Message

From: Jeannette Briggs [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=148095610F7242F48A5A9DA24B1A8A87-JEANNETTE B]
Sent: 2017-07-12 11:21:30 AM
To: Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]
Subject: RE: memo to Board

You realize that she was not referring to only RPP but all the variance accounts together.

> 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".

Not sure why we would quote anything but RPP variance? I pointed out that RPP variance will go away presumably replaced by the OFHP variance which may or may not increase the variance balance as the Financing Entity may not buy it all. I wonder why we would even say the final sentences but she indicates above for market info....

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
Independent Electricity System Operator (IESO)| T: 905-855-6364 | C: 416-997-6364
Station A, Box 4474, Toronto, ON, M5W 4E5
Web: www.ieso.ca | Twitter: IESO_Tweets | LinkedIn: IESO
Conservation: www.saveONenergy.ca | Twitter: saveONenergyOnt | LinkedIn: saveONenergy

Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals

---

From: Anthony Martinello
Sent: July 12, 2017 10:47 AM
To: Jeannette Briggs; Susan Nicholson; Natalie Schaus
Subject: FW: memo to Board

My suggested edits below, ... the March 31 debt was $81M – see attached.

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 (unless the Financing Entity does not purchase the amounts, which is not expected in normal course of business) on the market books at each month end. The balance in the variance account as of March 31, 2017 was an asset of $81 million (net of interest) and offset by the revolving line of credit (see attached appendix – Note 2 Market Accounts).