



120 Adelaide Street West
Suite 1600
Toronto, Ontario M5H 1T1
T 416-967-7474
F 416-967-1947
www.powerauthority.on.ca

December 6, 2012

VIA EMAIL

Rosemarie T. Leclair
Chair and Chief Executive Officer
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON, M4P 1E4

Dear Ms. Leclair:

A handwritten signature in black ink that reads "Rosemarie".

RE: Market Surveillance Panel – Recommendation 3-3

Further to my letter of June 18, 2012, this is to provide you with an update on the OPA's activities in response to the Market Surveillance Panel's recommendation 3.3.

Ontario has successfully implemented a suite of demand-side programs and policies that are effectively reducing electricity demand. The Market Surveillance Panel (MSP), in its recent report, raised concerns about the potential for double payment to Class A customers from the Global Adjustment allocation Methodology (GAM High-5) and the Demand Response (DR) suite of programs. The MSP recommended that the Government of Ontario and the OPA work together to ensure that Class A customers are not compensated twice for the same MW of reduction. In June 2012, I provided you with a letter including a preliminary analysis of this issue. The purpose of this letter is to provide an update on the OPA's efforts in this regard.

The OPA, through a consultant, has undertaken an analysis of the interplay between the DR-3 program and the GAM High-5 as part of the regular evaluation of the DR programs. This analysis was conducted by Freeman, Sullivan and Co. (FSC), and reviewed by staff from the OPA and IESO. FSC's report, the relevant chapter of which is attached for your reference, highlights the different characteristics of the two tools, stating that:

“Although DR-3 and GAM impacts overlap, they are not identical. In comparison to GAM High-5, during DR-3 events customers provide deeper demand response over more hours. In addition, DR-3 can be dispatched, providing system operators more flexibility.”

Ontario Power Authority

In 2011 there was one day where a DR-3 activation coincided with a system peak hour for the purpose of the GAM High-5 calculation. For this hour, Class A customers responding to the DR-3 call received an activation payment and their GAM High 5 calculation was based on their load, which was reduced on account of their response to DR-3. Thirty-seven (37) Class A DR-3 participants shared approximately \$43,000 in activation payments for the hour of DR-3 response that coincided with a GA system peak hour. However, as there is only one year of available data, it is difficult to draw definitive conclusions about the issue raised by the MSP.

The OPA provided an update to the MSP through Martin Hastings of the IESO on Wednesday, October 24, 2012. In addition, staff from the OPA will continue to work with IESO and Ministry of Energy staff to assess the issue and develop appropriate responses.

Best regards,

A handwritten signature in black ink, appearing to read 'Colin Andersen', with a stylized flourish at the end.

Colin Andersen
Chief Executive Officer