RE: Questions re O. Reg. 429/04

From: Michael Boll <michael.boll@ieso.ca>
To: "Rehob, James (ENERGY)" <james.rehob@ontario.ca>
Cc: "Christie, Tim (ENERGY)" <tim.christie@ontario.ca>, "O'Riordan, Eamon (ENERGY)" <eamon.o'riordan@ontario.ca>, "Cayley, Daniel (ENERGY)" <daniel.cayley@ontario.ca>, "Lightbody, Ava (ENERGY)" <ava.lightbody@ontario.ca>, "Huang, Jackson (MEDG/MRIS)" <jackson.huang@ontario.ca>, "Thouin, Alena (ENERGY)" <alena.thouin@ontario.ca>, Jeannette Briggs <jeannette.briggs@ieso.ca>, "Glenn Zacher (GZacher@stikeman.com)" <gzacher@stikeman.com>
Date: Fri, 13 Oct 2017 16:57:53 -0400

Hi James,

It may be helpful to add wording to make it clear that costs for providing security includes amounts of security drawn upon. We have included some proposed wording below in red in your email. Please also change the title of 10.2 to refer to "security" rather than "letter of credit" as it is possible we can use a guarantee rather than an LC.

We agree that the underlined phrase in 10.4(2), (i.e. "and remitted to the IESO") is unnecessary.

We also have a question about how LDCs will know to charge this amount and include it on their invoices? It would be easier to discuss this question.

Have a good weekend.
Michael

From: Rehob, James (ENERGY) [mailto:James.Rehob@ontario.ca]
Sent: October 12, 2017 6:21 PM
To: Michael Boll
Cc: Christie, Tim (ENERGY); O'Riordan, Eamon (ENERGY); Cayley, Daniel (ENERGY); Lightbody, Ava (ENERGY); Huang, Jackson (MEDG/MRIS); Thouin, Alena (ENERGY)
Subject: Questions re O. Reg. 429/04

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Hi, Michael. As you likely already know, we're once again proposing amendments to O. Reg. 429/04 (Global Adjustment) made under the EA to provide for a cost-recovery mechanism re. IESO's costs (if any) related to the security designed to back-stop LDC default, operative post May 2021.

Two questions, please:

Language re 10.2: In the IESO's view, do we need to be a bit more specific than what was proposed in the last consultation draft re. O. Reg. 429/04 about differentiating the "regular" costs (e.g. administrative costs for arranging for and maintaining the letter of credit or whatever form of security is landed on) versus the actual amount were an LDC to go into default, leaving CEAs unpaid and creating the scenario where one or more financing entities to draw upon the security?

Currently, the proposed language reads as follows:

Determination of total monthly amount re IESO ~~letter of credit~~ security

10.2 (1) This section applies on or after May 1, 2021.

(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, including any amounts incurred by the IESO related to the drawing of the security by the financing entity, 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.

Is this language specific enough to capture both the normal admin costs with maintaining the letter of credit as well as the much larger amounts required were the security sought to be utilized/realized? If so, great. If not, would you suggest language which might be more suitable? (I can always come up with something but getting language you and Stikeman's are comfortable with is likely more time-efficient at this stage).

Potential redundancy - The "Variance Account" provisions at the bottom of the proposed draft – I wondered if (taking into account the numbering changes that would occur when we remove the two provisions – 10.2 and 10.3 – relating to carrying costs and FSM fees which we're not proceeding with), whether we need all of the variance account and tracking-related provisions

For instance, taking into account numbering changes due to the two removed provisions, and focussing on subs 10.3(3) and (4), are they now redundant when with proposed 10.4 (1) and (2)?

4. The Regulation is amended by adding the following sections:

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 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.

While 10.4 would provide:

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 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 and remitted to the IESO. ***[ntd-I was considering removing "…and remitted to the IESO" based on comments received from Leg. Counsel in any event – let me know if you think we need this phrase or whether the further provisions at what would be 10.5 and 10.6 make this phrase unnecessary or redundant.]***