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). 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, Unrecovered Global Adjustment Expenses as at September 30, 2017 were $818,174 thousand. This balance is comprised of the variance created by the RPP prior to the effective date of July 1, 2017 for the FHP ($zzz thousand). During the third quarter, the market paid generator contracts in the amount of $xxx thousand and under collection $yyy thousand from customers. As at September 30, 2017 there has been no transfer of this asset to the financing entity.

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

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 $bbb thousand. The new rate has resulted in an under collection for the RRRP settled through the market accounts of $ccc thousand in the third quarter, 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.

(in thousands of Canadian dollars)	As at September 30, 2017	As at December 31, 2016
Cash, restricted for market activities	215,476	244,755
Market Accounts Receivable	699,579	1,370,053
Net Congestion Rent Receivable	-	5,727
Global Adjustment Other Charges Receivable	240,016	15,480
Interest Receivable	126	186
Unrecovered Global Adjustment Expenses	818,174	-

Market Assets	**1,973,371**	**1,636,201**
Revolving line of credit	(614,805)	(150,501)
HST receivable/(payable)	131,000	25,531
Market Accounts Payable	(1,205,022)	(1,326,011)
Net Congestion Rent Payable	(500)	-
Prepayments	(36,827)	(62,980)
Market Interest Payable to IESO Corporate	(2,272)	(2,508)
Market Penalties Payable to IESO Corporate	(1,033)	(1,144)
Regulated Price Plan Variance	-	134,988
Provision for Future Transmission Rights Activity	(105,040)	(53,305)
Provision for Future Ontario Electricity Support Program Activity	(62,312)	(92,443)
Provision for Future Rural or Remote Rate Protection Activity	10,643	(4,672)
Provision for Future Enforcement Activity	(36,562)	(58,484)
Deferred Transmission Rights Revenue	(50,641)	(44,672)
Market Liabilities	**(1,973,371)**	**(1,636,201)**