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## Market Rule Amendment Submission

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This form is used to request an amendment to, or clarification of, the *Market Rules*. Please complete the first four parts of this form and submit the completed form by email to the following:

Email Address: [Rule.Amendments@ieso.ca](mailto:Rule.Amendments@ieso.ca)

Attention: Market Rules Group

**Subject: Market Rule Amendment Submission**

All information submitted in this process will be used by the *IESO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the *confidentiality classification* of “Public” upon receipt. You should be aware that the *IESO* will *publish this amendment submission* if the *Technical Panel* determines it warrants consideration and may invite public comment.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

### PART 1 – SUBMITTER’S INFORMATION

Please enter contact information in full.

Name: IESO Staff

(if applicable) *Market Participant /*

*Metering Service Provider No.*<sup>1</sup>: N/A

*Market Participant Class:*

N/A

Telephone: 905-855-6128

Fax: \_\_\_\_\_

E-mail Address: [rule.amendments@ieso.ca](mailto:rule.amendments@ieso.ca)

### PART 2 – MARKET RULE AMENDMENT SUBMISSION INFORMATION

Subject: Real-Time Generation Cost Guarantee

Title: Real-Time Generation Cost Guarantee – Cost Recovery Framework

Nature of Request (please indicate with x)

Alteration

Deletion

Addition

Clarification

Chapter: 7, 9, 11

Appendix: \_\_\_\_\_

Sections: Various

Sub-sections proposed for amending/clarifying: \_\_\_\_\_

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<sup>1</sup> This number is a maximum of 12 characters and does not include any spaces or underscore.

### PART 3 – DESCRIPTION OF THE ISSUE

Provide a brief description of the issue and reason for the proposed amendment. If possible, provide a qualitative and quantitative assessment of the impacts of the issue on you and the *IESO-administered markets*. Include the Chapter and Section number of the relevant *market rules*.

#### 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

The IESO-administered markets schedule resources to ensure energy and operating reserve demands are met at any given time. If there is a disturbance on the electricity system or market demand increases, resources need to be ready to dispatch to meet system conditions. Not having enough resources online to meet changing conditions can have significant impacts on reliability. Some resources can take several hours to reach the point at which they are available for dispatch, called the minimum loading point (MLP). During the period between initiating a start to reaching MLP, a resource will incur costs as a result of starting up. Without assurance that resources will recover their incremental costs, some resources may be less likely to offer and come online when the IESO may need them to be available.

To address this concern, the IESO introduced the Spare Generation On-Line (SGOL) program in 2003, now called the Real-Time Generation Cost Guarantee (RT-GCG) program. Participants may rely on this and other mechanisms such as the Day-Ahead Production Cost Guarantee (DA-PCG) program when offering generation facility resources to the market in real-time.

The RT-GCG program provides generation facility resources that meet eligibility criteria, guaranteed recovery of certain incremental costs incurred as a result of starting up and ramping to MLP, to the extent that those costs are not recovered through market revenues. The IESO considers incremental costs to be certain costs that are avoidable if the resource does not start.

In reviews of the RT-GCG program, the Market Surveillance Panel (MSP) has commented on the appropriateness and need for these costs to be recovered, and has called on the IESO to audit the cost submissions received to date.

During 2013 and 2014, the IESO undertook its own review of the programs as part of the Review of Generation Cost Guarantee Programs stakeholder engagement (SE-111). At the same time, the IESO has been carrying out audits of cost submissions and payments under the programs, as contemplated by the market rules. The current RT-GCG program relies upon after-the-fact cost submissions and subsequent auditing to verify costs. The audit process has been found to be burdensome for both the participants and the IESO and it was identified during the audits that some participants were unclear at times as to what types/allocation of costs are recoverable under the RT-GCG program.

The IESO therefore issued an Interpretation Bulletin in August 2014 to reinforce the types of costs eligible to be recovered under this program.

**PART 3 – DESCRIPTION OF THE ISSUE**

Accordingly, the IESO believes that there is value in increasing the transparency of the cost recovery regime under the RT-GCG program in the near-term. This initiative will achieve this by:

1. Further defining costs that are eligible to be recovered through the RT-GCG program.
2. Determining specific pre-approved cost values for each incremental cost component, for each resource, where reasonably possible.
3. Establishing an approved methodology to be used by program participants when calculating and submitting incremental costs, where pre-approved values cannot be established.
4. Defining cost components that are subject to audit.
5. Defining a strategy that ensures a fair transition when the cost recovery framework is changed.

**PART 4 – PROPOSAL (BY SUBMITTER)**

Provide your proposed amendment. If possible, provide suggested wording of proposed amendment.

Amend the market rules to enable a new cost recovery framework for the RT-GCG program.

**PART 5 – FOR IESO USE ONLY**

*Technical Panel Decision on Rule Amendment Submission:* Warrants consideration

MR Number: MR-00425

Date Submitted to *Technical Panel*: April 19, 2016

Accepted by *Technical Panel* as: (please indicate with x)

Date:

General       Urgent       Minor

April 26, 2016

Criteria for Acceptance: The amendment submission will 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.

Priority: Regular

Criteria for Assigning Priority: \_\_\_\_\_

Not Accepted (please indicate with x):

Clarification/Interpretation Required (please indicate with x):

*Technical Panel Minutes Reference:* IESOTP 297-1

*Technical Panel Comments:* \_\_\_\_\_