



Exhibition Place

Item No. 6

October 27, 2014

To: The Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young, Chief Executive Officer

Subject: **Extension of agreement with Enershift – Demand Response 3**

Summary:

The Board participation and agreement in the DR3 Program is set to expire on December 31, 2014.

On March 31, 2014, the Minister of Energy issued a Directive to the Ontario Power Authority (OPA) respecting the “Continuance of the OPA’s Demand Response Program under the Independent Electricity System Operator (IESO) management”. Responsibility for the Demand Response 3 Program (DR3) has now been transferred from the OPA to the IESO. The Minister of Energy has directed that existing agreements with DR3 may be extended after December 31, 2014 to 2016. However, the City currently has an agreement with the OPA/IESO through Enershift that will expire August 8, 2016.

The City will be seeking authority from Council for continued participation in DR Programs after August 8, 2016. This report is recommending that the Board approve of opting to join with the City and continue its participation in this program after December 31, 2014 on the terms and conditions set out in this report.

Recommendations:

It is recommended that:

- 1) The Board extend the current agreement from January 1, 2015 to August 8, 2016 with Enershift Corporation acting as an “Aggregator” with respect the OPA’s Demand Response Program on the terms and conditions set out in this report and such other terms and conditions as required by the City Solicitor and the CEO; and**
- 2) Direct that the confidential information contained in the Confidential Attachment not be released publicly as it involves the security of property belonging to the City of Toronto or one of its agencies, boards, and commissions and it is recommended that this information not be disclosed in order to protect the future economic interests of the Board.**

Financial Impact:

The extension of the DR3 program for the Tri-generation plant has the potential of a positive cash-flow of approximately \$225,000 to \$275,000 over the term depending on the utilization by the OPA.

Since participation began in May 2009 and to the end of December 2014, it is projected the Board will earn approximately \$800,000 from the DR3 Program.

Decision History:

The Exhibition Place 2014 – 2016 Strategic Plan had an Environmental Goal *to reduce the impact of our operations and our business on all aspects of the environment* and as a Strategy to support this Goal *we will reduce grid supplied electricity use.*

Issue Background:

Exhibition Place started its DR3 program in 2009 with Direct Energy and CPower.

On May 1, 2012 Exhibition Place continued its DR3 program through the City of Toronto by entering into an initial term agreement to December 31, 2014 for DR3 with Enershift Corporation. Enershift Corporation is to act as an “Aggregator” with respect the OPA’s Demand Response Program. The OPA has engaged Enershift Corporation to roll-out the DR3 program to large energy consumers across Ontario.

Comments:

In 2008, the OPA released its DR3 program which was designed to encourage companies/businesses to decrease electrical use during periods of high demand in Ontario through either the reduction in electrical load requirements or the self-generation of electricity through natural gas fired generators. The Tri-generation plant within Direct Energy Centre falls within the latter category of self-generation.

From the perspective of the OPA, this “load shedding” (a) relieves congestion on the electrical transmission and distribution infrastructure in the province; (b) allows the OPA to avoid importing expensive outside generation from USA; (c) allows OPA to eliminate coal-fired generation by 2013; and (d) defers the building of additional conventional generation. From the perspective of a business entity, DR3 provides an opportunity to create clean power while at the same time earning revenue.

To encourage participation in DR3, the OPA pays businesses a “stand-by” fee simply to be available and then will pay a curtailment or utilization fee when the surplus electricity is called on. If the OPA calls for the power, failure to supply by the business could lead to penalties being imposed. There are complicated rules to the DR3 Program relating to seasonal availability requirements, curtailment requirements, curtailment resources and event notification which will require substantial administration to manage.

DR3 is open to Direct Participants which can provide a curtailment of at least 5.0 MW or to Aggregators who are capable of providing a curtailment of at least 25.0 MW. An Aggregator is a company which aggregates curtailment from more than one Contributor to provide a portion of the Aggregator’s contracted MW savings. Initially, Toronto Hydro Energy Services (THESL) had an agreement with the OPA to be an Aggregator but has now withdrawn from the Program.

The Tri-generation plant within Direct Energy Centre easily falls within DR3. Commencing in 2009 the Board entered into an agreement with Direct Energy and CPower as an Aggregator so that the Board could qualify for DR3 and receive payments under DR3 as soon as possible. Following enrollment of the Tri-generation plant, Direct Energy completed a full engineering study to understand other DR3 opportunities at Exhibition Place and was included within the Aggregator agreement as a second phase. Direct Energy and CPower at the time were a “demand response provider” in the USA for many years. As well on April 9, 2008 the OPA engaged Enershift Corporation to roll-out the DR3 program to larger energy consumers across Ontario. The name of the DR3 is called Enershift.

On May 1, 2012 Exhibition Place continued its DR3 program by entering into an initial term agreement through the City of Toronto and Enershift Corporation. Previously Exhibition Place was involved with DR3 Program through Direct Energy with CPower being the aggregator.

As noted above, On March 31, 2014, the Minister of Energy issued a Directive with respect to the continuance of the program to the effect that existing agreements can be extended after December 31, 2014 to 2016 on the same conditions with an extended term: which are as follows:

- a) Term: Extension from January 1, 2015 to August 8, 2016 (1 year, 7 months and 8 days).
- b) Financial Protection: The Board will have no out-of-pocket cost obligations with respect to any deficiency payments assessed by the OPA.
- c) DR3 Program Representation: Aggregator will represent the Board's demand response resources in the DR3 Program and manage the Board available curtailment capacity.
- d) Equipment Operation and Maintenance: The Board shall operate and maintain the equipment for DR3 in accordance with good engineering and operating practices to meet the curtailment Plan measurement and verification requirements.
- e) Performance: Should the Board not be able to deliver at least 85% of our contracted DR3, the Board will forfeit our Availability Payment for the month. Board will receive the Utilization Payment for the amount of DR3 that is actually provided.
- f) Event of Default – If the Board does not meet our contracted DR3 commitments on three (3) occasions we may be terminated from the program and forfeit Availability and Utilization for the current quarter.
- g) Planned Non-Performance Event – The Board may take one (1) Planned Non-Performance Event per Calendar year, for a period of up to 10 Business days, provided Enershift is notified at least 30 days prior to the Planned Non-Performance Event.
- h) Liability: Both parties' liability under the Agreement would be limited to the amount of payments to the Board in the 6 months preceding the date of the incident which results in any claim.
- i) Termination:
 - i) The agreement will automatically terminate if the OPA cancels or discontinues the DR3 Program;
 - ii) Aggregator may at its discretion terminate this agreement immediately upon written notice if the Board has failed on more than one occasion to perform at or above 85% of its monthly committed levels;
 - iii) Board may, within 10 days of receiving notice of any material amendments to the DR3 User's Manual, terminate this agreement by providing written notice to the Aggregator of its objection to such amendments. Such termination will become effective 30 days after it is given; and,
 - iv) Either party may immediately terminate this agreement if the other party has committed a material breach which it fails to remedy within 10 days of being notified of such breach. All such notices shall be in writing. For any written notice of termination to be enforceable under this sub-section, such written notice of termination shall be provided to and from both Aggregators, as the case may be.

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