FHP OEB

The draft as currently configured departs some way from the original intent of the FHP, which was expressed as relating to refinancing the Global Adjustment as an input to the RPP.

The OEB suggests that it would be simpler, more in keeping with the announcement and the current regulatory structure in place in Ontario, and and still familiar enough to the Markets to use the RPP approach currently in place, by leveraging existing IESO processes and OEB regulatory tools.

The approach of having each ratepayer obligated is problematic as it raises serious enforcement issues, is unnecessary as will be explained further below, and does not work as a component of RPP.

<u>Using current RPP price setting regime</u>

- The new proposed commercial regime proposed in the April 6th draft is different from the regime that Ontario currently has and would likely be more costly to set up. It essentially sets up a parallel collection scheme in order to provide commercial certainty. This parallel regime which has as a tenet that each individual rate payer is a debtor, is not necessary, as an effective scheme is already in place.

- Currently a Ratepayer pays its commodity charges based on usage under the Regulated Price plan (RPP).)This is accomplished through the RPP price setting exercise undertaken by the Board, in accordance with The OEB Act section 79(16) and the accompanying regulation. This system is well established and workable for the type of ratepayers this plan will cover.

- The OEB does not see the value/rationale for a "fixed cost" attribution. If the Allocation Factor is set as a cents/kwh charge, then this charge could be included in RPP and have the advantage of also working as a bypass charge by relying on Gross Load billing (similar to the Debt retirement charge.) for any ratepayer who chooses to load displace/net meter.

- the best approach would be for the Administrator to provide the required information to the IESO and the OEB on the amount to be recovered. Based on that information, the OEB would calculate RPP cost, then design the prices. The bypass charge would be calculated using the cost from the Administrator to calculate a per/kwh amount, in the same way the OEB calculates the RPP Variance settlement factor today that LDCs charge a customer who is exiting the RPP. That same per/kwh should be used for RPP eligible consumers.

- The specified amount if it is a cents/kWh would work for RPP (allocated to TOU) and could be used for calculating some form of amount owing (for bypass).The Transition Charge could be billed on a Gross Load basis so that whether a ratepayer was net metered or had complete load displacement there would still be a charge each month, just as there was for DRC (all self-generation after 1999 had to pay DRC on a gross load basis.)

- In terms of variances, there could be one RPP variance that would track the difference between what is paid by Ratepayers and what is owed (Transition Charges + Market variance + weather+ exit/bypass payments for Load displacement and net metering).. IESO would need to have a separate variance for the non RPP customers, with similar costs collected.

- the Rights sections would need to be drafted differently so it is clear a Ratepayer Group is responsible (not individual ratepayers) That Ratepayer Group would be the RPP class plus the RPP Eligible class, plus potentially any others one may want to include.

- This approach would be much simpler to draft and for the markets here to understand as it uses existing well understood and enforceable processes . It could follow what is in GA legislation today rather then being completely and wholly new.

<u>Ability to make sure payments are made</u>

- the current draft seeks to ensure that all amounts advanced by Creditors are secure. It does this by making each individual rate payer in effect a debtor, with the OEB and the LDCs acting as enforcers. This is neither desirable nor necessary. (FN 19 –makes the LDCs responsible. This could be a serious issue for the scheme as this could affect credit ratings for the LDCs with a corresponding upward pressure on distribution rates.)

- The charges should not be enforceable against individual ratepayers, but should be enforceable by virtue of requiring the LDCs to collect charges from ratepayers through the RPP rate order. This type of enforcement would rely on existing OEB powers with which the market, including current credit agencies is familiar.

- Under the rates/licensing regime that is in place the OEB can Order/obligate the LDCs to collect an amount (and require compliance with those Orders. The Rate Order would therefore ensure collection and repayment

- There are also other statutory provisions in place which make the payment of the amounts owing secure. See Chapter 9 of IESO's market rules which spells out settlement and billing for various charges; Refer also to sections 25.33 of the Electricity Act (adjustments to ensure prices reflect the cost of electricity) and 32 (market rules) .

- The OEB licensing regime has supported the other government initiatives and can support these processes. The licensing regime, together with the rate orders would support the repayment of the amounts. The whole market/sector today relies on the OEB Licensing and Enforcement powers.

<u>OEB role in approving the Treasury (Financing Plan)</u>

- The OEB agrees that it should not be required to assess the prudence of the Treasury Plan as approved by the OPG trust.

- if there is a desire for some oversight role the OEB would suggest that it be limited to a role akin to the role it was given in the IPSP approval process, which was basically to confirm the Plan meets the government's expectations (some version of what is set out in the Schedule).

- One approach might be to assess the rigour of the process a company designs to issue debt/arrange repayment, and perhaps also an examination of the extent to which the company followed its own plan. This could be akin to the way the OEB would have approved OPA's procurement strategies (but not the results) after an IPSP approval.

<u>OEB role in setting up the regulatory asset</u>

- Legislation has in the past established deferral or variance accounts (IESO, OPG) and in some cases the OEB issued accounting orders as a formality effectively duplicating what is in the regulation, for administrative ease (e.g. OPG COS payment amount orders include accounting orders for all active accounts – old and new) in the absence of further information we cannot comment further on what is contemplated here

<u>Other matters</u>

(FN 16) speaks to expanding the base to include suite-metered customers,the OEB would clarify for the drafters that ALL suite metered customers are customers of Electricity Distributors (as they get supply at bulk meter).

Also in definitions "Electricity Distributor" needs to be tied to rate-regulated, otherwise Cornwall is caught.