Message

From: Susan Nicholson [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=F668E601BD2B4865A5C31DCA531047C8-SUSAN NICHO]
Sent: 2018-02-01 9:34:47 PM
To: Carole Workman [redacted]
CC: Peter Gregg [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=eecb5b8abe1a4998a2ee7b2d68b31ccc-Peter Gregg]; Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshal]; Natalie Schaus [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=58bb43f7d031480696ce362cf240759c-Natalie Sch]
Subject: Re: DRAFT - Market Accounts note for financial statements

Hi Carole. We were very purposeful in the use of the word transfer. It aligns with how OPG is characterizing their note and it aligns with the regulations. That being said I am waiting to hear if legal has any suggested comments or changes to the wording. I will keep you posted.

Sent from my iPhone

On Feb 1, 2018, at 9:31 PM, Carole Workman [redacted] wrote:

> Thank you, Susan. I like the note; I particularly like that you disclose
> the total undercollection as at dec 31 and the amount transferred to OPG trust.
> However I wonder if "transferred to" is the appropriate terminology for the irrevocable
> transfer or assignment or sale of the regulatory asset? Does "transfer »
> reflect the legal or regulatory nature of the transaction?
>
> Carole
>
> Sent from my iPhone
>
> On Feb 1, 2018, at 10:13 AM, Susan Nicholson <susan.nicholson@ieso.ca> wrote:
>
>> 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) <!--[if !supportLists]--><!--[endif]-->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	
	$	
Cash, restricted for market activities	454,174	
Amounts due from market participants	1,253,417	1,
Interest receivable	217	
Regulatory assets/liabilities	187,203	
Total Market Assets	**1,895,011**	**1,**
Market Debt	(13,252)	(
HST receivable	110,156	
Amounts due to market participants	(1,855,206)	(1,
Other net liabilities	(136,709)	(
Total Market Liabilities	**(1,895,011)**	**(1,**
Closing balance	-	

Regulated assets consist of the following:

As of December 31 (in thousands of Canadian dollars)	2017
	$
Deferred Global Adjustment Variance	199,475
Regulated Price Plan Variance	-
Ontario Electricity Support Program Variance	(24,892)
Rural or Remote Rate Protection variance	12,620
Closing balance	**187,203**

a) <!--[if !supportLists]--><!--[endif]-->**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) <!--[if !supportLists]--><!--[endif]-->**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).