

Appendix A

Regulatory Accounting Guidance related to Power and Global Adjustment Variance Accounts

Introduction

The commodity pass through accounts¹ capture the largest transactions that are recorded by an electricity distributor in their financial records. The accumulation of variances in accounts 1588 - RSVAP_{Power} and 1589 - RSVAG_A are caused by different groups of customers. The balances accumulated in Account 1588 - RSVAP_{Power} are caused by all of a distributor's electricity customers², with the exception of embedded wholesale market participants³ (EWMP), and are thus allocated to all customers in all customer classes through the Group 1 deferral and variance accounts rate rider, (excluding EWMP customers). The balances accumulated in Account 1589 - RSVAG_A are caused by class B non-RPP customers, excluding EWMP customers, and are thus allocated to only Class B non-RPP customers through a Global Adjustment (GA) rate rider, (excluding EWMP customers).

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Commodity Pass Through Accounts

The Account 1588 - RSVAP_{Power} is used to record net differences between energy sales accrued (unbilled revenue) and billed to RPP and non-RPP customers, and energy costs accrued and paid to the IESO, host distributor or embedded generator⁴.

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The Account 1589 - RSVAG_A is used to record net differences between Global Adjustment (GA) accrued (unbilled revenue) and billed to non-RPP customers, and GA costs accrued and paid to the IESO or host distributor relating to non-RPP customers⁵.

RPP Settlements

Distributors are required to make RPP settlements claims with the IESO for each trade month (i.e. calendar month), and through these claims are distributors will recover/return the differences between amounts billed to RPP customers for commodity costs, and amounts charged by the IESO to distributors based on the Hourly Ontario Energy Price (HOEP) plus GA. RPP settlement claims are calculated to be performed monthly, based on calendar month kWh consumption volume data which must coincide with the wholesale calendar month kWh volumes billed by the IESO to the distributor.

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Since initial RPP settlements must be made on day 4, distributors must make estimates for costs and revenues as the actual customer consumption volume data is generally not available until all billings have been completed; distributors are expected to make

¹ Commodity sales accounts 4006-4055 and commodity cost accounts 4705 and 4707.

² Includes Class A customers, Class B customers and the subsets of RPP Customers and non-RPP customers.

³ Embedded wholesale market participant customers are not billed either electricity or the global adjustment charge and such customers settle directly with the IESO.

⁴ Accounting Procedures Handbook, Article 490.

⁵ ibid

relatively accurate estimates on day 4 when submitting the monthly RPP settlement claims to the IESO (or host distributor).

Estimates are made for the following customer consumption volume data:

1. Proportionate consumption related to RPP and non-RPP customers when recording GA costs into Account 4705 and Account 4707 respectively.
2. Customer consumption volume data at each RPP price for each of the two-tier conventional meter prices, and the three Time-of-Use (TOU) RPP prices when calculating RPP settlement claims with the IESO.

In addition, Rates and Pricing data is available to distributors when performing RPP settlements calculations, with the exception of the ~~Global Adjustment~~ actual price. Distributors must use the GA 2nd estimate price in the initial RPP settlement claim on day 4 after the month-end, since the actual GA price which is not known until the IESO issues its invoice for the calendar month.

Since there are differences between estimates used and actuals once known, such differences must be adjusted in subsequent periods ~~throughwhen~~ RPP settlements true-up claims ~~are made~~ with the IESO. The OEB requires distributors to true-up all elements of the revenues and expenses used for RPP settlements which impact Account 1588 - RSVA^{Power} and Account 1589 - RSVA^{GA}. True-ups are necessary to ensure that the variances attributable to RPP and Non-RPP customers are accumulated in the correct account and then are subsequently disposed to the correct group of customers.

Note that actual calendar month customer kWh consumption volumes adjusted for the total loss factor (TLF) will not be the same as purchased volumes from the IESO. Differences exist between actual system losses and TLF billed to customers. The resulting differences are defined as unaccounted for energy and such differences will be tracked in Account 1588 - RSVA^{Power} and Account 1589 - RSVA^{GA}. When calendar month wholesale cost of power is recorded to the appropriate accounts, the calendar month sales volumes for RPP and non-RPP must be used to apportion those costs to the appropriate commodity variance account.

