

AESO Discussion Paper – Alberta Demand Response Initiatives Stakeholder Comment Matrix

IPPSA Response
16 November 2009

Section	Subsection	Stakeholder Response
<p>2.0 Demand Response Policy and Background</p>	<p>2.3 Demand Response Principles</p> <ul style="list-style-type: none"> a. Remove Barriers b. Symmetric Rules c. Product Design d. Price Fidelity 	<p>IPPSA begins by commending the AESO for facilitating a thorough discussion on this topic and wishes to recognize Laura Letourneau for her efforts at the outset of this process.</p> <p>IPPSA strongly supports the principles that the AESO intends to use to guide demand response (DR) development. These include the need for product design to be consistent with the existing energy-only market structure and real-time price signal. To us, this precludes capacity or availability payments associated with energy market participation by loads.</p> <p>We also see Alberta's design as minimizing the scope of capacity payments for reliability products, and instead relying on market mechanisms.</p> <p>Fundamentally, we believe that in a commodity market, demand captures the value of curtailment via avoided costs.</p> <p>We applaud the AESO's interest in removing barriers to demand response and by binding its efforts in this regard by the following principle: <i>"equivalent rules for load and generation are a guiding principle. Separate rules will not be created for loads as a means of increasing DR participation."</i> (pg 7)</p>

<p>3.0 Energy Market Initiatives</p>	<p>3.2 Barriers to more DR in the Energy Market</p> <p>a. Are the barriers identified actually barriers?</p> <p>b. Are there missing barriers?</p>	<p>To answer the AESO's question, we do not believe that the barriers to DR identified in this section are real barriers:</p> <p>Price Certainty and No Advanced Notice: The lack of price certainty may be a barrier to participant response, but it is fundamental to the nature of a competitive commodity market. The lack of certainty creates dispatch risk and creates the competitive tension essential for competition.</p> <p>Insufficient Financial Incentive In a commoditized market, the incentive to curtail is to capture avoided cost. To be consistent with our FEOC market, increasing the financial incentive for curtailment should only be done by raising the price cap.</p> <p>Curtailement is Limited to Real Time Prices Generators provide power in response to real time prices and, in accordance with symmetry, load response should be based on the same signal as well.</p> <p>Lack of a Baseline A baseline to track DR volumes may only be required in capacity markets where a demonstration of shedding is required in order to achieve a payment. Such payments are not consistent with Alberta's energy-only market. In our market, the benefit of shedding is through avoided cost.</p>
<p>3.3 Options to Increase DR in the Energy Market</p>	<p>3.3 Options to Increase DR in the Energy Market</p> <p>a. Other options beyond those identified in sections 3.3.1 through 3.3.4?</p>	<p>IPPSA does not have any further options to consider, beyond those raised in the paper.</p>
	<p>3.3.1 Price Certainty</p> <p>a. Payments to bids on the margin</p>	<p>IPPSA supports the AESO's observation that to qualify for a payment to bids on the margin, loads must schedule and loads must comply with dispatches. Should loads agree to do so, we</p>

