2) MARKET ACCOUNTS

As of January 1, 2016 the IESO changed its accounting policy regarding the recognition of market accounts assets and liabilities on the statement of financial position.

In March 2017, the Government of Ontario ~~(the Province)~~ announced its Fair Hydro Plan (FHP). Under this Plan, the IESO continues to settle the transactions between generators and distributors, but collects only a portion of the Global Adjustment from eligible customers, identified in the Ontario Fair Hydro Plan Act. ~~The FHP reduces electricity bills for Regulated Price Plan (RPP) customers (as well as those non-RPP consumers who receive the 8% rebate as specified in the Ontario Rebate for Electricity Act, 2016) by approximately 25% for a period of one year, starting in the summer of 2017, and limits the increase in electricity bills to the rate of inflation over the next four years. The measures that make up the 25% average reduction include:~~

~~1. Spreading the cost of Ontario's clean energy investments over the expected lifecycle of the generation infrastructure assets. This is expected to account for 18-19% of the overall reduction.~~

~~2. Shifting the cost of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection (RRRP) program costs from ratepayers to taxpayer-funded programs.~~

~~3. An 8% rebate equal to the provincial portion of the HST, which took effect on January 1, 2017.~~

~~With respect to the first measure,~~ As at September 30, ~~Unrecovered~~ Deferred Global Adjustment Expenses ~~as at September 30, 2017~~ were $818,174 thousand. This balance includes~~s comprised of~~ the variance created by the partial implementation of the FHP ~~the RPP~~ prior to the effective date of July 1, 2017. The partial reduction granted ~~for the FHP~~ from May 1 to June 30, resulted in a variance of ($239,452 thousand). During the third quarter the market under collected $577,379 thousand from customers. In addition, interest payable on the account decreased by $800 thousand. ~~As at September 30, 2017 there has been no transfer of this asset to the financing entity.~~

The FHP also shifted ~~2. Shifting~~ the cost of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection (RRRP) program costs from ratepayers to taxpayer-funded programs.

~~With respect to the second measure, p~~Prior to May 1~~st~~ the balance of OESP funds collected and paid through the market was -$116,096 thousand. With the implementation of the FHP on May 1, 2017, only payments to OESP eligible customers are currently being made and the balance at September 30, 2017 was -$62,312 thousand, net of interest.

A new rate for the RRRP program under the FHP was effective July 1, 2017. The balance in the RRRP variance account to June 30, 2017 was $6,626 thousand. The new rate has resulted in an under collection of $4,017 thousand (net of interest) in the third quarter for the RRRP settled through the market accounts, resulting in balance in the variance of $10,643 thousand as at September 30, 2017.

~~The third measure does not create an asset or a liability in the market accounts.~~