~~Below the OEB presents a comprehensive The example presented below to illustrates how the costs and revenues that impacting Accounts 1588 - RSVA^{Power} and 1589 - RSVA^{GA} should be recorded in the distributor's accounts to ensure the accuracy of the two commodity pass-through variance account balances.~~

Effective [NTD: when is the most appropriate time], the OEB requires distributors to implement the standardized procedures illustrated through the example below. The OEB will be providing further guidance in future to standardized the approach for distributors ~~regarding how to determine what the actual customer consumption volume data are for RPP customers for each of the two-tier conventional meter prices, and-and, for the three~~

Time-of-Use (TOU) RPP prices; and also, as well as the actual customer consumption volume data for non-RPP customers.

Illustrative Example:

For simplicity, the focus of this example is for only IESO Charge Types (CT) relevant to Power and Global Adjustment.

The example below shows the various journal entries required by distributors on a monthly basis to record the commodity flow-through transactions. Estimated data used for revenue and cost of power accruals are provided in Tables 1 to 7 below; data for the initial true up are found in Tables 8 to 10; actual data used for recording actual from the IESO bill into the two commodity accounts is found in Tables 12 to 15; actual sales data from the distributors systems is found in Tables 167 to 2418; data for the final true-up is found in Tables 22 to 24; and, the calculation of the true-up of the proportion of RPP vs non-RPP GA costs is found in Table 25. The initial and final true-up adjustments must be reflected in the year to which they relate as adjustments to accounts 1588 and 1589 when distributors request the disposition of Group 1 deferral and variance accounts.

Actual data used for recording revenues and cost of power are provided in Tables X to X below.

Step 1: Accrue Account 4705 – Power Purchased and Account 4707 – Charges GA based on AQEW⁶ including Embedded Generation (EG) quantities, based on estimated proportions for RPP and Non-RPP consumption and 2nd estimate for GA price.

Assumptions made: Total AQEW kWh and EG kWh quantities are known⁷, the GA final rate is not known.

Journal Entry #1

⁶ AQEW is net of Class A kWh volumes

⁷ If quantities are not known, distributors must use estimates, and true them up to actual once known as part of either the initial or final true-up adjustment.

December 31, 20xx			
JE #1		Dr.	Cr.
Dr. Account 4705 - Power Purchased - RPP	\$	6,615,000	
Dr. Account 4705 - Power Purchased - non-RPP	\$	8,085,000	
Dr. Account 4705 - Power Purchased - RPP GA Charges	\$	17,707,500	
Dr. Account 4707 - Charges GA - non-RPP GA Charges	\$	21,642,500	
Cr. Account 2256 - IESO Accounts Payable			\$ 54,050,000

To accrue power expenses. Assumptions: total kWh are known, Weighted Average Hourly Price is known, GA final rate is not known. Accrual on 2nd estimate
 Reversal entry (JE #4) recorded on January 16, 20xx.

Table 5 below provides the supporting calculations for JE #1. Tables 1 and 4 provide the data used in the calculations.

Note: The above entry is a monthly entry to record power expense accruals. This entry is to be reversed when the IESO invoice is received and the actual expenses are recorded.

Step 2: Accrue billed/unbilled revenues based on estimated RPP and Non-RPP kWh.

Assumptions made: Total AQEW kWh quantity is known (same as the one used for accruing power expenses in JE #1). 1st estimate is used for billing and unbilled revenues. Proportions for RPP and Non-RPP consumption for this entry are estimated (same estimates should be used as for accruing expenses in JE #1).

Journal Entry #2

December 31, 20xx			
JE #2		Dr.	Cr.
Dr. Accounts Receivable	\$	58,032,500	
Cr. Billings Energy Sales Accounts 4006-4055			\$ 20,825,000
Cr. Billings Energy Sales Accounts 4006-4055 non-RPP			\$ 8,085,000
Cr. Billings Energy Sales SA GA 4006-4055 non-RPP GA			\$ 29,122,500

To accrue billed/unbilled revenues based on estimated RPP and Non-RPP kWh
 Reversal entry (JE #7) recorded on February 28, 20xx.

Tables 6 and 7 below provides the supporting calculations for the revenue billed/accrual entries².

