

Real-Time Generator Cost Guarantee Program

Backgrounder

Key Facts

- The Real Time-Generator Cost Guarantee (RT-GCG) program is a reliability measure that ensures sufficient generation is available to meet Ontario's demand for electricity
- The program is needed to adhere to North American power system reliability standards
- Eliminating this program would reduce the reliability of Ontario's electricity system
- Eight of nine North American system operators commit generators and compensate them for starting up
- Enhancements over the program's lifespan have resulted in pre-defined costs and stricter rules that increased transparency and efficiency
- The majority (up to 85 percent) of ineligible costs claimed under the previous design of the program have been recovered
- Two-thirds of the ineligible costs were submitted by one generator, who was fined an additional \$10 million
- The Market Renewal Program is making fundamental changes to Ontario's electricity market that will replace the RT-GCG program

Actions Taken to Improve the Program

- 2003** The RT-GCG program is created, then known as the Spare Generation Online Program
- 2009** More stringent eligibility requirements are introduced as new gas-fired generators come into service
- 2011** The Independent Electricity System Operator (IESO) commences comprehensive audit program of the RT-GCG program costs
- 2012** Revisions are made to eligibility and cost submissions
- 2013** The IESO completes onsite work for most audits and compiles preliminary findings
- 2014** The IESO commences settlement negotiations with a range of program participants and issues "Interpretation Bulletin" for generators to clarify eligible costs
- 2016** Total annual costs for the program are \$23 million, down significantly from \$61 million in 2014
- 2017** The IESO now pre-defines 14 of 15 eligible program costs, removing the potential for overpayments

The Next Step: Replacing the RT-GCG Program

Ontario is in a robust supply situation as a result of investments made over the last decade, making now the right time to make more fundamental changes to the electricity market. These

changes are being made through the IESO's Market Renewal Program, which will result in a more efficient, competitive, and transparent electricity market. The Ontario Energy Board's Market Surveillance Panel is supportive and is participating in the initiative to help inform its efficient design and implementation.

The program will result in up to \$5.2 billion in savings over a 10-year period, the majority of which will be realized by Ontario ratepayers. These benefits will come from better scheduling and dispatching of resources, and more efficient and competitive procurement of Ontario's electricity needs.

As part of these efforts, the RT-GCG Program will end. Generators' start-up costs will still need to be compensated, but it will be more transparent, competitive and efficient as they will be included in the offers they submit into the market.

The IESO is currently working with a wide range of stakeholders on a high level design for the Market Renewal Program and will begin the detailed design and implementation phase in 2019.

Background

The IESO-administered markets select and schedule enough resources to meet energy and operating reserve demands every five minutes. The IESO has to be prepared for changes, both expected and unexpected, to the electricity system in order to maintain reliability. Having generators readily available allows the IESO to effectively meet demand, without reducing reliability.

Gas generators are often called on to meet Ontario's electricity demand but can take several hours to start and synchronize to the grid. During this period, these generators incur costs to start up and be available that they might be unable to recover through market revenues. The RT-GCG addresses this by covering certain costs should market revenues fall short. Without this program, the IESO would be unable to ensure that generators are online to maintain reliability and would result in higher costs and negative impacts on reliability for Ontario and its neighbours.

The IESO's Market Assessment and Compliance Division monitors the operation of Ontario's electricity market, fostering compliance with the province's market rules and North American reliability standards. Their enforcement authorities also include the ability to audit certain market programs, and adjust payments from the program, similar to Canada Revenue Agency tax audits.