

Memo to: Elizabeth Morris, Manager, Stakeholder Engagement, IESO  
From: Jack Gibbons, Ontario Clean Air Alliance  
Re: IESO's Proposed Reliability Demand Response Program  
Date: December 2, 2005

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### Introduction

The Ontario Clean Air Alliance (OCAA) strongly supports the Independent Electricity System Operator's (IESO's) *Proposed Reliability Demand Response Program* (November 22, 2005).

### Proposed Amendments

In order to minimize the need for coal-fired electricity imports on smog alert days; lower electricity bills; and stimulate Ontario's economy; the OCAA would like to propose the following amendments to the IESO's *Proposed Reliability Demand Response Program*.

1. The *Program's* objectives should also include: to minimize the need for coal-fired electricity imports from the U.S.A on smog alert days.
2. The *Program* should also be activated on smog alert days in order to minimize or completely eliminate the need for coal-fired electricity imports.
3. The payment formula should be re-written as follows (the proposed amendments are italicized): "Upon activation and subject to measurement and verification of actual demand reduction, participants receive payments based on the greater of HOEP, *the incremental price of electricity imports* and
  - \$400/MWh for 2 hours of consecutive reduction,
  - \$500/MWh for 3 hours of consecutive reduction, or
  - \$600/MWh for 4 hours of consecutive reduction."

### Rationale

Reducing the need to import coal-fired electricity on smog alert days will provide the following benefits for Ontario.

1. Improved air quality since we are downwind from the U.S.A.'s dirty coal-fired power plants.
2. Significant reductions in electricity prices and bills by reducing the demand for electricity on peak demand days (i.e., smog alert days). According to the Ontario Energy Board: "Even a reduction in consumption of 1% offers important cost savings. High commodity costs in this sector are driven by peak demands. At peak, the cost of purchasing electricity increases dramatically. To the extent that peaks can be reduced, significant savings should result."<sup>1</sup>
3. By paying Ontario consumers (e.g., Magna, Falconbridge, the York Region School Board) to reduce demand on peak days we keep electricity consumers'

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<sup>1</sup> Ontario Energy Board, *RP-2004-0188 Report Of The Board*, (May 11, 2005), p. 105.

money, and hence jobs, in Ontario instead to exporting them to U.S. coal-fired power producers.

Consistency with IESO's statutory objectives

The OCAA's proposed amendments are consistent with the IESO's statutory objectives.

According to section 5 (g) of the *Electricity Act*, an objective of the IESO is:

“to operate the IESO-administered markets to promote the purposes of this Act.”

The purposes of the *Electricity Act* include the following:

“(c) to facilitate load management in a manner consistent with the policies of the Government of Ontario;

(d) to promote the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources, in a manner consistent with the policies of the Government of Ontario;

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

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