	<ul style="list-style-type: none"> b. Altering settlement rules c. New products d. Others to add? 	<p>believe such a payment would be fair as it reflects a misalignment of dispatch and settlement periods. A long term fix would be to better align these periods and avoid any true-up payments altogether.</p> <p>IPPSA further submits that requiring loads to schedule would create important visibility for the System Controller to aid it in its role of balancing supply and demand. Perhaps load scheduling is a good idea.</p>
	<p>3.3.2 Insufficient Incentive</p> <ul style="list-style-type: none"> a. Pay loads for the benefits they create b. Pay loads the energy price c. Allow bids >\$1000/MWh d. Others to add? 	<p>IPPSA notes that generators responding to market prices provide the same benefit that loads do when they respond to market prices. This includes, ‘reducing price volatility, increasing reliability and reducing the likelihood of out of market interventions.’ Generators do not receive and do not expect to receive anything but market receipts for providing these services. This is consistent with Alberta’s energy-only market design.</p> <p>To uphold the principle of symmetry, IPPSA does not support loads receiving any out-of-market payments for their role in the energy market, which is to consume energy at the price they want or to shed when the price exceeds what they are willing to pay.</p> <p>IPPSA supports the AESO’s concern about loads being paid the energy price for when they curtail. This does not make sense in our commoditized market design. In what commoditized market does a consumer get paid the clearing price for not consuming a commodity?</p> <p>IPPSA supports examining a revised price cap. Increasing the cap increases the magnitude of avoided cost that can be saved should load decide to shed. This may encourage more price responsive loads. A higher price cap, combined with load bidding, would also enable the AESO to avoid curtailing a load that can withstand higher prices, should it see those bids.</p>
	<p>3.3.3 Aggregation and Baseline Methodology</p>	<p>It is IPPSA’s understanding, from the presentations provided by aggregators, that a key purpose for the baseline data is for those</p>

		<p>aggregators to receive out-of-market compensation for the volume that they can curtail. Such a payment would not be consistent with Alberta’s energy-only market design.</p> <p>On the other hand, we do support the AESO’s willingness to work with aggregators to ensure that loads that curtail, and that have an interval meter, can avoid the hourly pool price, rather than the average prices.</p>
	3.3.4 Signals Beyond the Spot Energy Price	We support the AESO’s resolve in showing symmetrical treatment to loads and supply when it comes to price response. Like the AESO, we do not support any facilitated or incented load response to price.
4.0 Reliability Product Initiatives	4.2 Barriers to more DR participation in Reliability Products <ol style="list-style-type: none"> a. Are the barriers identified actually barriers? b. Are there missing barriers? 	<p>We would encourage the AESO to examine the removal of barriers to load response, such as the WECC prohibition of loads from providing spinning reserves, but only if the AESO deems appropriate and safe under its reliability mandate.</p> <p>Should the AESO need to make changes to enable loads to provide spinning reserves, we would want to ensure that those changes do not discriminate in favour of load participation, but rather ensure that loads and supplies can compete to provide the service equally.</p>
	4.3.1 New Products <ol style="list-style-type: none"> a. Ramping (wind following) product b. Voluntary load curtailment c. Transmission must run (TMR) 	<p>IPPSA supports the AESO’s principles to incorporate demand response into reliability products. These are:</p> <ol style="list-style-type: none"> 1) “New reliability products will not be created for the sole purpose of engaging load in demand response in the broader market.” 2) “The AESO will only develop reliability products that meet a defined system need and are required to meet the reliability mandate outlined in the EUA.”
	4.3.2 Aggregators	
	4.3.3 Technical Standards <ol style="list-style-type: none"> a. Supplemental Reserves 	As noted above, we would encourage the AESO to examine the removal of barriers to load response, such as the WECC

	b. Spinning Reserves	prohibition of loads from providing spinning reserves, but only if the AESO deems appropriate and safe under its reliability mandate.
5.0 Other Products	5.1 Generator Outage Coordination and Rescheduling	<p>As IPPSA has testified in the past, outages are already scheduled by the market's availability of crews and cranes.</p> <p>One option we put forth to avoid the long-term implications of cancelling a generator's maintenance outage is to contemplate paying a load or a supply (which ever is cheaper) to move a scheduled outage.</p> <p>Should the AESO seek a service from a market participant, we would prefer that it be willing to compensate the participant for it, rather than seeking to get it for free (or "voluntary rescheduling"). This is especially true if the service is intended to meet reliability objectives.</p>
	5.2 Long Lead Time Energy	<p>We note the AESO's concerns about the mechanics of a long lead time load response service. We also appreciate the AESO's point that a long-lead time directive has never been issued. As such, defining such a product may take more time than it's worth.</p> <p>If long-lead time directives to generators become common, the principle of symmetry will require this to be revisited.</p>
	5.3 Dispatch Down Service	
	5.4 Load Shed Service	
Conclusions and Next Steps		