



Market Rule Amendment Proposal

PART 1 – MARKET RULE INFORMATION

Identification No.:	MR-00425		
Subject:	Real-Time Generation Cost Guarantee		
Title:	Real-Time Generation Cost Guarantee – Cost Recovery Framework		
Nature of Proposal:	<input checked="" type="checkbox"/> Alteration	<input checked="" type="checkbox"/> Deletion	<input checked="" type="checkbox"/> Addition
Chapter:	7, 9, 11	Appendix:	
Sections:	Chapter 7, section 2.2B, Chapter 9 section 4.7B, Chapter 11 definitions		
Sub-sections proposed for amending:			

PART 2 – PROPOSAL HISTORY

Version	Reason for Issuing	Version Date
1.0	Draft for Technical Panel Review	April 19, 2016
2.0	Draft for Technical Panel Review	May 24, 2016
3.0	Publish for Stakeholder Review and Comment	June 2, 2016
Approved Amendment Publication Date:		
Approved Amendment Effective Date:		

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

Provide a brief description of the following:

- The reason for the proposed amendment and the impact on the *IESO-administered markets* if the amendment is not made.
- Alternative solutions considered.
- The proposed amendment, how the amendment addresses the above reason and impact of the proposed amendment on the *IESO-administered markets*.

Summary

The IESO proposes to amend the market rules to enable a new cost recovery framework for the real-time generation cost guarantee (RT-GCG) program. The changes are expected to increase the transparency of costs eligible to be submitted by market participants for recovery under the program, as well as reduce the scope and frequency of audits.

This proposal is based on the [RT-GCG Program Cost Recovery Framework](#) stakeholder engagement.

Background

Please refer to MR-00425-Q00.

Discussion

The objective of this amendment is to establish a transparent cost recovery mechanism that reduces the scope and frequency of audits related to the RT-GCG program. Through stakeholder engagement and consulting with independent industry experts, the IESO has determined that the objective will be achieved by implementing either universal or resource-specific, pre-approved cost values and methodologies in order to calculate the incremental costs eligible for recovery under the RT-GCG program.

The following market rules amendments are proposed:

Chapter 7, Section 2.2B

- **Data Requirements:** Section 2.2B.1.4 was revised to create new sub-sections:
 - Section 2.2B.1.4A reflects existing registered data;
 - Section 2.2B.1.4B identifies the submitted eligible costs (incremental fuel costs and incremental operating and maintenance costs) determined in accordance with sections 2.2B.4, 2.2B.5 and 2.2B.6;
 - Section 2.2B.1.4C requires participants to provide to the IESO any other data, as requested by the IESO, that is relevant to determine eligible costs in accordance with section 2.2B.4, including without limitation, data from any affiliate, service provider, agent, partner, contractual counter-party, or other associated entity. Access to relevant data regarding the generation facility helps to ensure that eligible costs are appropriately determined. Provision of such data is also consistent with the obligation on program participants to support costs submitted for recovery.
 - Section 2.2B.3 (new) specifies the data retention period.

PART 3 – EXPLANATION FOR PROPOSED AMENDMENT

- **Audit:** Section 2.2B.2 has been revised to allow the IESO to audit the data required by section 2.2B.1.4 prior to making a guarantee payment where a payment is expected, and requires participants to provide supporting documentation. This audit provision does not allow the IESO to reduce GCG payments by retroactively revising or re-auditing pre-approved cost values, provided that the participant is compliant with Chapter 1, sections 10A.1 and 11.2.1 in relation to the data submitted in support of establishing the pre-approved cost values. The reference to Chapter 1, section 11.2.1 notifies participants that if a pre-approved cost value is discovered by the IESO to be based upon untrue, incorrect, incomplete, misleading or deceptive data provided by a participant, then the IESO may review and/or seek recovery of the associated GCG payment made to that participant. The reference to Chapter 1, section 10A.1 (General Conduct Rule or “GCR”) notifies participants that if a GCG payment is discovered by the IESO to be part of a scheme that breaches the GCR, then the IESO may review and/or seek recovery of all components of that participant’s associated GCG payment including any pre-approved cost values.
- **Submitted Eligible Costs:** Section 2.2B.4 (new) defines submitted eligible costs. Section 2.2B.5 (new) outlines that the IESO will determine universal or resource-specific pre-approved cost values and methodologies. Section 2.2B.6 (new) specifies that the IESO, at its sole discretion, may allow for after-the-fact cost submissions in certain circumstances. The applicable market manual will further specify the scenarios where the after-the-fact methodology would be applicable.

