that this categorization does not apply to dispatchable loads, which are all physical resources.

	Class A	Class B
HDR Participants	<p>Number: 2</p> <p>Total MW Capacity for this Group: 31.4 MW (summer and winter)</p> <p>Average Hourly Consumption for both 2018-2019 Commitment Periods*: 19.8 MWh</p> <p>Average Hourly Consumption for High 5 Hours in 2018: 63.1 MWh</p>	<p>Number: 0</p> <p>Total MW Capacity: 0</p> <p>Average Hourly Consumption for both 2018-2019 Commitment Periods*: n/a</p> <p>Average Hourly Consumption for High 5 Hours in 2018: n/a</p>
Dispatchable Load Participants	<p>Number: 3</p> <p>Total MW Capacity: 112 MW (summer) 137 MW (winter)</p> <p>Average Hourly Consumption for both 2018-2019 Commitment Periods: 31 MWh</p> <p>Average Hourly Consumption for High 5 Hours in 2018: 72.9 MWh</p>	<p>Number: 0</p> <p>Total MW Capacity: 0</p> <p>Average Hourly Consumption for both 2018-2019 Commitment Periods*: n/a</p> <p>Average Hourly Consumption for High 5 Hours in 2018: n/a</p>

1 *Where average hourly consumption is defined as per OEB Staff 4

OEB STAFF INTERROGATORY 5

INTERROGATORY

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 is the IESO 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?

RESPONSE

a & b

In July 2017, the IESO retained Navigant Consulting to provide research on energy payments for the purpose of informing a dialogue on their potential for driving economically efficient demand response. In its findings, Navigant identified certain differences between DR participation in energy markets in the US and in Ontario that may be relevant to the question of whether energy payments to DR resources would be appropriate or warranted.

The IESO has not arrived at any final conclusions with respect to which features of DR resources in Ontario may be relevant or determinative for the question of whether energy payments for DR resources are appropriate or warranted.

On August 22, 2019, the IESO launched the Energy Payments for Economic Activation of Demand Response Resources on this subject. The engagement is seeking input from stakeholders on a range of questions, including with respect to how compensation for in-market activations in other jurisdictions can inform models for Ontario, and what economic principles should drive activation decisions for DR resources in Ontario. The IESO will make its determination on the basis of the findings of the study and stakeholder input.

OEB STAFF INTERROGATORY 6

INTERROGATORY

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

Ref: Transitional Capacity Auction, Phase I Design Document, June 5, 2019, p.13

Preamble

In the TCA Phase 1 design document, the IESO noted "Phase I is intended to introduce minimal changes to the DRA." The IESO's intent for Phase 1 was therefore limited to broadening the scope of resources that are eligible to participate in the TCA to also include non-committed dispatchable generators (i.e., not contracted).

Questions:

(a) Please clarify how much total generation would be eligible to participate (i.e., not only registered to date) in the December 2019 auction based on both capacity (MW) and the number of generators.

(b) Please also provide a breakdown of that generation by the type of generation resource (e.g., natural gas, wind, etc.).

(c) Please also indicate whether the IESO Board was informed of the amount of generation that would be eligible to participate in the December 2019 auction before a final decision was made on the market rule amendments. If not, why did IESO staff not believe it was an important consideration?

RESPONSE

(a) The theoretical maximum total generation eligible to participate in the December 2019 auction is 27 generators representing 641 MWs. However, actual participation by a generator is dependent upon the generator meeting the eligibility criteria set out in the market rules and its business decision to participate. The IESO currently has five organizations representing multiple generators that have registered to participate in the December 2019 auction.

(b)

Fuel	Installed MW	Number of Generating Units
Bioenergy	37	2
Gas	596	23
Water	8	2
Total	641	27

- 1
- 2 (c) No. IESO staff did not and do not view the theoretical maximum total generation eligibility
- 3 as a useful proxy for actual participation by generators. At the time of its decision, the IESO
- 4 Board was informed by IESO staff that several organizations that represent generation had
- 5 expressed an interest in participating the December 2019 auction.

OEB STAFF INTERROGATORY 7

INTERROGATORY

Ref: Presentation to IESO Board, Enhancing Ontario's Electricity Markets – MRP and TCA, June 12, 2019, p.22

Preamble:

In a presentation to the IESO Board, IESO staff indicated that, if there was a delay to the implementation of the TCA due to a challenge of the related market rule amendments at that OEB, another DRA may be held under the existing rules to meet short term capacity and reliability needs.

Questions:

(a) Is it still the case that the IESO plans to proceed with a DRA if the TCA is delayed?

(b) If not, please explain how the IESO would proceed to ensure any near term capacity and reliability needs are met.

