

Message

Sent: 2018-02-02 10:37:38 AM
To: Susan Nicholson [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=f668e601bd2b4865a5c31dca531047c8-Susan Nicho]
CC: Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshall]
Subject: RE: DRAFT - Market Accounts note for financial statements

Hi Susan,

I've included some questions and proposed edits to the draft notes below.

Michael

From: Susan Nicholson
Sent: February 01, 2018 1:27 PM
To: Michael Boll
Cc: Kim Marshall; Susan Nicholson
Subject: FW: DRAFT - Market Accounts note for financial statements

Hey Michael, as per Kim's request please see draft wording below.

Thanks, Susan

From: Susan Nicholson
Sent: February 01, 2018 10:14 AM
To: [REDACTED] Peter Gregg; Kim Marshall
Cc: Susan Nicholson; Natalie Schaus
Subject: DRAFT - Market Accounts note for financial statements

Carole and Peter - here is our first draft of the market accounts note for your review and comment. We are targeting to get draft notes to the auditors by 1 pm today, as per their request. However, there will still be time to make final revisions after that time.

Thanks, Susan

MARKET ACCOUNTS

a) In March 2017, the Government of Ontario 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 also shifted 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. These accounts comprise the market regulated assets.

As at December 31, Deferred Global Adjustment Variance was \$199,475 thousand, including interest and carrying charges. The under collection in the account to the end of December 2017 was \$1.378 billion. On December 21, 2017 \$1.179 billion was transferred to the Fair Hydro Trust.

With the implementation of the FHP on May 1, 2017, only payments to OESP eligible customers are currently being made and the balance at December 31, 2017 was in a credit position of \$24,892 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 \$5,994 thousand (net of interest) in the second half of the year, resulting in a balance in the variance of \$12,620 thousand as at December 31, 2017.

Components of the market accounts are as follows:

As of December 31 (in thousands of Canadian dollars)	2017	2016
	\$	\$
Cash, restricted for market activities	454,174	244,755
Amounts due from market participants	1,253,417	1,384,407
Interest receivable	217	186
Regulatory assets/liabilities	187,203	37,873
Total Market Assets	1,895,011	1,667,221
Market Debt	(13,252)	(150,501)
HST receivable	110,156	25,531
Amounts due to market participants	(1,855,206)	(1,385,790)
Other net liabilities	(136,709)	(156,461)
Total Market Liabilities	(1,895,011)	(1,667,221)
Closing balance	-	-

Regulated assets consist of the following:

As of December 31 (in thousands of Canadian dollars)	2017	2016
	\$	\$
Deferred Global Adjustment Variance	199,475	-
Regulated Price Plan Variance	-	134,988
Ontario Electricity Support Program Variance	(24,892)	(92,443)
Rural or Remote Rate Protection variance	12,620	(4,672)
Closing balance	187,203	37,873

a) Market Debt

\$475 Million Credit Facility with OFA

The IESO has an unsecured credit facility agreement with the Ontario Financing Authority (OFA), which will make available to the IESO an amount up to \$475 million. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires December 31, 2019. As at December 31, 2017 \$12 million was outstanding (December 31, 2016 – \$151 million).

\$2 Billion Credit Facility with OFA

During 2017, the IESO entered into a new unsecured credit facility agreement with the OFA, which will make available to the IESO an amount up to \$2 billion for the purpose of supporting the IESO's role in the Ontario Fair Hydro Program. Advances are payable at a variable interest rate equal to the Province of Ontario's cost of borrowing plus 0.25% per annum. The credit facility expires September 30, 2022. As at December 31, 2017 \$1 million was outstanding.

\$150 Million Credit Facility with TD Bank

The IESO has an unsecured credit facility agreement with TD Bank, which will make available to the IESO an amount up to \$150 million. Advances are payable at a variable interest rate equal to that of banker's acceptance plus a margin per annum. The credit facility expires April 30, 2020. As at December 31, 2017 no amount was drawn on the credit facility (December 31, 2016 - \$nil).

b) Related Party Transactions

The IESO records the market accounts assets, liabilities and amounts due to and from market participants held on behalf of the IESO Administered Markets (IAM) in its statements of financial position. Included in these accounts are amounts due to and from related parties.

The Province of Ontario is a related party as it is the controlling entity of the IESO. The OEFC, OEB, Hydro One, Ontario Power Generation Inc. (OPG), and Ministry of Energy are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IAM were as follows:

As of December 31, 2017, the IAM had a payable balance due to the OEFC for \$31,025 thousand (December 31, 2016 - \$65,711 thousand).

As of December 31, 2017, the IAM had a payable balance with the OEB for \$57 thousand (December 31, 2016 - \$ nil).

As of December 31, 2017, the IAM had a receivable balance with Hydro One of \$25,018 thousand (December 31, 2016 - \$75,610 thousand).

As of December 31, 2017, the IAM had a payable balance with OPG for \$356,611 thousand (December 31, 2016 - \$430,432 thousand).

As of December 31, 2017, the IAM had a receivable balance with Ministry of Energy for \$93,854 thousand (December 31, 2016 – \$153 thousand).