

# RT-GCG Cost Recovery Framework

Technical Panel  
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# Agenda

1. Stakeholder engagement progress update
2. Resource-specific value development progress update
3. Changes to Market Rule amendments

# RT-GCG Cost Recovery Framework Recap

- Objective of the RT-GCG Cost Recovery Framework initiative is 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
- IESO requested that the Panel vote to recommend market rule amendments to enable this initiative in September 2016
- The vote was not in favour of recommending the rule amendment based on following concerns:
  - More time should be allowed to work through generator concerns with the initiative
  - Stakeholders should be given an opportunity to review the Market Manual before voting on market rules
  - Generators want to see their resource-specific pre-approved values to ensure they understand the implications of the initiative before deciding whether they support the rule amendments

# RT-GCG Stakeholder Engagement Update

- IESO held two stakeholder engagement meetings since the previous discussion with the Panel in September 2016
- Full draft of the market manual was provided in October and it has since been updated based on stakeholder feedback
- IESO revised the approach for determining resource-specific planned maintenance values based on issues identified at one-on-one meetings with participants and have made further changes based on feedback received
- IESO presented proposals in December to address all open stakeholder questions and these have been updated based on feedback received
- Changes to the market rule language were also presented in December and feedback has been incorporated into the amendment before the Technical Panel

# Resource-specific Value Update

- Participants were requested to submit planned maintenance cost information including technical documents to substantiate the need for future maintenance and the costs expected to be incurred
- IESO met with participants that completed their cost data submissions throughout the Fall to understand and clarify submitted costs and identify any missing information needed to substantiate the proposed costs
- Assessments have been provided to most of the generators that have completed their cost submission for IESO review
- Remaining generators that have completed their cost submission will receive their assessment by the end of February
- Assessments include draft pre-approved values based on the information provided to-date and an explanation of any additional information IESO needs to verify submitted costs

# Draft Market Rule Amendments

- IESO proposes additional changes to the amendment for Chapter 7, Section 2.2B.4 to clarify the planned maintenance costs that are eligible

2.2B.4 Submitted eligible costs pursuant to section 2.2B.1 shall be limited to:

2.2B.4.1 incremental **fuel costs, incremental operating and maintenance costs** resulting from **wear and tear caused by** the operation of a facility; and

2.2B.4.2 **all other incremental operating and maintenance costs as set out in section 4.7B.5.2 of Chapter 9;**

from either the point of ignition or synchronization to the IESO-controlled grid as applicable, 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, and as specified and further detailed in the applicable market manual.

# Revised Wear and Tear definition (Ch. 11)

- IESO has also included a definition for “wear and tear” in Chapter 11 to provide further clarity
- Definition:

“Wear and tear” means, for the purposes of the Real-Time Generation Cost Guarantee Program, the useful life consumption of certain parts or equipment of a *generation facility* that would occur as a result of operation of the *generation facility* in accordance with prudent industry practices and original equipment manufacturer guidelines of the *generation facility*. The useful life consumption of certain parts or equipment of a *generation facility* manifests from applicable physical mechanisms (such as creep and fatigue) during different operating conditions (e.g. start-up, steady state operation, transients and shutdown).

# Draft Market Rule Amendments

- IESO proposes to make additional changes to the amendment for Chapter 9, Section 4.7B.5 to allow cap and trade costs to be eligible and calculated as the pre-approved cap and trade price multiplied by the submitted start volume

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

Fuel price =

- pre-approved price, adjusted by the applicable foreign exchange rate, if any;  
plus
- pre-approved services price adder; plus
- pre-approved cap and trade price adder, if applicable.

Fuel quantity =

- submitted start volume; plus
- submitted start volume multiplied by the pre-approved compressor volume adder fuel percentage, except for purposes of calculating cap and trade costs.



# Next Steps

- Request Panel vote to post amendment for stakeholder comment
- Continue to work with generators one-on-one to develop resource-specific values for recovery of their planned maintenance costs
  - Participants that haven't received their assessment will receive it by end of February if cost submission was complete by end of December
  - Assessment will be received by end of March if cost submission complete by end of January
- Target March 21 Panel meeting – request vote to recommend amendment to the Board – this is dependent on feedback received if amendment is posted
- If rules are approved IESO will meet with stakeholders to discuss implementation details, review any changes to the market manual and review the draft cost submission form
- Target for implementation is in coordination with the June Market Manual and IT release schedules
  - Market Manual will be posted for comment as per the Baseline schedule
  - New form will be available for testing as per the IT release schedule