RESPONSE

(a) The IESO intends to proceed with the TCA in December 2019. In the event the market rule amendments are stayed by the Board, the IESO would proceed with a DRA in December 2019 as required by the unamended market rules.

(b) N/A

OEB STAFF INTERROGATORY 8

INTERROGATORY

Ref: Presentation to IESO Board - IESO Market Rule Amendments: Transitional Capacity Auction, August 28, 2019, p.6

Questions:

(a) IESO staff notes at slide 6 in the presentation that "Access to energy payments for DR resources with a capacity obligation has not been material historically nor is it expected to be material under the TCA rules for the December 2019 auction". Please explain this statement, including the meanings of "access" and "material" in this context.

Further on slide 6, IESO staff also notes "Economic activations of DR resources have been very limited to date, and we do not expect the likelihood of economic activation to increase appreciably in 2020".

(b) Please clarify the number of economic activations of DR resources in each year since the DRA was introduced in 2015 for: (1) HDR resources; and (2) Dispatchable load resources.

(c) Please describe the IESO's expectations for 2020 in relation to the number of economic activations of DR resources under the current TCA design. Please describe the anticipated market conditions (such as total load, MCP and/or HOEP) at times when activations, if any, would be expected.

(d) Would IESO expect the frequency of activations to change if DR resources received an energy payment and, if so, how?

RESPONSE

(a) In the referenced statement, the term "access" means an opportunity for a DR resource to receive an energy payment if activated. The IESO stated that access has not been historically "material" because HDR resources have only been economically dispatched on one occasion since the introduction of the DRA in 2015 and dispatchable loads have been dispatched less than 1% of the time over that same time period.

Based on the historical infrequency of DR resource activation in the DRA, and the IESO's short-term forecast for capacity need, the IESO estimates a very low probability of economic DR resource activation during the December 2019 TCA commitment period. Given this low

probability of DR resource activation, theoretical access to energy payments should have no material impact on DR auction offers, and so would have no effect on their competitiveness in the auction.

(b) The number of activations under the DRA by year are shown on the table below for DL resources only.

	Activation (Interval Based)	Percentage of All Intervals within hours of availability (Interval Based)	Activation (Hourly Based)	Percentage of all hours within hours of availability (Hourly Based)
2016 (Since May 1st)	244	0.40%	74	1.45%
2017	142	0.20%	44	0.72%
2018	79	0.10%	34	0.49%
2019 to date	64	0.09%	23	0.38%
Total	529	0.18%	175	0.72%

Where:

- Activation (Interval Based) – Occurrences (count of intervals) that DLs were activated
- Activation (Hourly Based) – Occurrences (count of hours) that DLs were activated

Percentage of all hours within hours of availability - percentage of all hours within the availability window of the mentioned period

There has only been one activation for three hours of an HDR resource, this occurred in July, 2019.

(c) The IESO does not anticipate any change in the frequency of activations for the December 2019 commitment. There has been no material change in the target capacity for the December 2019 commitment period (675 MW for summer and winter commitment periods) as compared to the December 2018 commitment period (611 MW for summer and 606 MW for winter). The total target capacity is negligible in the context of total system need.

1 The IESO does not anticipate any activations of HDR resources during the December 2019
2 commitment period.

3 The IESO does not anticipate any activations of HDR resources and anticipated a similar
4 historical activation of DL resources during the December 2019 commitment period.

5 (d) No. For the reasons described in paragraph (a), the IESO would not expect any energy
6 payments to be material in respect of the December 2019 commitment period. Therefore, the
7 IESO does not expect that the availability of an energy payment would influence frequency of
8 activations of DR resources. As Navigant stated in section 3.1.5 of its report (Exhibit "I" to the
9 Affidavit of David Short sworn October 25, 2019, "[l]arge commercial and industrial customers
10 with a high value of lost load are not likely to change their bids into the energy market because
11 of utilization payments".

OEB STAFF INTERROGATORY 9

INTERROGATORY

Ref: IESO Stakeholder Advisory Committee Meeting Notes – April 24, 2019, p.6

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

Preamble:

The IESO decided to change the DRA into the TCA by making certain generation resources eligible to participate in Phase 1. At the April 24th SAC meeting, a committee member noted that DR resources do not receive energy payments when their capacity is delivered under the DRA and have been “consistently advised by the IESO since the inception of the DRA that this should be reflected in their auction bid prices.” That SAC member further noted that under the TCA design, dispatchable generators will receive energy payments and thus do not have to build this into their auction offer prices.

Questions:

(a) Please comment on the accuracy of the stakeholder’s statement that the IESO consistently advised DR resources to build in not receiving an energy payment into their auction offer prices.

(b) If the stakeholder’s statement is accurate, please indicate if the IESO is continuing to advise DR resources to build in not receiving an energy payment into their auction offer prices. If not, why not?

