Re: Discussion Items for IESO Call

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date: Thu, 15 Jun 2017 07:08:05 -0400

I would send the list on to IESO. I expect many of these will be answerable during the conversation. Cindy

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Petsche, Nadine (TBS)
Sent: Thursday, June 15, 2017 5:54 AM
To: Lee Anne Probert
Cc: Suzie Gignac; Blake Langill
Subject: Re: Discussion Items for IESO Call

Thanks Lee Anne. It was my impression that today's call was to be more foundational, based on some of the questions that were coming up wrt regulator independence, whether the IESO is regulated, different types of regulatory assets, etcv. Which are critical for purposes of the acctg paper. I think we need to ensure that we all have a common understanding of those aspects. More detailed aspects of the IESO's accounting, to the extent that they are necessary for the analysis, can be considered for a subsequent discussion. Your thoughts? Nadine

From: Lee Anne Probert
Sent: Thursday, June 15, 2017 2:42 AM
To: Petsche, Nadine (TBS)
Cc: Veinot, Cindy (TBS); Suzie Gignac; Blake Langill
Subject: Discussion Items for IESO Call

Hi Nadine,

Below is a list of the items I would like to discuss on our call with the IESO.

Please let me know if you have any questions/concerns with the list.

Regards,
Lee Anne

<u>IESO Financial Statements</u>

Current supply cost variance account

- Where is this recorded on the 2016 balance sheet (Amounts due to/from market participants?)
- Why is this not a regulatory asset? Is it considered to be a financial asset?

- There are similarities between this variance account and the new FHP variance account, but FHP variance account is going to be accounted for a regulatory asset. What is driving different treatment?

Market accounts
- Can we walk through the entries that are booked as part of the settlement process (timing and DRs/CRs)
- What are 'Other liabilities' (Note 3)

Market Administration/Settlement

Confirm/correct the following:

Price consumers pay comprised of:
- Electricity price:
  - Electricity commodity price (HOEP)
  - Transmission price
  - Distribution price
- Global Adjustment

IESO only settles the electricity commodity price component and the related portion of the Global Adjustment

Supply of electricity comes from:
1. OPG (rate set by OEB)
2. Non-utility generators (rate set by contract – contracts held by OEFC)
3. Generation facilities under contract with IESO (rate set by contract)
4. Imports (paid HOEP)

Are there are other suppliers that are paid HOEP?

Portion of Global Adjustment determined by IESO driven by variances relating to #1, #2, #3 above

What is the nature of the contracts IESO enters into?

Participation agreements
- IESO enters into participation agreements with all market participants (buyers and sellers)
- Participation agreements bind IESO and counterparty to follow market rules
- Participation agreement would be the only contract IESO enters into with #1, #2, #4 above

Supply contracts
- Since IESO does not buy and sell electricity, what is the contract for? (IESO paying for commitment that the counterparty will supply electricity into the IESO grid?)
- Does the IESO negotiate the terms of these contracts?

Buyers of electricity from IESO grid are comprised of:
- LDCs
- Large consumers

The electricity commodity price paid by all buyers is HOEP.
IESO determines HOEP.
Although IESO determines HOEP, IESO is not really determining rates charged to buyers because total price is a bundle of electricity at HOEP plus/minus Global Adjustment and OEB mandates that bundle must (over time) equal cost.

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