² For simplicity, the net of billed sales less prior month unbilled revenue, plus current month unbilled revenue have been combined in the example, since the net of the three entries would be summed to provide information for the estimated revenues which would be used for settlement purposes.

Note: The GA price used in this example is the 1st estimate. However, if the distributor uses the GA 2nd estimate and/or the GA actual price for billing then this entry should be made using the appropriate price(s).

The above entry is to be reversed in the following month.

Step 3: Calculate the initial RPP GA settlement amount on day 4 after month-end, based on estimated RPP kWh volumes at each Time-of-Use rates and Tiered rates. GA rate used would generally be the 2nd estimate (best estimate available at the time).

Journal Entry #3

December 31, 20xx			
JE #3		Dr.	Cr.
Dr. Account 2256 - IESO Accounts Payable reduction	\$	3,497,500	
Cr. Account 4705 - Power Purchased			\$ 3,497,500

To record CT 1142. Note: Settlement form was submitted on day 4 after month-end based on estimated volumes at each RPP price. It is a receivable as the total RPP revenues were lower than total RPP commodity costs. This CT must be trued-up after total consumption data becomes available.

Support for this journal entry is provided in table 8 below.

Data for Initial RPP Settlement based on Estimates on Day 4:

Table 1: Wholesale Volume data used for Cost of Power Accrual:

AQEW including embedded generation		500,000,000
Estimated RPP Quantity Proportion	45.00%	225,000,000
Estimated non-RPP Quantity Proportion	55.00%	275,000,000
Wholesale kWh Volumes	100.00%	500,000,000

Table 2: Estimated Retail Volume Revenue Data

Retail Revenue Data based on Wholesale Data		500,000,000
Estimated RPP Quantities	45.00%	225,000,000
Estimated non-RPP Quantities	55.00%	275,000,000
Wholesale kWh Volumes	100.00%	500,000,000

Table 3: Estimated RPP Revenue Volume and Price Data

	Estimated %	kWh Volumes	RPP Rate/kWh
Tier 1	1.00%	5,000,000	\$ 0.077
Tier 2	1.40%	7,000,000	\$ 0.132
TOU Off-peak	20.00%	100,000,000	\$ 0.065
TOU Mid-peak	10.00%	50,000,000	\$ 0.094
TOU On-peak	12.60%	63,000,000	\$ 0.132
	45.00%	225,000,000	

Table 4: Commodity Price Data:

Commodity Price	GA Rate per kWh
WAP	\$ 0.0294
GA 1st estimate	\$ 0.1059
GA 2nd estimate	\$ 0.0787

Commodity Cost of Power Accrual:

Table 5: Commodity Cost of Power Accrual

	Cost/kWh	kWh Volumes	Amount
Charge Type 101 - RPP Volumes 4705	\$ 0.0294	225,000,000	\$ 6,615,000
Charge Type 101 - non-RPP Volumes 4705	\$ 0.0294	275,000,000	\$ 8,085,000
Charge Type 148 - RPP - 4705	\$ 0.0787	225,000,000	\$ 17,707,500
Charge Type 148 - non-RPP - 4707	\$ 0.0787	275,000,000	\$ 21,642,500
Sub-Total before RPP Settlement			\$ 54,050,000
Charge Type 1142 - RPP - 4705 - RPP Settlement - Day 4 Settlement			\$ (3,497,500)
Commodity cost of power accrual			\$ 50,552,500

Accrued & Billed Revenue from RPP & non-RPP Customers:			
Table 6: RPP Commodity Revenue			
	RPP Rate/kWh	kWh Volumes	Amount
Tier 1	\$ 0.0770	5,000,000	\$ 385,000
Tier 2	\$ 0.1320	7,000,000	\$ 924,000
TOU Off-peak	\$ 0.0650	100,000,000	\$ 6,500,000
TOU Mid-peak	\$ 0.0940	50,000,000	\$ 4,700,000
TOU On-peak	\$ 0.1320	63,000,000	\$ 8,316,000
Total Estimated Revenue		225,000,000	\$ 20,825,000
Table 7: non-RPP Revenue Accrual			
	Cost/kWh	kWh Volumes	Amount
Revenue at WAP	\$ 0.0294	275,000,000	\$ 8,085,000
GA Revenue at 1st estimate	\$ 0.1059	275,000,000	\$ 29,122,500
			\$ 37,207,500

