Message

Sent: 2017-07-12 10:32:25 AM
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Subject: FW: memo to Board

The OEB began to partially reduce the RPP rate on May 1, 2017 for Fair Hydro, and 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. The accounting changes to address the Fair Hydro program is 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's global adjustment modifier) from the LDCs.
2) The Financing Entity (managed by OPG) will invoice the IESO for any Financing Entity expenses including any OPG administration costs, the resupply of third party transactions and interest during the 4 year moratorium period (prior to the Clean Energy Adjustment coming in effect).
3) The LDC shortfall and Financing Entity expenses will be funded by IESO via debt facilities 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 risks and rewards associated with the regulatory 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 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.
7) Any remaining balance in the IESO's regulatory asset will become recoverable from the market post the moratorium period.

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).