RESPONSE

(a) & (b)

The statement made by the stakeholder representative is not accurate. It is up to a participant to set its auction bid price.

OEB STAFF INTERROGATORY 10

INTERROGATORY

Ref: Reasons of the IESO Board in respect of an amendment to the market rules, August 28, 2019, p.4

Ref: IESO stakeholder engagement web page – Energy Payments for Economic Activation of Demand Response Resources¹

Preamble:

The document containing the reasons of the IESO Board decision on the TCA market rule amendments discusses FERC's decision to require energy payments to DR resources when they are dispatched subject to the condition that they meet a "net benefit requirement". It also notes that it is not clear that the FERC analysis and conclusion is applicable to Ontario given the differences between the Ontario and U.S. electricity markets. As a result, further analysis was required and the IESO had committed to completing that analysis and engaging stakeholders.

The document further notes that AEMA and AMPCO believe it is appropriate to delay implementation of the auction until the analysis is completed. However, the IESO concluded that a delay was not warranted and would be detrimental to the market overall. According to the IESO website, the stakeholder engagement process discussed above that is analyzing the issue of energy payments to DR resources will be completed in June 2020, with a final IESO decision issued at that time.

Questions:

(a) Please describe the IESO's expectations of the detrimental impact to the Ontario electricity market overall in the event of a delay to the implementation of the TCA.

(b) Please identify the "the differences between the Ontario and U.S. electricity markets" that were taken into consideration by the IESO Board.

RESPONSE

(a) The potential impact to the Ontario electricity market in the event of a delay to the implementation of the TCA is described in the affidavit of David Short sworn October 25, 2019.

¹ <http://www.ieso.ca/en/Sector-Participants/Engagement-Initiatives/Engagements/Energy-Payments-for-Economic-Activation-of-DR-Resources>

1 (b) The IESO Board was advised of Navigant's conclusion that the arguments for and against
2 the provision of energy payments to DR resources are "nuanced and prudent" (see slide 5 of
3 Market Rule Amendments: Transitional Capacity Auction, August 28, 2018). As reflected in the
4 IESO Board's reasons, the IESO Board considered whether any reductions in the IESO market
5 price resulting from payments to DR resources would meet the net benefit test in Ontario given
6 the effect of Global Adjustment payments. The Board recognized that further analysis of the
7 issue was required.

Market Rule Amendments: Transitional Capacity Auction

Presented by:

Leonard Kula, David Short, Jessica Savage,

August 28, 2018

Purpose and Overview

- **Purpose:** Recommendation for approval
 - Seeking Board approval of market rule amendments for the Transitional Capacity Auction (TCA):
 - Enables off-contract, non-regulated dispatchable generators to participate in the December 2019 capacity auction along with dispatchable loads and hourly demand response resources
 - Evolution of the Demand Response Auction into a more competitive capacity acquisition mechanism
 - Technical Panel vote of 11-1 to recommend TCA market rule amendments for IESO Board approval
- **Overview:**
 - Stakeholder Engagement
 - Stakeholder Comments on Energy Payments
 - IESO Position

Stakeholder Engagement

- IESO sought input on the TCA design and associated market rule amendments through a formal stakeholder engagement initiative
 - Five in-person meetings/webinars between March – June 2019 with multiple requests for written submissions followed by IESO responses
- Three meetings with Technical Panel; Technical Panel issued formal request for stakeholder comments on Jun 27 through to July 9
 - Three submissions to Technical Panel (AEMA, AMPCO, EnelX)
- AEMA and AMPCO submitted a legal brief to IESO staff on July 19, which reiterated their concerns about unjust discrimination as mentioned in their respective July 9 submissions to Technical Panel
 - AEMA and AMPCO indicated that they would like to make the legal brief public after having discussed timing at the IESO's convenience
 - It was IESO staff who asked AEMA and AMPCO to clarify if the brief should be provided to Technical Panel members in advance of the August 13 vote

Stakeholder Comments on Energy Payments

- AEMA and AMPCO assert that the TCA market rule amendments introduce undue and unjust discrimination against demand response (DR) resources by requiring them to compete with generators prior to resolution of DR resources eligibility for energy payments
 - AEMA/AMPCO seek to be paid a \$/MWh amount for each MW of reduced consumption
- The AEMA/AMPCO positions rely on the US Federal Energy Regulatory Commission (FERC) decision and order requiring energy payments for economic activation of DR where there is a net benefit of DR activation
 - FERC decisions are not binding on Canadian entities
- Energy payments were contemplated previously as part of the original DR Auction design discussions and were included in Demand Response Working Group (DRWG) 2017 work plan

Energy Payments (continued)