Day 4 Initial RPP Settlement Calculation:

Table 8: Estimated RPP Revenue and GA 2nd Estimate:

RPP Revenue Prices	RPP Rate	Weighted Average Price	GA 2nd Estimate	Total Commodity	Difference	kWh Volumes	Estimated RPP Revenue	Estimated WAP	Estimated GA	Estimated RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0294	\$ 0.0787	\$ 0.1081	\$ 0.0311	5,000,000	\$ 385,000	\$ 147,000	\$ 393,500	\$ (155,500)
Tier 2	\$ 0.1320	\$ 0.0294	\$ 0.0787	\$ 0.1081	\$ 0.0239	7,000,000	\$ 924,000	\$ 205,800	\$ 550,900	\$ 167,300
TOU Off-peak	\$ 0.0650	\$ 0.0294	\$ 0.0787	\$ 0.1081	\$ 0.0431	100,000,000	\$ 6,500,000	\$ 2,940,000	\$ 7,870,000	\$ (4,310,000)
TOU Mid-peak	\$ 0.0940	\$ 0.0294	\$ 0.0787	\$ 0.1081	\$ 0.0141	50,000,000	\$ 4,700,000	\$ 1,470,000	\$ 3,935,000	\$ (705,000)
TOU On-peak	\$ 0.1320	\$ 0.0294	\$ 0.0787	\$ 0.1081	\$ 0.0239	63,000,000	\$ 8,316,000	\$ 1,852,200	\$ 4,958,100	\$ 1,505,700
						225,000,000	\$ 20,825,000	\$ 6,615,000	\$ 17,707,500	\$ (3,497,500)

RPP Settlement Calculation based on Actual GA Price:

Table 9: Estimated RPP Revenue and Actual GA Price:

RPP Revenue Prices	RPP Rate	Weighted Average Price	GA Actual	Total Commodity	Difference	kWh Volumes	Actual RPP Revenue	Actual WAP	Actual GA	Actual RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0395	5,000,000	\$ 385,000	\$ 147,000	\$ 435,500	\$ (197,500)
Tier 2	\$ 0.1320	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0155	7,000,000	\$ 924,000	\$ 205,800	\$ 609,700	\$ 108,500
TOU Off-peak	\$ 0.0650	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0515	100,000,000	\$ 6,500,000	\$ 2,940,000	\$ 8,710,000	\$ (5,150,000)
TOU Mid-peak	\$ 0.0940	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0225	50,000,000	\$ 4,700,000	\$ 1,470,000	\$ 4,355,000	\$ (1,125,000)
TOU On-peak	\$ 0.1320	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0155	63,000,000	\$ 8,316,000	\$ 1,852,200	\$ 5,487,300	\$ 976,500
						225,000,000	\$ 20,825,000	\$ 6,615,000	\$ 19,597,500	\$ (5,387,500)

RPP Settlement True-up based on Actual GA Price:

Table 10: True-up of 2nd Estimate GA to Actual GA Price

RPP Revenue Prices	RPP Rate	Weighted Average Price	GA Actual	Total Commodity	Difference	kWh Volumes	True-Up RPP Revenue	True-up WAP	True-up GA	RPP Settlement True-UP
Tier 1	\$ -	\$ -	\$ (0.0084)	\$ (0.0084)	\$ 0.0084	-	\$ -	\$ -	\$ 42,000	\$ (42,000)
Tier 2	\$ -	\$ -	\$ (0.0084)	\$ (0.0084)	\$ 0.0084	-	\$ -	\$ -	\$ 58,800	\$ (58,800)
TOU Off-peak	\$ -	\$ -	\$ (0.0084)	\$ (0.0084)	\$ 0.0084	-	\$ -	\$ -	\$ 840,000	\$ (840,000)
TOU Mid-peak	\$ -	\$ -	\$ (0.0084)	\$ (0.0084)	\$ 0.0084	-	\$ -	\$ -	\$ 420,000	\$ (420,000)
TOU On-peak	\$ -	\$ -	\$ (0.0084)	\$ (0.0084)	\$ 0.0084	-	\$ -	\$ -	\$ 529,200	\$ (529,200)
						-	\$ -	\$ -	\$ 1,890,000	\$ (1,890,000)

Step 4: Reverse the accrued expenses (JE #1) when the IESO invoice is received and actual power costs become available.

