Message

**From:** Anthy Lovachis [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=42A8BB25D4B341B6AA9C16B1DDBC0790-ANTHY LOVAC]
**Sent:** 2018-02-01 12:24:57 PM
**To:** Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]
**Subject:** FW: DRAFT - Market Accounts note for financial statements

FYI: proposed notes below

**From:** Susan Nicholson
**Sent:** February 01, 2018 10:09 AM
**To:** Anthy Lovachis; Kate Longmoore; Jordan Penic
**Cc:** Kim Marshall; Natalie Schaus; Mansoor Ahmad
**Subject:** RE: DRAFT - Market Accounts note for financial statements

Please see additional sentence added to the end of the first paragraph as per Kim's request.

**From:** Susan Nicholson
**Sent:** February 01, 2018 9:24 AM
**To:** Anthy Lovachis; Kate Longmoore; Jordan Penic
**Cc:** Kim Marshall; Susan Nicholson; Natalie Schaus; Mansoor Ahmad
**Subject:** DRAFT - Market Accounts note for financial statements

Here is our first draft of the market accounts note for your review and comment. Is there anyone else that should review this as well? We have been requested to get notes to the auditors by 1 pm today if possible.

Thanks, Susan

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## MARKET ACCOUNTS

a) In March 2017, the Government of Ontario announced its Fair Hydro Plan (FHP). Under this Plan, the IESO continues to settle the transactions between generators and distributors, but collects only a portion of the Global Adjustment from eligible customers, identified in the Ontario Fair Hydro Plan Act. The FHP also shifted the cost of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection (RRRP) program costs from ratepayers to taxpayer-funded programs. These accounts comprise the market regulated assets.

As at December 31, Deferred Global Adjustment Variance was $199,475 thousand, including interest and carrying charges. The under collection in the account to the end of December 2017 was $1.378 billion. On December 21, 2017 $1.179 billion was transferred to the Fair Hydro Trust.

With the implementation of the FHP on May 1, 2017, only payments to OESP eligible customers are currently being made and the balance at December 31, 2017 was in a credit position of $24,892 thousand, net of interest.

A new rate for the RRRP program under the FHP was effective July 1, 2017. The balance in the RRRP variance account to June 30, 2017 was $6,626 thousand. The new rate has resulted in an under collection of $5,994 thousand (net of interest) in the second half of the year, resulting in a balance in the variance of $12,620 thousand as at December 31, 2017.

**Components of the market accounts are as follows:**

| As of December 31 (in thousands of Canadian dollars) | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Cash, restricted for market activities | 454,174 | 244,755 |
| Amounts due from market participants | 1,253,417 | 1,384,407 |
| Interest receivable | 217 | 186 |
| Regulatory assets/liabilities | 187,203 | 37,873 |
| **Total Market Assets** | **1,895,011** | **1,667,221** |
| | | |
| Market Debt | (13,252) | (150,501) |
| HST receivable | 110,156 | 25,531 |
| Amounts due to market participants | (1,855,206) | (1,385,790) |
| Other net liabilities | (136,709) | ( 156,461) |
| **Total Market Liabilities** | **(1,895,011)** | **(1,667,221)** |
| **Closing balance** | **-** | **-** |

**Regulated assets consist of the following:**

| As of December 31 (in thousands of Canadian dollars) | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Deferred Global Adjustment Variance | 199,475 | - |
| Regulated Price Plan Variance | - | 134,988 |
| Ontario Electricity Support Program Variance | (24,892) | (92,443) |
| Rural or Remote Rate Protection variance | 12,620 | (4,672) |
| **Closing balance** | **187,203** | **37,873** |

### a) Market Debt

**$475 Million Credit Facility with OFA**

The IESO has an unsecured credit facility agreement with the Ontario Financing Authority (OFA), which will make available to the IESO an amount up to $475 million. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires December 31, 2019. As at December 31, 2017 $12 million was outstanding (December 31, 2016 – $151 million).

**$2 Billion Credit Facility with OFA**

During 2017, the IESO entered into a new unsecured credit facility agreement with the OFA, which will make available to the IESO an amount up to $2 billion for the purpose of supporting the IESO's role in the Ontario Fair Hydro Program. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires September 30, 2022. As at December 31, 2017 $1 million was outstanding.

**$150 Million Credit Facility with TD Bank**

The IESO has an unsecured credit facility agreement with TD Bank, which will make available to the IESO an amount up to $150 million. Advances are payable at a variable interest rate equal to that of banker's acceptance plus a margin per annum. The credit facility expires April 30, 2020. As at December 31, 2017 no amount was drawn on the credit facility (December 31, 2016 - $nil).

### b) Related Party Transactions

The IESO records the market accounts assets, liabilities and amounts due to and from market participants held on behalf of the IESO Administered Markets (IAM) in its statements of financial position. Included in these accounts are amounts due to and from related parties.

The province of Ontario is a related party as it is the controlling entity of the IESO. The OEFC, OEB, Hydro One, Ontario Power Generation Inc. (OPG), and Ministry of Energy are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IAM were as follows:

As of December 31, 2017, the IAM had a payable balance due to the OEFC for $31,025 thousand (December 31, 2016 - $65,711 thousand).

As of December 31, 2017, the IAM had a payable balance with the OEB for $57 thousand (December 31, 2016 - $ nil).

As of December 31, 2017, the IAM had a receivable balance with Hydro One of $25,018 thousand (December 31, 2016 - $75,610 thousand).

As of December 31, 2017, the IAM had a payable balance with OPG for $356,611 thousand (December 31, 2016 - $430,432 thousand).

As of December 31, 2017, the IAM had a receivable balance with Ministry of Energy for $93,854 thousand (December 31, 2016 – $153 thousand).

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