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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. The IESO-administered markets is a balancing system and includes amounts due from market participants (e.g. LDCs) and amounts due to market participants (e.g. generators). The net position of market accounts will settle to a $nil balance.

In 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.

The cumulative amount recorded in the Deferred Global Adjustment Variance account to the end of June 2018 was $2,557,769 thousand. To date a total of $1,788,000 thousand has been transferred to the Fair Hydro Trust. As a result, as at June 30, the Deferred Global Adjustment Variance account balance was $769,769 thousand, including interest and carrying charges.

In consideration of the implementation of the FHP, the OEB rescinded the OESP charge and determined to fund the program through the credit balance in the Ontario Electricity Support Program Variance account. As of June 30, the OESP variance account had been fully depleted.

On July 1, 2017 the OEB set a new rate for the RRRP program that has resulted in the IESO paying eligible markets participants more than rate collection permits. The balance in the RRRP variance account to June 30, 2018, was $16,579 thousand net of interest.

Components of the market accounts are as follows:	As at June 30, 2018	As at December 31, 2017
Cash, restricted for market accounts	(2,699)	454,174
Amounts due from market participants	1,292,752	1,253,417
Interest receivable	132	217
Regulatory assets/liabilities	786,348	187,203
HST receivable	148,681	110,156
Market debt	(582,378)	(13,252)
Amounts due to market participants	(1,486,976)	(1,855,206)
Other net liabilities	(155,860)	(136,709)
Closing balance	-	-

Regulatory assets/liabilities consist of the following:	As at June 30, 2018	As at December 31, 2017
Deferred Global Adjustment Variance	769,769	199,475
Ontario Electricity Support Program Variance	-	(24,892)
Rural or Remote Rate Protection Variance	16,579	12,620
Closing balance	**786,348**	**187,203**

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