GA Smoothing – IESO Accounting Considerations

Background: - I understand why this background was relevant to support the move to Regulatory Accounting but why is it important for GA Smoothing?

- ~~The Electricity Act enables the IESO to recover from ratepayers the amounts paid to generators, distributors or other contracted entities.~~
- ~~IESO is characterized as an Other Government Organization (OGO) and consolidated on a line by line basis into the Provincial books.~~
- Under the contemplated legislation, the IESO's role is to facilitate the sale of a regulatory asset to OPG.
- IESO must be able to recognize the GA deferral as a regulatory variance account (asset) that can be sold.

Issue	Response
1. Can the IESO recognize the GA deferral as a regulatory variance account?	Criteria for recognition are: • …rates are established by or are subject to approval by an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers. Considerations: Current OEB legislation empowers it to set RPP rate for residential consumers. The legislation contemplates the OEB facilitating GA smoothing through creation of a revised RPP rate for the first five years. Must ensure the legislation and regulations define the IESO's ability to recognize the GA deferral as a regulatory variance account.
2. Can the IESO sell the variance account related to the deferral of the annual Global Adjustment account?	Considerations: The sale of the variance account to OPG Trust must be structured as an absolute assignment of future economic benefits of the Asset with no obligations, rights or benefits remaining of IESO. In that case, this would represent a sale of the future right to collect these amounts from the ratepayer. Must ensure legislation, regulations and sale agreement contemplates no future economic benefit for the IESO. Risk and rewards are entirely transferred to OPG Trust.

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