Ontario Fair Hydro Plan Act Impacts on IESO Explained

ieso
Independent Electricity System Operator

Ontario's Fair Hydro Plan (OFHP) Major Components

- Refinancing the Global Adjustment (GA) over a longer time period for Regulated Price Plan (RPP) eligible consumers, including families, farms and small businesses – similar to Ontario Rebate for Electricity Consumers (8% rebate)
- Enhancing competitiveness for NAICS small manufacturers and industrials by lowering the eligibility threshold to 500 KWs for Industrial Conservation Initiative (ICI). We calculate all the Peak Demand Factors for Class A customers
- Helping vulnerable electricity consumers by enhancing electricity support and conservation programs, and funding these programs from provincial revenues (RRRP, OESP and First Nations On-Reserve Delivery Credit). We developed forms to permit participants to submit amounts to be recovered and will be reporting to both OEB and Ministry

ieso
Independent Electricity System Operator

OFHP Impact on IESO

- New Legislation and Regulations
- Agreements with an OPG financing entity
- Regulatory Accounting and mitigating any IESO financial risks
- Treasury & Settlements changes, and IESO operational risks and resourcing
- Settling the Plan components

ieso
Independent Electricity System Operator

Legislation Permitting Refinancing GA

- Bill 132 – Ontario Fair Hydro Plan Act, 2017 receives Royal Assent June 1, 2017
- IESO is providing input to regulation drafting to ensure:
  - No long term IESO liability for deferral amount
  - IESO legal authority for its activities
  - Efficient, clear working with current processes
  - Responsibilities assigned appropriately

ieso
Independent Electricity System Operator

Arrangements with OPG

- It is expected the deferred GA would be an IESO regulatory asset that IESO would sell to an OPG financing entity
- The financing entity would own the regulatory asset, finance the purchase of the asset from IESO, and in future recover the deferred amount from ratepayers
- IESO would act as the financing entity's agent to collect deferred amount from a defined class of consumes
- It is expected IESO and the financing entity would enter into sales and servicing arrangements

Treasury Changes

Financing:

- IESO increased line of credit with OFA;
- IESO to carry bridge amount and bridge may be longer/larger than estimated if OPG SPV investor sales are slow;

Credit Risk Mitigation:

- LDCs' payment default risks which encompasses the regulatory assets
- Mitigate IESO financial risks for Fair Hydro sales

ieso
Independent Electricity System Operator

Treasury Changes

Operational Risk and Resourcing:

- Payment of OPG SPV ongoing bills, interest costs, and potential taxes (HST) logistical matters;
- Variance / deferred assets' segregation (new bank accts, new monitoring & reporting) of cashflows, banking, and audit trail processes;
- New reporting and/or providing data to Fair Hydro stakeholders (external to IESO)
- Potential Ontario Securities Commission (given that these are likely marketable securities) reporting requirements;
- Service level agreements with external parties;

Settlement Changes

- Project underway for implementing new charge types and new forms to accommodate Plan (specific programs described in Appendix slides)
- Very short timelines – implementation dates May 1 and July 1, 2017
- Working with the Ministry to avoid duplicate LDCs efforts – IESO collects all information in our system and provides information to meet Ministry reporting requirements
- Likely to be Settlements staff impacts

ieso
Independent Electricity System Operator

APPENDIX

Detailed Description Of Settling Plan Components

Global Adjustment Reduction Amount

- Regulated Price Plan (RPP) general rate and TOU rates reduced to achieve 25% after taxes bill savings – OEB to use proxy Toronto Hydro 750 KWh consumer after removing 8% and other programs moving to provincial revenues to set new rate, likely to be around 16% reduction of current RPP rates
- Rate discount/KWh established for those eligible but not on RPP
- Aiming to have reduced rates for May 1, 2017

ieso
Independent Electricity System Operator

Global Adjustment Reduction Amount

- IESO continues with Market Settlement calculating commodity costs payable to generators and program participants – HOEP plus Global Adjustment, **no change**
- Continue to invoice LDCs with their portion of Class A and Class B commodity costs to clear Market, **no change**
- As normal, LDCs submit to the IESO shortfall of commodity cost collections from rate payers and receive invoice reductions, **significant increase expected from $30M to $200M monthly**
- Shortfalls are financed by sale of deferral asset

ieso
Independent Electricity System Operator

Lowering the Eligibility Threshold for Industrial Conservation Initiative (ICI)

- Expanding the eligibility threshold of ICI to small energy intensive manufacturers and industrials with average monthly peak demand over 500 kilowatts – (targeting North American Industry Classification System (NAICS) businesses
- Exclusively LDC customers
- Impact is higher GA borne by all Class B which is likely to be deferred into the GA smoothing mechanism

ieso
Independent Electricity System Operator

Vulnerable Consumers Programs Impacting IESO

- Changing Rural or Remote electricity Rate Protection (RRRP) program to provide distribution charge relief for the customers of the costliest LDCs

- Enhancing the Ontario Electricity Support Program (OESP) and working to ensure the program uptake is as close as possible to 100%.

- Establishing a new First Nations On-Reserve Delivery Credit.

Rural or Remote Rate Protection (RRRP)

- Current program split into three programs
- Two to be paid by provincial revenues and the other by a new RRRP rate
- IESO to settle all programs with additional reporting requirements to Ministry
- New charge types and forms required
- OEB to provide new rate shortly - effective July 1, 2017

Independent Electricity System Operator

Ontario Electricity Support Program (OESP)

- Expand eligibility and increase credits to cover more low income Ontarians effective May 1, 2017
- OESP to be funded by provincial revenues eventually
- Initial funding from IESO held OESP variance of $104M (funding likely available until January 2018)
- Continued OEB reporting requirements
- Additional Ministry reporting requirements

ieso Independent Electricity System Operator

New First Nations On-Reserve Delivery Credit

- Eliminating the delivery charge for all on-reserve First Nations households and removing the monthly service charge for customers of licensed distributors which charge a bundled rate
- 11 LDCs request refund from IESO ~ $20M
- New charge types and form required
- On-Reserve Delivery Credit funded by provincial revenues - effective July 1, 2017

ieso
Independent Electricity System Operator