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Sent: 2017-05-17 3:41:11 PM
To: Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]; Adrian Pye [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=72156be4624446d1a621c64d98172f05-Adrian Pye]
Subject: RE: draft response: variance accounts for OESP. RPP and RPPP - pls review
Importance: High

While the regulations details the variance account, it is really as series of Acts that give direction to the IESO to establish variance accounts:

Electricity Act, 1998

25.33 Variance accounts

(5) The IESO shall establish and maintain such variance accounts as may be necessary to record all amounts payable or receivable by it under this section. 2004, c. 23, Sched. A, s. 37; 2014, c. 7, Sched. 7, s. 8 (5).

Ontario Energy Board Act, 1998

With Bill 132, Ontario's Fair Hydro Plan Act there are changes in front of Legislative Counsel which will see changes to the regulation 314/15: ONTARIO ELECTRICITY SUPPORT PROGRAM noted below. Specifically Bill 132 includes changes to Section 79.2 of the Ontario Energy Board Act, which governs the Ontario Electricity Support Program, is repealed and replaced. The program is continued, but will be funded out of money appropriated by the Legislature after the variance account maintained by the Independent Electricity System Operator, formerly established under the Plan, is exhausted, rather than by consumers. There are provisions relating to the sharing, use and disclosure of information relating to the administration of the Ontario Electricity Support Program. We expect the regulation to change to support these changes.

Rate assistance

79.2 (1) The Minister shall make provision for rate assistance for rate-assisted consumers having regard to their economic circumstances, and where the Minister makes such provision, shall do so out of the money provided for in subsection (4).

OESP

(2) The program known as the "Ontario Electricity Support Program" in English and "Programme ontarien d'aide relative aux frais d'électricité" in French is continued for the purpose of providing rate assistance to rate-assisted consumers having regard to their economic circumstances.

Administered by Board

(3) The Ontario Electricity Support Program shall be administered by the Board, or when the regulations so provide, by a Minister of the Crown or other entity provided for in the regulations.

Money appropriated by the Legislature

(4) The money required for the purposes of the Ontario Electricity Support Program shall be paid out of the money appropriated for those purposes by the Legislature, once the amounts recorded in the variance account referred to in subsection (5) are no longer sufficient to provide for the funding of the program when taken on their own.

Variance account

(5) The money required for the purposes of the Ontario Electricity Support Program shall be provided out of the credit balance in the variance account maintained by the IESO under the Program as it existed before the coming into force of section 2 of Schedule 2 to the *Fair Hydro Act, 2017* until the amounts recorded in the account are no longer sufficient, when taken on their own, to fund the Program.

Variance account depleted

(6) The IESO shall provide the Ministry of Energy with advance notice, on a timely basis, of the time the IESO estimates that the amounts reflected in the variance account would be less than the amount required to meet its obligations related to funding the Ontario Electricity Support Program for the upcoming month.

How provided

(7) Rate assistance provided under this section shall be provided with respect to consumers prescribed in the regulations, and shall be provided at the times provided for in the regulations and in the amounts and in the manner provided for in the regulations.

Regards,

Jeannette Briggs Director, Settlements - Corporate Services

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

From: Anthony Martinello

Sent: May 17, 2017 1:19 PM

To: Jeannette Briggs

Subject: FW: draft ressonse: variance accouns for OESP. RPP and RPPP - pls review

fyi

From: Adrian Pye

Sent: May 17, 2017 1:13 PM

To: Tam Wagner; Susan Nicholson

Cc: Anthony Martinello

Subject: draft ressonse: variance accouns for OESP. RPP and RPPP - pls review

Below is a draft response to Michel on the variance account question for review. Thanks to Anthony for having this material close at hand.

Pls forward any edits to me and I will incorporate. I assume we want to get this to Kim and Michel today

Adrian

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The current versions of the Ontario Energy Board Act, Electricity Act and associated Regulations outline that variance accounts can or will be established for the OESP, RPP and RRRP.

Specifically:

OESP: the OESP Reg, O. Reg 314/125 S 6, sets out that the IESO shall establish a variance account.

RPP: Section 79.16 (3) of the Ontario Energy Board Act, which deals with the commodity price for electricity for low volume consumers, sets out that the Board shall take into account balances in variance accounts established under section 25.33 of the Electricity Act, 1998 and make adjustments with a view to eliminating those balances within 12 months or such shorter time periods as the Minister may direct. Section 25.33 (5) of the Electricity Act sets out that the IESO shall establish and maintain such variance accounts as may be necessary.

RRRP: The RRRP Reg, O. Reg 442/01 S 5(9), sets out that the IESO shall establish a variance account

Extracts from the relevant Acts and Regulations

OESP

O. Reg. 314/15: ONTARIO ELECTRICITY SUPPORT PROGRAM

Compensation for distributors, unit sub-meter providers and the IESO

3. ...

(2) The IESO shall collect the charge calculated by the Board under subsection (1) from market participants and any other person who, with the approval of the IESO, withdraws electricity from the IESO-controlled grid for use by consumers in Ontario.

(3) For the purposes of subsection (2), the amount that the IESO shall collect from each market participant and any other person contemplated in that subsection shall be based on the total of,

Variance account

6. (1) The IESO shall establish a variance account in connection with subsections 3 (2) and (3) that records differences between the amounts collected by the IESO under subsection 3 (2) and the amount of compensation paid or retained by the IESO under subsection 3 (4).

(2) The IESO shall record interest on the balance of the account as the Board may direct.

RPP

Ontario Energy Board Act, 1998

Commodity price for electricity: low volume consumers, etc.

79.16 ...

