Fair Hydro Plan

Standing Committee on Justice Policy
Qs & As

Proposed Fair Hydro Plan Act, 2017

1. **How will the IESO facilitate the Fair Hydro Plan**

Under the proposed legislation, ratepayers are being provided relief from paying the full cost of electricity. As a result, the IESO will only collect a portion of Global Adjustment. The deferred GA amount will be recorded in a variance account, and the right to recover the deferred amounts will be a regulatory asset. The proposed legislation establishes the framework for transferring this asset to a financing entity.

2. **Why is deferred GA later collected as a 'Clean Energy Adjustment'?**

The Clean Energy Adjustment will factor in the deferred GA costs as well as administrative costs.

3. **How much debt will be accumulated over time, by deferring GA?**

The government's initial analysis indicated that the proposed legislation would lead to an accumulated debt not to exceed $28 billion. The IESO has not done any modeling of future costs under the proposed legislation.

Accounting Practices

4. **How does the IESO's accounting policy fit with the government's global adjustment refinancing plan?**

The IESO can recognize a regulatory asset related to the variance account created by the proposed Act. The accounting opinion issued by KPMG to the Independent Electricity System Operator (IESO) confirms the IESO's view that the accounting practices and structures proposed in the Fair Hydro Act, 2017 are consistent and compatible with the IESO's current financial accounting practices. As a result, the IESO can recognize a regulatory asset related to the right to recover the balance in the variance account created by the proposed Act, and that regulatory asset will no longer be included in IESO financial statements upon transfer of the regulatory asset to a financing entity.

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5. **Why did the IESO determine that the new accounting policy on rate-regulated accounting was more relevant to the IESO?**

After reviewing its accounting policies, it was determined that rate-regulated accounting was more applicable to regulated entities such as the IESO. The approach allows for the recognition of regulated assets on our statement of financial position and better reflects the economic substance of certain types of expenses that may not be directly recovered through the normal revenue requirement model. This is consistent with the accounting policies of other regulated entities across North America, but also Hydro One and OPG.

6. **Did the IESO review its accounting policies as a result of its role in refinancing the global adjustment?**

The IESO regularly reviews its accounting policies although this review was triggered by discussions with government. The IESO's review determined that including market accounts would increase transparency and reporting certain costs as regulated assets was consistent with the accounting policies of other regulated entities across North America. Even if the government refinancing plan does not proceed, the IESO would have made the change.

7. **How does the IESO benefit from changing its accounting practices to allow for regulatory accounting?**

The IESO has previously explored the option of regulatory accounting to provide greater transparency on the expenses related to the management of the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) programs as well as the Regulated Price Plan (RPP) variance account. Through a discussion triggered by the government, the IESO's latest review determined that it would be beneficial for the IESO to adopt regulatory accounting.

8. **Is the trust to be established by Ontario Power Generation controlled by the IESO?**

The IESO will not have the power to govern the Trust, nor have ongoing access to the Trust's assets. The IESO will also not have any voting shares or future rights to the Trust nor the power to dissolve the Trust. Without control, the Trust is not subject to consolidation within the IESO financial statements.

Price

9. **Has the IESO done any forecasting of the price for residents and small businesses under the Fair Hydro Plan?**

The IESO has not done any modeling of the changes proposed under the Fair Hydro Plan legislation.

10. **According to a leaked Cabinet document, from 2022 to 2029, the average hydro bill will rise from $142-$214 or 51%, does the IESO agree with this forecast?**

The IESO is not in a position to comment on leaked cabinet documents, but has not done any modeling of the changes proposed Fair Hydro Plan legislation.

11. **Does the IESO expect existing facilities to be around past the duration of their contracts?**

The IESO's 2016 Ontario Planning Outlook analysis assumes that service lives of generators could be extended beyond their contract terms, at additional investment and ongoing costs. The IESO has launched the Market Renewal Program that will provide the opportunity for generators to continue to supply electricity beyond the life of their contracts, provided they are cost competitive. Incremental annual capacity auctions would establish an enduring mechanism that creates a level playing field for all resources to compete to make sure Ontario has the resources it needs to meet demand into the future.