

# Memorandum

## IESO BUSINESS UPDATE

To: Stakeholder Advisory Committee

From: Kim Marshall, VP, Corporate Services and CFO

Date: January 27, 2016

Subject: **IESO Business Update – RT-GCG Program Cost Recovery Framework**

Information Item

The IESO is conducting a stakeholder engagement to develop a new cost recovery framework for the Real Time Generation Cost Guarantee (RT-GCG) program. The goal of this engagement is to clarify and increase the transparency of costs eligible for recovery and reduce the scope and frequency of audits related to the RT-GCG program.

The IESO is currently consulting with stakeholders on proposals for each of the different elements of the cost recovery framework. The IESO is proposing universal 'pre-approved' cost values to represent certain costs. Where a universally-applied value is not appropriate the IESO is proposing to establish resource specific pre-approved cost values through confidential, bilateral discussions between the IESO and the program participant. Where neither of these approaches is feasible the IESO will work with participants to develop a methodology to be used when calculating and submitting a given cost.

The IESO has retained the expertise of outside consultants to assist and inform the development of pre-approved cost values and methodologies. The IESO and consultants are currently reviewing individual cost data and other information submissions from program participants and initial results will be discussed at the next stakeholder meeting. The IESO has adjusted the schedule for this initiative to allow generators more time to provide their cost data to the IESO for analysis. The date for the next meeting will be announced soon.

As noted in the last update to SAC, The IESO intends for these changes to the RT-GCG program to be transitional, until a more permanent market design solution can be developed. While not part of this stakeholder engagement initiative, the IESO's longer-term plan will be to explore the implementation of 3-part offers (speed no load, start-up costs & energy offers) including 24-hour optimization. Such a change would better align the real-time guarantee program that is applied in the present Day-Ahead Production Cost Guarantee program.