AMENDMENTS TO O. REG. 429/04: ADJUSTMENTS UNDER SECTION 25.33 OF THE ACT

1. **Amend Ontario Regulation 429/04 (Adjustments under Section 25.33 of the Act) made under the *Electricity Act, 1998*. Except for the new section 10.2, which will come into force on May 1, 2021, the amendment will come into force on the day it is filed.**

Current Regulation	Proposed Amendment	Rationale for Change
Interpretation and definitions **5. (1)** In this Part, "adjustment period" means a 12-month period commencing July 1; "base period" means, in relation to an adjustment period, the 12-month period ending April 30 in the same calendar year in which the adjustment period commences; "Class B consumer" means a consumer in Ontario, (a) who is not a Class A consumer, (b) who is neither a market participant nor an embedded distributor, and (c) to whom electricity is distributed by a licensed distributor; "Class B market participant" means a market participant in Ontario who is neither a Class A market participant nor a licensed distributor;		The proposed amendments to Ontario Regulation 429/04 are needed to define terms required in support of the further amendments to O. Reg. 429/04 proposed in this package, which are needed to address accounting and commercial/financial requirements that would enable GA refinancing to proceed as planned.

Current Regulation	Proposed Amendment	Rationale for Change
	"financing entity" has the same meaning as in subsection 1 (1) of the Ontario Fair Hydro Plan Act, 2017;	
"NAICS" means the North American Industry Classification System maintained for Canada by Statistics Canada, as amended or revised from time to time; "one-hour period" means a one-hour period starting on the hour; "peak hours" means, in respect of a base period, the following five one-hour periods in the base period: 1. The one-hour period in the base period in which market participants withdrew the greatest total net volume of electricity from the IESO-controlled grid. 2. The one-hour period in the same base period in which market participants withdrew the greatest total net volume of electricity from the IESO-controlled grid if the base period excluded the day in which the one-hour period referred to in paragraph 1 occurred. 3. The one-hour period in the same base period in which market participants withdrew the greatest total net volume of electricity from the IESO-controlled grid if the base period excluded the days in which the one-hour periods referred to in paragraphs 1 and 2 occurred.		

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4. The one-hour period in the same base period in which market participants withdrew the greatest total net volume of electricity from the IESO-controlled grid if the base period excluded the days in which the one-hour periods referred to in paragraphs 1, 2 and 3 occurred. 5. The one-hour period in the same base period in which market participants withdrew the greatest total net volume of electricity from the IESO-controlled grid if the base period excluded the days in which the one-hour periods referred to in paragraphs 1, 2, 3 and 4 occurred.	"specified consumer" has the same meaning as in subsection 1 (1) of the Ontario Fair Hydro Plan Act, 2017;	
N/A	**Determination of monthly total net volume, specified consumers** **10.1** The IESO shall, in respect of each month, starting with the month of May 2021, determine the monthly total net volume of electricity consumed by specified consumers by calculating the sum of the following: 1. The total volume of electricity distributed to specified consumers who are Class A consumers by a licensed distributor during the month. 2. The total volume of electricity distributed to specified consumers who are Class B	Proposed amendments to O. Reg. 429/04 are needed to address accounting and commercial/financial requirements, in order to enable GA refinancing to proceed as planned. In order for OPG to market the debt, a security arrangement is required to backstop smaller Local Distribution Companies (LDCs) without any or a sufficiently sound credit ratings during the years in which CEAs are collected from consumers. A mechanism is required to enable IESO to recover costs associated with the security arrangement. The proposed amendments to O. Reg. 429/04 are needed to determine the amount of electricity consumed by different groups of