Journal Entry #4

January 16, 20xx			
JE #4	Dr.		Cr.
Cr. Account 4705 - Power Purchased - RPP		\$	6,615,000
Cr. Account 4705 - Power Purchased - non-RPP		\$	8,085,000
Cr. Account 4705 - Power Purchased - RPP GA Charges		\$	17,707,500
Cr. Account 4707 - Charges GA - non-RPP GA Charges		\$	21,642,500
Dr. Account 2256 - IESO Accounts Payable	\$	54,050,000	
To reverse JE #1 accrual of power expenses. Assumptions: total kWh are known, Weighted Average Hourly Price is known, GA final rate is not known. Accrual on 2nd estimate			

Step 5: Upon receiving IESO invoice on 10th business day after the month-end, record IESO CT 101 and CT 148 using estimated proportions for RPP and Non-RPP, and actual GA price.

Journal Entry #5

January 16, 20xx			
JE #5	Dr.		Cr.
Dr. Account 4705 - Power Purchased - RPP	\$	6,615,000	
Dr. Account 4705 - Power Purchased - non-RPP	\$	8,085,000	
Dr. Account 4705 - Power Purchased - RPP GA Charges	\$	19,597,500	
Dr. Account 4707 - Charges GA - non-RPP GA Charges	\$	23,952,500	
Cr. Account 2256 - IESO Accounts Payable			\$ 58,250,000
To record Actual charges re. CT 148 on IESO invoice into Power Purchased and Charges GA based on estimated RPP/Non-RPP proportions and to record actual CT 101 into Power Purchased account			

Computations for JE#5 is provided in Table 15 below.

Data for RPP Settlement based on Actual IESO invoice:

Table 11: Wholesale Volume data per IESO Power Bill:

AQEW including embedded generation		500,000,000
Actual RPP Quantity Proportion	45.00%	225,000,000
Actual non-RPP Quantity Proportion	55.00%	275,000,000
Wholesale kWh Volumes	100.00%	500,000,000

Table 12: Actual Retail Volume Revenue Data

Billed/Unbilled Retail Volumes		500,000,000
Actual RPP Sales Quantities	45.00%	225,000,000
Actual non-RPP Sales Quantities	55.00%	275,000,000
Wholesale kWh Volumes	100.00%	500,000,000

Table 13: Actual RPP Revenue Volume and Price Data

	Actual %	kWh Volumes	RPP Rate/kWh
Tier 1	1.00%	5,000,000	\$ 0.077
Tier 2	1.40%	7,000,000	\$ 0.132
TOU Off-peak	20.00%	100,000,000	\$ 0.065
TOU Mid-peak	10.00%	50,000,000	\$ 0.094
TOU On-peak	12.60%	63,000,000	\$ 0.132
	45.00%	225,000,000	

Table 14: Commodity Price Data:

Commodity Price	GA Rate per kWh
WAP	\$ 0.0294
GA 1st estimate	\$ 0.1059
GA 2nd estimate	\$ 0.0787
GA actual	\$ 0.0871

Commodity Cost of Power per IESO Invoice:				
Table 15: Commodity Cost of Power Billed by IESO				
	Cost/kWh	kWh Volumes	Amount	True-up amount
Charge Type 101 - RPP Volumes 4705	\$ 0.0294	225,000,000	\$ 6,615,000	
Charge Type 101 - non-RPP Volumes 4705	\$ 0.0294	275,000,000	\$ 8,085,000	
Charge Type 148 - RPP - 4705	\$ 0.0871	225,000,000	\$ 19,597,500	
Charge Type 148 - non-RPP - 4707	\$ 0.0871	275,000,000	\$ 23,952,500	
Sub-Total before RPP Settlement			\$ 58,250,000	
Charge Type 1142 - RPP - 4705 - RPP Settlement - Adjusted Settlement Amount			\$ (5,387,500)	\$ (1,890,000)
			\$ 52,862,500	

Step 6: Calculate the 1st RPP true-up with the IESO for actual GA price, and estimated RPP volumes at each of the RPP tiered and ToU rates. Actual volumes at each RPP price are not known yet.

