GA Refinancing – Role of the Independent Electricity Operator (IESO)

- The IESO administers the $17 billion annual electricity market, settling transactions between generators and consumers of electricity.
- Under the Fair Hydro Plan, the IESO continues to invoice eligible customers – but not collect – the full amount of Global Adjustment every month.
- The deferred portion of the GA under the Fair Hydro Plan is recorded in a variance account.
- The IESO's right to recover these cost from future ratepayers, constitutes a regulatory asset.
- The regulatory asset, is transferred to OPG Trust.

- ~~IESO will recognize impact of deferring certain costs that will be recovered in the future from ratepayers as a rate-regulated asset; periodically that asset, or the right to recover those costs from future ratepayers, will be sold to OPG and financed through borrowing by OPG.~~

- ~~IESO will reflect the impact of the GA refinancing using rate-regulated accounting similar to other regulated entities in Ontario, including Ontario Power Generation and Hydro One:~~
  - ~~Rate-regulated accounting reflects the economic substance of the government's policy decision to recover the costs of the GA refinancing fully from the ratepayers;~~
  - ~~Rate-regulated accounting is well understood in the electricity sector; and~~
  - ~~Add Reference to other IESOs~~

Notes:

The IESO received an unqualified opinion from KPMG on the audit of its 2016 financial statements.

The IESO and its audit partner, KPMG, agree that the recognition of regulatory assets and liabilities better reflects the economic, substance of IESO's operations and enhances the relevance, transparency and accountability of its financial reporting.

Increased transparency of the $17 billion dollar electricity market

Better reflects the economic substance of certain IESO expenses, recovered through a regulated rate (i.e. SME expenses)

The recognition of regulatory assets brings the IESO in line with 6 out of 8 other independent system operators in North America.

The IESO's adoption of regulatory accounting in no way affects the IESO's costs, or has any financial impact on electricity ratepayers.