- In 2017, the IESO commissioned Navigant to prepare a discussion paper in order to facilitate an informed discussion on the topic
 - The Navigant paper concluded, in part, that the “arguments for and against *[energy]* payments are nuanced and prudent. Responsible stakeholders can arrive at different conclusions based on preferences for evaluation criteria” and that “Additional effort is required to estimate the quantum of the impacts”
- Stakeholder interest in energy payments was renewed as a result of TCA and the IESO committed to conduct a study to determine whether there is a net benefit to ratepayers if DR resources are compensated with energy payments for economic activations
 - Discussions at the April 13 Technical Panel meeting and the April 14 Stakeholder Advisory Committee meeting highlighted the need to engage a broad group of stakeholders, beyond the DRWG
 - August 22 announcement of comprehensive stakeholder engagement initiative on energy payments

IESO Position

- IESO position is that the proposed TCA market rules do not unjustly discriminate against DR resources
 - TCA initiates a process that will allow more market participants to access a capacity auction, thereby increasing competition and providing the greatest value for ratepayers while meeting a growing reliability need
- Access to energy payments for DR resources with a capacity obligation has not been material historically nor is it expected to be material under the TCA rules for the December 2019 auction
 - Economic activations of DR resources have been very limited to date, and we do not expect the likelihood of economic activation to increase appreciably in 2020
- Energy payments for DR is a complex issue and would be a substantive change to the energy market; the IESO has not taken a position as to whether these payments would result in a net benefit to ratepayers – further study is underway

Next steps/ Implementation

- Recommend that the Board accept the majority vote and recommendation of the Technical Panel to approve market rule amendment MR-00439: Transitional Capacity Auction
- Recommended effective date is October 15, 2019

OEB STAFF INTERROGATORY 11

INTERROGATORY

Ref: *Electricity Act, 1998*

Please describe the main ways in which the TCA is consistent with the purposes of the *Electricity Act, 1998*.

RESPONSE

The TCA promotes multiple objectives including paragraphs 1(a), 1(f) and 1(g) of the *Electricity Act, 1998*

1 (a) to ensure the adequacy, safety, sustainability and reliability of electricity supply in Ontario through responsible planning and management of electricity resources, supply and demand;

1 (f) “to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service;” and

1 (g) to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity.

An analysis of the impact of rule amendment on price, reliability and quality of service was before the IESO Board and included in the IESO’s Licence Filings.

OEB STAFF INTERROGATORY 12

INTERROGATORY

Ref: Presentation to IESO Board - IESO Market Rule Amendments: TCA, August 28, 2019, p.6

Ref: FERC Order 745, p.3

Slide 6 of the presentation is entitled "IESO Position". The final bullet on the slide states "the IESO has not taken a position as to whether these payments would result in a net benefit to ratepayers – further study is underway". That further study is underway through the current IESO stakeholder engagement process that is expected to be completed by June 2020. It is OEB staff's understanding from participating in that engagement process that it will culminate in the IESO's decision and rationale on whether demand response resources will be compensated with energy payments for economic activations. FERC Order 745 discusses its "net benefits test". Please explain whether and how the IESO's approach to assessing the net benefits associated with DR resources differs from FERC's approach.

RESPONSE

The IESO has not yet adopted an approach to assessing net benefits. As noted in the response to OEB Staff 1, the IESO is in the process of studying energy payments for in-market activation of demand response resources as part of the Energy Payments for Economic Activation of Demand Response Resources and the net benefit assessment is a central component of this study. The final scope of the study is expected to be presented at the next stakeholder engagement meeting on December 11, 2019.

OEB STAFF INTERROGATORY 13

INTERROGATORY

Ref: Agenda Item Summary for meeting of IESO Board of Directors, August 28, 2019, p.2

Page 2 of the Agenda lists the materials tabled before the Board including a document titled "IESO legal memo (privileged and confidential so will not be publicly available)"

Please provide details of the IESO legal memo including:

- The nature of the privilege being claimed, and the grounds for that claim. For example, if litigation privilege is being claimed, describe the nature of the anticipated litigation, whether it would be before the courts or the OEB, and the relationship between the contemplated litigation and the information contained in the memo

- If the claim is for solicitor – client privilege, please identify the client (i.e, whether it is the IESO Board of Directors or other entity), and explain the relationship between the author of the memo and the client

- The name and role of all persons to whom the memo was disclosed, whether intentionally or inadvertently

- The name and role of the author(s) of the memo

- The date that the memo was produced

RESPONSE

The legal memo is solicitor-client privileged. It was drafted by James Hunter, Senior Legal Counsel at the IESO. It was provided to the IESO Board, IESO staff with a need to know, and to external legal counsel for input. It was provided to the IESO Board on August 20, 2019.