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	consumers by a licensed distributor during the month. 3. The total net volume of electricity withdrawn from the IESO-controlled grid by specified consumers who are Class A market participants during the month. 4. The total net volume of electricity withdrawn from the IESO-controlled grid by specified consumers who are Class B market participants during the month.	specified consumers in order to enable the recovery of such costs from consumers through the GA.
N/A	**Determination of rate re IESO security** **10.2** The IESO shall, in respect of each month, determine the rate payable by specified consumers in respect of the costs incurred by the IESO to fulfil its obligations, if any, under an agreement with a financing entity to provide security by dividing the costs it incurred in respect of the month for the security by the monthly total net volume of electricity consumed by specified consumers calculated under section 10.1.	Proposed amendments to O. Reg. 429/04 are needed to address accounting and commercial/financial requirements, in order to enable GA refinancing to proceed as planned. In order for OPG to market the debt, a security arrangement is required to backstop smaller Local Distribution Companies (LDCs) without any or a sufficiently sound credit ratings during the years in which CEAs are collected from consumers. A mechanism is required to enable IESO to recover costs associated with the security arrangement. The proposed amendments to O. Reg. 429/04 are needed to determine the amount of such costs to be recovered from consumers through the GA.
N/A	**Determination of monthly amounts payable re IESO security** **10.3 (1)** The IESO shall, in respect of each month, determine the amount allocated to each of its specified consumers that is a Class A market participant or a Class B market	Proposed amendments to O. Reg. 429/04 are needed to satisfy accounting and commercial/financial requirements, in order to enable GA refinancing to proceed as planned. In order for OPG to market the debt, a security arrangement is required to backstop smaller Local Distribution Companies (LDCs) without

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	participant for the costs referred to in section 10.2 for the month by multiplying the rate calculated under section 10.2 for the month by the total net volume of electricity withdrawn during the month by the market participant. (2) Each licensed distributor shall, in respect of each month, determine the amount allocated to each of its specified consumers that is a Class A consumer or a Class B consumer for the costs referred to in section 10.2 for the month by multiplying the rate calculated under section 10.2 for the month by the total volume of electricity distributed to the consumer during the month by a licensed distributor. (3) Each licensed distributor shall track the amounts determined under subsection (2) separately and remit those amounts to the IESO separately from the amounts otherwise determined and remitted under this Regulation. (4) The IESO shall separately track the amounts determined under subsection (1) from the amounts otherwise determined and remitted under this Regulation. **Variance accounts** **10.4 (1)** The amount of the global adjustment determined under section 10.3 that is allocated by the IESO to a specified consumer who is a Class A market participant or a Class B market participant is to be tracked in one or more variance accounts held by the IESO in respect	any or a sufficiently sound credit ratings during the years in which CEAs are collected from consumers. A mechanism is required to enable IESO to recover costs associated with the security arrangement. The proposed amendments to O. Reg. 429/04 are needed to specify the recovery mechanism of such costs from consumers through the GA.

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	of each of the market participants. (2) The amount of the global adjustment determined under section 10.3 that is allocated by the licensed distributor to a specified consumer who is a Class A consumer or a Class B consumer is to be tracked in one or more variance accounts held by the distributor in respect of each of the consumers. **Adjustments by IESO** **10.5 (1)** The IESO shall make adjustments to add the amount referred to in subsection 10.3 (1) to the amounts allocated by the IESO under section 11. (2) Section 11 applies, with necessary modifications, to the adjustments made under subsection (1). (3) For greater certainty, the IESO shall adjust the invoice that it issues to the market participant referred to in section 10.3 for the month by adding the amounts determined under subsection 10.3 (1) as an additional charge to the amount, if any, of the global adjustment allocated to the market participant under this Regulation. **Adjustments by licensed distributor** **10.6 (1)** Each licensed distributor shall make adjustments to the accounts of a specified consumer that is a Class A consumer or a Class B consumer to add the amounts referred	

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	to in subsection 10.3 (2) to the accounts of those specified consumers referred to in sections 14 and 16. (2) Sections 14 and 16 apply, with necessary modifications, to the adjustments made under subsection (1). (3) For greater certainty, the licensed distributor shall adjust the invoice that it issues to the consumer for the month by adding the amount determined under subsections 10.3 (2) as additional charges to the amount, if any, of the global adjustment allocated to the consumer under this Regulation.	