Journal Entry #6

January 31, 20xx		
JE #6	Dr.	Cr.
Dr. Account 2256 - IESO Accounts Payable reduction	1,890,000	
Cr. Account 4705 - Power Purchased		1,890,000
To true-up CT 1142 for difference between GA 2nd Price and GA Actual price. (1st true-up)		

Computations for JE#6 is provided in Tables 8 to 10 above. There will be a second true-up after volumes at each tiered and ToU rates become available. This would be completed after all actual calendar month billing data becomes available.

Step 7: Reverse unbilled entry made for the month of December after all billing data becomes available.

Assumptions: Billings were completed and all billing data was available on February 28, 20xx.

Journal Entry #7

February 28, 20xx			
JE #7		Dr.	Cr.
Cr. Accounts Receivable			\$ 58,032,500
Dr. Billings Energy Sales Accounts 4006-4055	\$	20,825,000	
Dr. Billings Energy Sales Accounts 4006-4055 non-RPP	\$	8,085,000	
Dr. Billings Energy Sales SA GA 4006-4055 non-RPP GA	\$	29,122,500	
To reverse JE #2 accrued billed/unbilled revenues based on estimated RPP and Non-RPP kWh			

JE #7 is the reversal entry for the revenue accruals based on estimates. Data for JE #7 is provided under Tables 6 & 7.

Step 8: Record actual revenues billed to RPP and Non-RPP customers for the month of December.

Assumptions: Actual billing data and volumes at each RPP price became available on February 28, 20xx. Total volumes billed provided in the Table 17 indicates that volumes billed were higher than the volumes invoiced by the IESO. This is due to the differences between actual loss factor and the approved loss factor.

Journal Entry #8

February 28, 20xx			
JE #8		Dr.	Cr.
Dr. Accounts Receivable	\$	58,960,997	
Cr. Billings Energy Sales Accounts 4006-4055			\$ 20,109,602
Cr. Billings Energy Sales Accounts 4006-4055 non-RPP			\$ 8,442,210
Cr. Billings Energy Sales SA GA 4006-4055 non-RPP GA			\$ 30,409,185
To record RPP and Non-RPP actual revenues billed for December			

See Tables 20 and 21 below for the calculations recording actual revenues for RPP and Non-RPP customers.

Data for RPP Settlement based on Actual:

Table 16: Wholesale Volume data per IESO Power Bill:

AQEW including embedded generation		500,000,000
Actual RPP Quantity Proportion	42.71%	213,566,085
Actual non-RPP Quantity Proportion	57.29%	286,433,915
Wholesale kWh Volumes	100.00%	500,000,000

179: Actual Retail Volume Revenue Data

Billed/Unbilled Retail Volumes		501,250,000
Actual RPP Sales Quantities	42.71%	214,100,000
Actual non-RPP Sales Quantities	57.29%	287,150,000
Wholesale kWh Volumes	100.00%	501,250,000

Table 18: Actual RPP Revenue Volume and Price Data

	Actual %	kWh Volumes	RPP Rate/kWh
Tier 1	0.89%	4,440,207	\$ 0.077
Tier 2	1.63%	8,189,715	\$ 0.132
TOU Off-peak	17.52%	87,800,787	\$ 0.065
TOU Mid-peak	10.63%	53,282,480	\$ 0.094
TOU On-peak	12.05%	60,386,811	\$ 0.132
	42.71%	214,100,000	

Table 19: Commodity Price Data:

Commodity Price	GA Rate per kWh
WHP	\$ 0.0294
GA 1st estimate	\$ 0.1059
GA 2nd estimate	\$ 0.0787
GA actual	\$ 0.0871

Actual Revenue from RPP & non-RPP Customers:			
Table 20: RPP Commodity Revenue			
	RPP Rate/kWh	kWh Volumes	Amount
Tier 1	\$ 0.0770	4,440,207	\$ 341,896
Tier 2	\$ 0.1320	8,189,715	\$ 1,081,042
TOU Off-peak	\$ 0.0650	87,800,787	\$ 5,707,051
TOU Mid-peak	\$ 0.0940	53,282,480	\$ 5,008,553
TOU On-peak	\$ 0.1320	60,386,811	\$ 7,971,059
Total Actual Revenue		214,100,000	\$ 20,109,602
Table 21: non-RPP Actual Revenue			
	Cost/kWh	kWh Volumes	Amount
Revenue at WAHP	\$ 0.0294	287,150,000	\$ 8,442,210
GA Revenue at 1st estimate	\$ 0.1059	287,150,000	\$ 30,409,185
			\$ 38,851,395

Step 9: Calculate the 2nd true-up of the CT 1142 based on actual RPP consumption at each of the ToU and tiered rates.

