GA Smoothing – IESO Considerations

- 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.

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.* • Rates are designed to recover the specific costs of regulated business-type activities. • In view of demand, it is reasonable to assume that rates will be set to recover the regulated business-type and can be collected from customers. Conclusion: *Legislation creates the right to collection, currently and in the future. With either OEB or IESO board involvement a regulatory asset can be recognized.*
2. Can the IESO sell the variance account related to the deferral of the annual Global Adjustment account?	• 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. Conclusion: Based upon proposed terms of the sale agreement, there would be no future economic benefit for the IESO. Risk and rewards are entirely transferred to OPG Trust.

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