

Proposed Changes to Cost Recovery Framework for Real-Time Generation Cost Guarantee Program

For Discussion

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Background

- IESO offers the Real Time Generation Cost Guarantee (RT-GCG) program the RT-GCG Program to non-quick start generators to reduce the uncertainty that they will be able to recover the incremental costs of starting and ramping to their minimum loading point through their market revenues
 - The RT-GCG program provides generation facility resources that meet eligibility criteria recovery of certain incremental start-up costs to the extent that those costs are not recovered through specified market revenues
 - Provides IESO with greater certainty that resources will be available to be dispatched when needed

Rationale for Change

- “...the RT-GCG program has been the subject of several Market Surveillance Panel (“MSP”) reports relating to cost submissions and payments and recently the IESO has carried out a number of audits in this area. Based upon findings in these audits, feedback from program participants and past recommendations from the MSP, the IESO is proposing changes to elements of the RT-GCG program.”

<http://www.ieso.ca/Documents/consult/RTGCG/RTGCG-20160114-Stakeholder-Engagement-Plan-Final.pdf> p.2

Rationale for Change, cont'd

- Audits demonstrated that certain program participants have submitted and recovered ineligible costs
- IESO has recovered significant amounts from some RT-GCG program participants through audits completed to date for cost submissions that were not eligible under the program
- Additional audits remain on-going
- IESO will continue its efforts to secure rate payer value by ensuring that only eligible costs are retained by program participants

Engagement Process

- To clarify and increase transparency through new cost recovery framework for the RT-GCG program
- Purpose of the engagement and associated market rule amendment is to:
 - Create a better understanding of the *incremental* costs eligible to be submitted for recovery under the program
 - Reduce the scope and frequency of audits for those participating in the RT-GCG program
 - Establish minimum program review timeline

Engagement Process, cont'd

- Series of regular stakeholder meetings from October 2015 to present
 - Consultations expected to continue until the end of year
- Consultation at each stage of development from a conceptual proposal to determined values
 - Supported by program participants' actual data
 - Clear principles and criteria for determination of eligible costs
 - Regular updates and discussions at Stakeholder Advisory Committee meetings
- In response to stakeholder input, the design of the proposed framework has evolved over time and informed market rule language

Engagement Process, cont'd

- Stakeholder input on the design of the proposed framework informed market rule language for consideration at IESO Technical Panel meetings:
 - April 26 - Introduced proposed market rule amendment to TP
 - May 31 - Draft market rule amendment posted for stakeholder comment
 - In response to Panel request, IESO presented details of proposed market manuals
 - August 9 – Stakeholder comments on draft rule amendment reviewed
 - TP members raised issues concerning - Planned Maintenance and draft market manuals
 - IESO deferred item to September 13 TP meeting
 - September 13 – TP meeting
 - Members voted 6-4 against referring rule amendment to IESO Board for consideration
 - Panel stated continued desire to see draft market manuals before recommending market rule amendment
- APPrO has sent letters (attached) to IESO Chair, CEO, TP and SAC members raising concerns about proposed market rule and engagement process

Stakeholder Perspective

- Some stakeholders continue to believe that all submitted costs are fully recoverable
- Conversely, some believe a guarantee program in any form is expensive, inefficient and unnecessary and advocate either drastically reducing the scope of eligible costs under the framework or eliminating the program entirely
- IESO is managing different perspectives regarding treatment of universal pre-approval and resource-specific planned maintenance costs under the framework while securing ratepayer value

IESO Perspective

- The new framework will remove program participant uncertainty as to what costs are eligible
- Participation in the program continues to be optional
- Process has been fully transparent and consistent with IESO Engagement Principles
- All material including market manual content reviewed with stakeholders
- It will remain a fundamental framework principle that the IESO assess and determine that a submitted cost is reasonable to ensure ratepayer value

Next Steps of RT-GCG Program Engagement

- Market Rule Amendment
 - IESO will take the market rule amendment back to Technical Panel at a future meeting
- Complete Resource-Specific Planned Maintenance Work
 - IESO has met with 10 of 14 companies that have facilities registered in RT-GCG Program, waiting for initial submission before meeting with remaining 4
 - IESO has received complete submissions from 3 of 17 facilities
 - Continue to meet with registered RT-GCG participants on a one-on-one basis to develop resource specific planned maintenance values
 - IESO will not make the approval of market rules contingent on completion of participant one-on-one discussions
- Engagement discussions ongoing