Chapter 9, Section 4.7B

- **Combined Guaranteed Costs:** Section 4.7B.1.2 has been revised to reference the applicable new sections specifying the submitted eligible costs. Section 4.7B.1.2C (deleted) is no longer required because all eligible costs are now included in the definition of combined guaranteed costs.
- **Formulas:** Section 4.7B.5 (new) specifies the calculation of the submitted eligible costs described in section 2.2B.5 of Chapter 7.

Chapter 11

The definition of ‘combined guaranteed costs’ has been revised to refer to all eligible costs on a facility-specific basis, and to reflect the time period identified in Chapter 9, section 4.7B.1.2.

PART 4 – PROPOSED AMENDMENT**Chapter 7**

2.2B Generation Facility Eligibility for the Real-Time Generation Cost Guarantee

- 2.2B.1 A *registered market participant* for a *generation facility* shall be eligible for the guarantee of certain elements of its costs, calculated in accordance with section 4.7B of Chapter 9, provided the following criteria are met:
- 2.2B.1.1 the facility is not a quick-start facility;
- 2.2B.1.2 the facility is a dispatchable generation facility; and
- 2.2B.1.3 [Intentionally left blank – section deleted];
- 2.2B.1.4 the *registered market participant* has, ~~according to the timelines and in the form specified in accordance with~~ the applicable *market manual*, submitted to the *IESO* the following data for the *generation facility*:
~~fuel costs for start up and ramp to minimum loading point; the minimum run time; the minimum loading point; the minimum generation block run time; and any incremental operating and maintenance costs associated with the facility for start up and ramp to minimum loading point for that facility, and that the IESO accepts the data as reasonable;~~
- 2.2B.1.4A the minimum run-time, minimum loading point, and minimum generation block run-time;
- 2.2B.1.4B the incremental fuel costs and incremental operating and maintenance costs determined in accordance with sections 2.2B.4, 2.2B.5 and 2.2B.6; and
- 2.2B.1.4C any other data, as requested by the IESO, that is relevant to determine eligible costs in accordance with section 2.2B.4, including, without limitation, data from any affiliate, service provider, agent, partner, contractual counter-party, or other associated entity.
- 2.2B.2 The *IESO* may, at any time, audit the data submitted in accordance with section 2.2B.1.4 ~~if the market participant receives a generation cost guarantee payment pursuant to section 4.7B.3 of Chapter 9 on the basis of that data, and the registered market participant shall provide the requested audit information in the time and manner specified by the IESO.~~ If, as a result of such an audit, the *IESO* determines that the ~~actual costs differed from the audit information provided does not support the~~ data submitted, ~~including, without limitation, that the IESO does not accept the data as reasonable,~~ the *IESO* shall recover any resulting over-payments made to the *market participant*. ~~Where the registered market participant has submitted data in accordance with this section 2.2B and sections 10A.1 and 11.2.1 of Chapter 1, the IESO shall not retroactively revise pre-approved cost values determined in accordance with section 2.2B.5 when calculating any amount to be recovered from that registered market participant.~~
- 2.2B.3 For purposes of sections 2.2B.1.4 and 2.2B.2, the registered market participant shall retain supporting documentation related to cost submissions, including data

that may be required by the IESO to determine pre-approved cost values and methodologies, in accordance with the applicable market manual, for a period of 7 years from the date when a cost is paid.

Submitted Eligible Costs

2.2B.4 The IESO shall determine costs that are eligible under section 2.2B.1, in accordance with the applicable market manual. Submitted eligible costs shall include incremental costs resulting from the operation of a facility from the point of initiation until the facility reaches its minimum loading point, where that facility has met the eligibility criteria specified in sections 2.2B.1, 5.7 and 6.3A. These eligible costs shall be limited to incremental fuel costs and incremental operating and maintenance costs incurred during operation of the facility.

2.2B.5 Subject to section 2.2B.6, for each cost specified in section 2.2B.4, the IESO shall determine pre-approved cost values and methodologies that are either universal or facility-specific, and calculate the submitted eligible costs in accordance with section 4.7B.5 of Chapter 9. The pre-approved cost values and methodologies shall remain in effect until revised by the IESO, in accordance with the applicable market manual.

2.2B.6 In circumstances where pre-approved cost values and methodologies are not established under section 2.2B.5, the IESO may at its sole discretion allow a registered market participant to submit the incremental fuel costs and incremental operating and maintenance costs for each facility under section 2.2B.1.4B, in accordance with the applicable market manual.