(3) In determining rates under clause (1) (b), the Board shall take into account balances in variance accounts established under section 25.33 of the Electricity Act, 1998 and make adjustments with a view to eliminating those balances within 12 months or such shorter time periods as the Minister may direct.

Electricity Act, 1998

Electricity pricing to reflect costs

IESO to make adjustments

25.33

(1) The IESO shall, through its billing and settlement systems, make adjustments in accordance with the regulations that ensure that, over time, payments by classes of market participants in Ontario that are prescribed by regulation reflect,

(a) amounts paid to generators, the Financial Corporation and distributors, whether the amounts are determined under the market rules or under section 78.1, 78.2 or 78.5 of the *Ontario Energy Board Act, 1998*; and

(b) amounts paid to entities with whom the IESO has a procurement contract, as determined under the procurement contract. 2014, c. 7, Sched. 7, s. 8 (1).

Distributors and retailers to make adjustments

(2) Distributors and retailers shall, through their billing systems, make adjustments in accordance with the regulations that ensure that, over time, payments by classes of consumers in Ontario that are prescribed by regulation reflect,

(a) amounts paid to generators, the Financial Corporation and distributors, whether the amounts are determined under the market rules or under section 78.1, 78.2 or 78.5 of the *Ontario Energy Board Act, 1998*; and

(b) amounts paid to entities with whom the IESO has a procurement contract, as determined under the procurement contract. 2014, c. 7, Sched. 7, s. 8 (2).

Exception

(3) Any adjustment that would otherwise be made under subsection (1) or (2) and that relates to electricity that is consumed by any of the following types of consumers shall instead be made in accordance with the regulations to one or more variance accounts established and maintained by the IESO:

1. Repealed: 2009, c. 12, Sched. B, s. 6 (2).

2. A consumer whose rates are determined by the Board under section 79.16 of the *Ontario Energy Board Act, 1998*.

3. A consumer who is a member of a class of consumers prescribed by the regulations. 2004, c. 23, Sched. A, s. 37; 2009, c. 12, Sched. B, s. 6 (2); 2014, c. 7, Sched. 7, s. 8 (3).

Adjustments, payments, set-offs and credits

(4) The IESO, distributors and retailers shall,

- (a) make such adjustments in their accounts as may be required or permitted by the regulations to record adjustments described in subsections (1), (2) and (3); and
- (b) make and receive such payments, set-offs and credits as may be required or permitted by the regulations with respect to consumers described in subsection (3). 2004, c. 23, Sched. A, s. 37; 2014, c. 7, Sched. 7, s. 8 (4).

Variance accounts

- (5) The IESO shall establish and maintain such variance accounts as may be necessary to record all amounts payable or receivable by it under this section. 2004, c. 23, Sched. A, s. 37; 2014, c. 7, Sched. 7, s. 8 (5).

Variance accounts

- (5) The IESO shall establish and maintain such variance accounts as may be necessary to record all amounts payable or receivable by it under this section.

RRRP

O. Reg. 442/01: RURAL OR REMOTE ELECTRICITY RATE PROTECTION

5. (0.1) In this section,

“rate protection interest costs” means interest costs incurred by the IESO for the purpose of ensuring that payments to distributors are made in accordance with clause (7) (b). O. Reg. 52/16, s. 1 (1).

- (1) The Board shall calculate the amount of the charge to be collected by the IESO under subsection (5) for each kilowatt hour of electricity that is withdrawn from the IESO-controlled grid, as determined in accordance with the market rules, for use by consumers in Ontario, so that the total amount forecast to be collected is equal to the total amount of rate protection to be provided. O. Reg. 383/04, s. 5 (1); O. Reg. 391/09, s. 3 (1).
- (2) At least 60 days before the end of each calendar year, the IESO shall submit to the Board,
 - (a) a forecast of the number of kilowatt hours of electricity that will be withdrawn from the IESO-controlled grid, as determined in accordance with the market rules, for use by consumers in Ontario during the next calendar year; and
 - (b) supporting documentation for the forecast. O. Reg. 442/01, s. 5 (2); O. Reg. 391/09, s. 3 (2, 3).
- (3) The forecast shall be derived from information submitted to the Board under section 25 of the *Electricity Act, 1998* in respect of the next fiscal year O. Reg. 442/01, s. 5 (3); O. Reg. 273/16, s. 4.
- (4) Revoked: O. Reg. 52/16, s. 1 (2).
- (5) The IESO shall collect the charge calculated by the Board under subsection (1) from market participants and any other person who, with the approval of the IESO, withdraws electricity from the IESO-controlled grid for use by consumers in Ontario. O. Reg. 442/01, s. 5 (5); O. Reg. 391/09, s. 3 (5).

(6) A distributor or retailer who bills a consumer for electricity shall aggregate the amount that the consumer is required to contribute to the compensation required by subsection 79 (3) of the Act with the wholesale market service rate described in the Electricity Distribution Rate Handbook issued by the Board, as it read on October 31, 2001. O. Reg. 442/01, s. 5 (6).

(7) Each month, the IESO shall,

(a) record the charges collected under subsection (5) in the preceding month; and

(b) from those charges, pay to distributors the compensation to which they are entitled under subsection 79 (3) of the Act. O. Reg. 52/16, s. 1 (3).

(8) Any amounts remaining after payments are made to distributors under clause (7) (b) may be used by the IESO to defray any rate protection interest costs it has incurred. O. Reg. 52/16, s. 1 (3).

(9) The IESO shall establish a variance account that records differences between the amounts collected by the IESO under subsection (5) and the sum of the amount paid under clause (7) (b) and any amounts used for the purposes of subsection (8). O. Reg. 52/16, s. 1 (3).

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