Assumptions: Actual volumes at each of the ToU and tiered rates became available on February 28, 20xx.

Journal Entry #9

February 28, 20xx			
JE #9	Dr.		Cr.
Cr. Account 2256 - IESO Accounts Payable		\$	554,452
Dr. Account 4705 - Power Purchased	\$	554,452	
To adjust the GA cost for RPP based on actual kWh consumption for each. (2nd true-up)			

To record CT 1142 true-up adjustment on the IESO invoice related to December 20XX.

For data for true-up of commodity cost of power for CT 1142 with the IESO, see Tables 22 to 24 below.

Day 4 Initial RPP Settlement Calculation:

Table 22: Estimated RPP Revenue & Actual GA price:

RPP Revenue Prices	RPP Rate	WAP	GA Actual	Total Commodity	Difference	kWh Volumes	Estimated RPP Revenue	Estimated HOEP	Estimated GA	Estimated RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0395	5,000,000	\$ 385,000	\$ 147,000	\$ 435,500	\$ (197,500)
Tier 2	\$ 0.1320	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0155	7,000,000	\$ 924,000	\$ 205,800	\$ 609,700	\$ 108,500
TOU Off-peak	\$ 0.0650	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0515	100,000,000	\$ 6,500,000	\$ 2,940,000	\$ 8,710,000	\$ (5,150,000)
TOU Mid-peak	\$ 0.0940	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0225	50,000,000	\$ 4,700,000	\$ 1,470,000	\$ 4,355,000	\$ (1,125,000)
TOU On-peak	\$ 0.1320	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0155	63,000,000	\$ 8,316,000	\$ 1,852,200	\$ 5,487,300	\$ 976,500
						225,000,000	\$ 20,825,000	\$ 6,615,000	\$ 19,597,500	\$ (5,387,500)

Final RPP Settlement Calculation:

Table 23: Actual RPP Revenue and Actual GA price:

RPP Revenue Prices	RPP Rate	WAP	GA Actual	Total Commodity	Difference	kWh Volumes	Actual RPP Revenue	Actual HOEP	Actual GA	Actual RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0395	4,440,207	\$ 341,896	\$ 130,542	\$ 386,742	\$ (175,388)
Tier 2	\$ 0.1320	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0155	8,189,715	\$ 1,081,042	\$ 240,778	\$ 713,324	\$ 126,941
TOU Off-peak	\$ 0.0650	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0515	87,800,787	\$ 5,707,051	\$ 2,581,343	\$ 7,647,449	\$ (4,521,741)
TOU Mid-peak	\$ 0.0940	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0225	53,282,480	\$ 5,008,553	\$ 1,566,505	\$ 4,640,904	\$ (1,198,856)
TOU On-peak	\$ 0.1320	\$ 0.0294	\$ 0.0871	\$ 0.1165	\$ 0.0155	60,386,811	\$ 7,971,059	\$ 1,775,372	\$ 5,259,691	\$ 935,996
						214,100,000	\$ 20,109,602	\$ 6,294,540	\$ 18,648,110	\$ (4,833,048)

RPP Settlement True-up:

