Message

From: Susan Nicholson [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=F668E601BD2B4865A5C31DCA531047C8-SUSAN NICHO]
Sent: 2017-07-12 9:51:07 AM
To: Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]; Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]
CC: Natalie Schaus [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=58bb43f7d031480696ce362cf240759c-Natalie Sch]; Susan Nicholson [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=f668e601bd2b4865a5c31dca531047c8-Susan Nicho]
Subject: RE: memo to Board

Thanks for the comments Jeannette. They are very helpful.

I did use the term "invoice" very loosely and do not image this will happen directly with Finance but through the process you and your group are working hard to deliver. Is there a word that you would prefer instead of "invoice"? I am not trying to take credit away from any particular group but trying to explain the process to the Board as simply (but not in a condescending way) as possible.

Resupply of third party transactions is tax language and I can simplify it.

The risks and rewards comment is for accounting purpose and allows the IESO to derecognize the asset upon transfer. Again, I will work on clarifying it.

We are quoting March 31st balances as these are from statutory statements that the Audit Committee has seen and that are published. I want to draw their attention back to the document they got at their last meeting and also show them where they will be seeing this information going forward as we put the Q2, etc. statutory statements in front of them. You will recall that we are working on satisfying their concerns regarding "market information".

I will add that the existing RPP variance balance will be rolled into the regulatory asset – as of July 1st? Does that sound correct?

Thanks again.

Anthony – I noted an error in the last line and have changed "net of" interest to "including" interest.

From: Jeannette Briggs
Sent: July 12, 2017 9:36 AM
To: Susan Nicholson; Anthony Martinello
Cc: Natalie Schaus
Subject: RE: memo to Board

Over to you Anthony; I edited directly below adding, deleting and moving lines for your consideration.

I also have a few questions/comments:

As per the first highlighted, I am hoping this is not how it will be completed. I happy from the Board's perspective for them to consider this "invoicing" as they do not need to understand the details of the request going through Settlements. However, if we envision this going directly to Finance, I would like to know now. Settlements has built a form for the Finance Entity to submit for cost recovery of Financing Entity expense in the moratorium period. I did note in the most recent OPG/IESO master agreement, there continues to be this idea of OPG emailing an "invoice". Can we please get clarity on this issue asap. I have many people building, testing and implementing this form and if it is unnecessary I would like to redirect their efforts.

I looked up the master transfer and service agreement and the Financing Entity is the trust so I think we should just stick with the term Financing Entity and not use OPG Trust as that term is not found anywhere and the Regulation is such that it does not necessarily have to be OPG.

I cannot find anything called "resupply of third party transactions" in legislation, regulation or master transfer and service agreement but if you all know that it means fees, costs, indemnities, reimbursements etc. incurred by the Financing Entity then the words can stand. I just did not know what it meant.

While "majority" – is this accommodate the possible recognition of forward interest on IESO books?

Why are we quoting March 31st variance balances? Why are we not identifying that any previous RPP balance will be gone?

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
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From: Susan Nicholson
Sent: July 11, 2017 3:19 PM
To: Anthony Martinello; Jeannette Briggs
Cc: Susan Nicholson; Natalie Schaus
Subject: memo to Board

I am writing out some of the accounting for the Board. How does this sound?

Although a reduced RPP rate was introduced on May 1, 2017, the full impact of Ontario's Fair Hydro Plan inclusive of fully reduced RPP and Non-RPP rates to help achieve the 25% bill reduction were effective on July 1, 2017. Many of the accounting changes to address the global adjustment smoothing are expected to commence in August with the first transfer of the regulatory asset to the Financing Entity. The accounting for these transactions will be as follows each month:

1) Market invoicing will pay the generators fully but will have received a reduced amount (RPP and Non-RPP shortfall) from the LDCs.
2) The Financing Entity (now a managed by an OPG Trust) will invoice the market for the Financing Entity expenses including any administration costs, the resupply of third party transactions and interest during moratorium period (prior to the Clean Energy Adjustment coming in effect).
3) The LDC shortfall and Financing Entity expenses will be funded by IESO debt in the interim and will be recorded in the variance account as part of the regulatory asset.
4 The Financing Entity will purchase the regulatory asset. This will transfer the majority of risks and rewards associated with the asset to the Financing Entity .
5) IESO will use the cash received from the transfer of the regulatory asset to repay the debt from step 3 above.
6) Any interest incurred by the IESO for their debt will also be recorded in the variance account as part of the regulatory asset and recovered in a subsequent transfer of the regulatory asset.

The transfer of 100% of the regulatory asset to the Financing Entity will not add any additional variance amounts on the market books at each month end. The balance in the variance account as of March 31, 2017 was an asset of $72.4 million (net of interest) and offset by the revolving line of credit (see attached appendix – Note 2 Market Accounts).

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