Message

From: Jeannette Briggs [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=148095610F7242F48A5A9DA24B1A8A87-JEANNETTE B]
Sent: 2018-02-26 8:40:27 AM
To: Nicole Hynum [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=20f92d6d8f2243e48879899bf20c657b-Nicole Hynu]
CC: Jessica Savage [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=42171042a4154102bf27418f958141e3-Jessica Sav]; Carrie Aloussis [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=e34a6017e31243cea020cf50f759daaf-Carrie Alou]
Subject: RE: draft response: parker inquiry

Nicole

Terry wants to talk about this – are you at Clarkson or Adelaide today? As well, I wonder if it is easier to put our responses into an email in this way:

Bill Presentation of GA Modifier for FHP

The GA modifier is the amount the OEB has calculated for FHP eligible customers' bill settlement for non-RPP. Distributors submit to the IESO monthly the both the RPP and non-RPP amounts not collected to achieve the 25% bill reduction as required by Bill 132. The IESO uses these submitted values as is for reductions to the Distributors monthly IESO invoices and recognizes the deferred amounts as per Bill 132. The 25% bill reduction is inclusive of OESP and most of RRRP moving to tax base as well as the OREC 8% reduction so the reduction submitted by Distributors is closer to approximately 15% of on bill charges. Also, the GA modifier is not part of the posted rate for GA Class B. Rather this rate is intended for RPP eligible consumers only as in the past.

Calculating Cost of Power (CoP) for Hydro One

The Cost of Power reported by Hydro One are the costs incurred by the distribution business and represent all the costs of electricity purchased by the LDC for delivery to customers within Hydro One distribution service territories. As reported in their Annual Report, the CoP on their Financial Statements is made up from:

- Wholesale Commodity Cost (HOEP plus Global Adjustment for Class B consumers)
- Wholesale Market Service Charges
- Wholesale Transmission Charges

Using the Monthly Market Summary for each month against the monthly measured Hydro One **net metered** quantity, the result is close to the Hydro One reported number of $662M, after accounting for monthly adjustments related to prior monthly settlement. The distributed power number you referenced below (6.784 GWh) includes Hydro One's embedded generation. For many charges Hydro One is settled on the their net metered quantity, which is excludes embedded generation. This helps explain how an even higher overall quarterly number (on average just over $129/MWh) multiplied by quarterly quantity is the $662M on their financial statements.

Published Embedded Generation Numbers

The IESO publishes the embedded generation costs, which can be found as part of Actual Global Adjustment Components (GA-OPA (M$)) and Global Adjustment Cost and Consumption per by Customer Class (Class B all remaining customers TWh). Link: http://www.ieso.ca/en/sector-participants/settlements/global-adjustment-components-and-costs

Determining Hydro One Class A Customers

Class A is not a simple average rate it is a function of Peak Demand Factor, so dividing quarterly dollars by TWh does not necessarily reflect what Hydro One pays for their Class A. Hydro One's CoP (Purchased Power Costs) also includes Wholesale Market Service Charges and Transmission Charges GA (commodity cost). With respect to the question of whether Hydro One's share of Class A ratepayers is much less than their percentage of Class B ratepayers, we will re-direct you to Hydro One as this forms part of their confidential settlement data.

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

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From: Terry Young
Sent: February 25, 2018 5:56 PM
To: Nicole Hynum
Cc: Jeannette Briggs; Jessica Savage; Carrie Aloussis
Subject: RE: draft response: parker inquiry

I am struggling to understand some of this. Let's chat on Monday. I will let Parker know that I am holding this up.

Terry

From: Nicole Hynum
Sent: February 23, 2018 5:55 AM
To: Terry Young
Cc: Jeannette Briggs; Jessica Savage; Carrie Aloussis
Subject: draft response: parker inquiry

Good morning Terry – below is the draft response to Parker (in blue) developed in collaboration with Settlements. The previous email trail is also attached for your reference. Please let us know if you have any comments or if we are ok to respond. Thanks, Nicole

Draft response

Nicole, Thanks for your response but I don't feel my question(s) were really addressed hence my response below. Please note my reactions/queries in red!

Parker – Thanks for your inquiry. Market participants financial statements cannot be reconciled using market data posted on the IESO's website. There are many variables that come into play, such as embedded generation, global adjustment (Class A versus Class B customer), etc. I am totally aware of the "many variables" you note. I would note that you didn't clarify if the FHP "modifier" is added to your billing to distributors or settled in another manner—so could you please at the least advise me on that issue/question.

Reconciliation can only be done using market participants settlement statements and data files, which are confidential. **I have not asked for any confidential information!** I have been advised by Hydro One that IESO is responsible for the billing to them for the Cost of Power (CoP) as you will see in my earlier dialogue with them. I have used their CoP amount for the calculation along with their reported billed distribution in GWh which is presumably part of your calculations on the billing side for the CoP. I recognize that "embedded" distribution costs would/should be included in the CoP as those are contracts signed by the OPA (now a part of IESO). That being the case the billed CoP should be higher than my calculation generated as those contracts are considerably higher than the bulk of the power generated (nuclear and hydro in 2017 represented 97.1% (128.3 Twh) of grid connected Ontario consumption at prices in the 6.5 cents/kWh for nuclear and 4.4 cents/kWh range for hydro). NB: On this subject see remarks in the next paragraph related to IESO's reported "Class B" rates.

On another note I have wondered why doesn't IESO report on the cost of embedded Generation as you are the settlement agent for it and claim you are "transparent"? Also, please note that the IESO's monthly market summaries are for information purposes only. I and many others have always assumed the "monthly market summaries" were factual so are you suggesting they are not?

The Monthly Market Summaries are complete and accurate at a point in time. Any changes in settlement data occurring between preliminary and financial settlement statements, can change the posted rates. As well, there are post final adjustments from notice of disagreements, notices of disputes and corrections to previously submitted data by market participants that can significantly change the monthly calculations. Therefore we include a disclaimer that the information cannot be used for settlement purposes.

That raises the question: what about the IESO reported "Global Adjustment Components and Costs" http://www.ieso.ca/sector-participants/settlements/global-adjustment-components-and-costs page? Using that page I can calculate the GA for Class A's was $52.95/MWh and $102.11/MWh for Class B ratepayers for the three months in question. Adding the GA costs for A & B ratepayers together for the three months comes to $3,037.4 million and adding the reported consumption together gives me 34.374 TWh. Dividing the dollars by the consumption gives me a combined GA of $88.36/MWh. If I than add the three month "weighted average" of the HOEP (taken from the Monthly Summaries" I get $14.46 /MWh and combining the GA of $88.36/MWh with the HOEP of $14.46 gives me an average cost of generation for the three months of $102.82/MWh. That number is relatively close to to that of my query of Hydro One's $97.58/MWh BUT still $5.24/MWh over the Hydro One number despite my belief which is: **NB: I strongly believe Hydro One's share of Class A ratepayers is much less than their percentage of Class B ratepayers. If you can tell me their share (consumption by A Class) is in fact higher than the approximately 25% of Class B's they claim I will accept the lower number (assuming the "modifier" is not included) their financial report numbers suggest!** We would be pleased to have a conversation with you about IESO's market data to address any specific questions.

Please refer to the IESO report site: http://reports.ieso.ca/public for up-to-date information. If historical data is required, we can forward this to you.

I hope you can enlighten me on the questions posed?

Parker

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