Chapter 9

4.7B Real-Time Generation Cost Guarantee Payments

4.7B.1 The IESO shall determine on a *per-start* basis, for each *generation facility* that has met the eligibility criteria for the real-time generation cost guarantee specified in sections 2.2B, 5.7 and 6.3A of Chapter 7, the following:

4.7B.1.1 the sum of the following revenues earned in each *dispatch interval* during the period from synchronization until the end of the *minimum generation block run-time* or the end of the *minimum run-time*, whichever comes first:

- a. *energy market* prices multiplied by the sum of the applicable AQEI for *energy* injected up to and including the *minimum loading point*; and

- b. any congestion management *settlement* credit payments resulting from the *facility* being constrained on in order to meet its *minimum loading point*.

4.7B.1.2 the applicable *combined guaranteed costs* for the specified ~~*generation facility for the start submission*~~ to which the revenues determined in accordance with 4.7B.1.1 apply. Subject to section 4.7B.1.3, the *combined guaranteed costs* will be calculated by the *IESO* and will be the sum of the following costs:

4.7B.1.2A ~~fuel costs for start up and ramp to minimum loading point submitted by the market participant as outlined in section 2.2B.1.4 of Chapter 7, the submitted eligible costs, determined in accordance with section 4.7B.5 and section 2.2B.6 of Chapter 7, as applicable; and~~

4.7B.1.2B the *offer* price associated with the real-time *dispatch* multiplied by the *energy* injected, to a maximum of the *minimum loading point*, during the period from the beginning of the *minimum generation block run-time* until the earlier of:

- the end of the period representing *minimum generation block run-time*; or
- the end of the period representing *minimum run-time*.

4.7B.1.2.C ~~[Intentionally left blank – section deleted] the other costs that are to be considered in addition to those specified in the definition of *combined guaranteed cost* are:~~

~~incremental operating costs for start up and ramp to minimum loading point; and~~

~~incremental maintenance costs for start up and ramp to minimum loading point;~~

~~where both of these additional cost components are reported to the *IESO* in the manner specified in the applicable *market manual*.~~

4.7B.1.3 the elements of the *combined guaranteed costs* in sections ~~4.7B.1.2A and 4.7B.1.2C~~ shall be deemed to be zero where a *market participant* is also eligible for the start-up cost component of a day-ahead production cost guarantee attributable to the same start-up event.

- 4.7B.2 If for each eligible *generation facility* the sum of the revenues calculated pursuant to section 4.7B.1.1 is greater than or equal to the *combined guaranteed costs* referred to in section 4.7B.1.2, then no additional payments are made in respect of the eligible *generation facility* by the *IESO*.
- 4.7B.3 If for each eligible *generation facility* the sum of the revenues calculated pursuant to section 4.7B.1.1 is less than the *combined guaranteed costs* referred to in section 4.7B.1.2, then the *IESO* shall calculate that difference and shall include that amount in the form of additional payments made in respect of the eligible *generation facility*.
- 4.7B.4 A *real-time* generation cost guarantee shall not be paid for a *generation unit* with respect to costs incurred or revenues accrued by that *generation unit* for which a day-ahead production cost guarantee applies under section 4.7D.

Calculating Eligible Costs:

4.7B.5 The *IESO* shall calculate, in accordance with the applicable *market manual*, the submitted eligible costs described in section 2.2B.5 of Chapter 7, as follows:

4.7B.5.1 The incremental fuel cost is equal to the fuel price multiplied by the fuel quantity where:

Fuel price =

- pre-approved index price, adjusted by the applicable foreign exchange rate; plus
- pre-approved price for fuel services.

Fuel quantity =

- submitted quantity, equal to the quantity consumed by the resource from point of initiation until the resource reaches its *minimum loading point*; plus
- submitted quantity multiplied by the pre-approved compressor fuel percentage.

4.7B.5.2 The incremental operating and maintenance cost is equal to:

- *Station service charges*, equal to the pre-approved price multiplied by the pre-approved quantity; plus
- Pre-approved consumables cost; plus
- Pre-approved planned maintenance cost.

Chapter 11 - Definitions

combined guaranteed costs means all eligible costs incurred by a generation facility from the point of initiation, as specified in the applicable market manual, until the earlier of the end of the minimum generation block run-time and the end of the minimum run-time for the generation facility ~~all fuel costs incurred by a generation facility up to and including its minimum loading point, as defined in the applicable market manual, including costs incurred by that generation facility to achieve synchronization and once synchronized with the IESO-controlled grid to move to the generation facility's minimum loading point;~~

PART 5 – IESO BOARD DECISION RATIONALE

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