Table 24: True-up of RPP Volumes and Revenue and GA price to actual	RPP Rate	WAP	GA Actual	Total Commodity	Difference	kWh Volumes	True-Up RPP Revenue	True-up HOEP	True-up GA	RPP Settlement True-UP
Tier 1	\$ -	\$ -	\$ -	\$ -	\$ -	559,793	\$ (43,104)	\$ (16,458)	\$ (48,758)	\$ 22,112
Tier 2	\$ -	\$ -	\$ -	\$ -	\$ -	(1,189,715)	\$ 157,042	\$ 34,978	\$ 103,624	\$ 18,441
TOU Off-peak	\$ -	\$ -	\$ -	\$ -	\$ -	12,199,213	\$ (792,949)	\$ (358,657)	\$ (1,062,551)	\$ 628,259
TOU Mid-peak	\$ -	\$ -	\$ -	\$ -	\$ -	(3,282,480)	\$ 308,553	\$ 96,505	\$ 285,904	\$ (73,856)
TOU On-peak	\$ -	\$ -	\$ -	\$ -	\$ -	2,613,189	\$ (344,941)	\$ (76,828)	\$ (227,609)	\$ (40,504)
						10,900,000	\$ (715,398)	\$ (320,460)	\$ (949,390)	\$ 554,452

Step 10: Calculate true-up adjustment of CT 148 based on actual proportionate volumes for RPP and Non-RPP. Note: In this example, the total kWh billed are different from the total AQEW including EG. For the true-up calculation recorded through JE #10, the actual consumption proportions were used to calculate the amounts attributable to RPP and Non-RPP respectively, and an adjusting entry was made to true-up to actual proportions.

Journal Entry #10

February 28, 20xx				
JE #10				
Dr. Account 4707 - Charges GA	\$	Dr.	995,894	Cr.
Cr. Account 4705 - Power Purchased RPP GA			\$	995,894
To adjust the GA relating to RPP and non-RPP based kWh proportions (2nd true-up)				

Data for commodity cost of Power true-up of CT 148 based on actual proportions between RPP and non-RPP volumes.

Distributors must ensure that this entry is made in its books of accounts as the originally recorded amounts need to be adjusted for actual proportion of costs to be allocated to RPP and Non-RPP customers.

Table 25 – True-up of CT 148 for Actual and Non-RPP proportions:

True-up of CT 148		Previously recorded				Actuals		
	Cost/kWh	kWh Volumes	\$	Proportion of total	kWh Volumes	\$	Proportion of total	Adjustment required
Recorded in Account 4705	\$ 0.0871	225,000,000	19,597,500	45%	213,566,085	42.71%	18,601,606	(995,894)
Recorded in Account 4707	\$ 0.0871	275,000,000	23,952,500	55%	286,433,915	57.29%	24,948,394	995,894
		500,000,000	43,550,000	100%	500,000,000	100.00%	43,550,000	

Appendix B

Deferral and Variance Account Continuity Schedule (DVA Continuity Schedule) Filing for Accounts 1588 and 1589

OEB requires that distributors reflect the balances in Accounts 1588 - RSVA^{Power} and 1589 - RSVA^{GA} proposed for disposition, trued-up to actuals.

Distributors must first determine the elements of the commodity variance accounts that have not been reflected in their General Ledgers (GL) on an actual basis. The "Principal Adjustments" column of the DVA Continuity Schedule should be used to show the true-ups to actuals for each elements.

A. Unbilled to Billed True-Ups

Components for energy amounts charged to customers include unbilled to actual revenue differences due to volume and rate differences.

In our illustrative example, JE #2 was made to record the unbilled revenue journal entry for the December 20XX based on estimates. Note as this example was presented for illustrative purposes, a simplified approach was used whereby all revenues were considered unbilled, when in actual fact there should always be billed revenue amounts, unbilled revenue reversals from the prior month, and unbilled revenue accruals for the current month.

Differences between unbilled revenue accruals from prior months compared to the actual billings relating to the unbilled revenue of the prior month cause timing differences in Accounts 1588 - RSVA^{Power} and 1589 - RSVA^{GA}. If a distributor's GL for the year ended December does not reflect the post year end actual billing data for the calendar month, then an adjustment is required in the "Principal Adjustments" column in the DVA Continuity Schedule of the relevant rate model. For illustrative purposes, the difference between the unbilled accrual JE #2 and actuals billings JE #8 is being shown in the tables below:

For Account 1588:

Unbilled to Billed adjustments:			
For Account 1588			
Energy Sales Recorded in 4006 - 4055			
	Estimated (JE#2)	Actual (JE#8)	Adjustment
	\$	\$	\$
	20,825,000	20,109,602	
	8,085,000	8,442,210	
Total	28,910,000	28,551,812	358,188

A debit adjustment of \$358,188 would be required as the distributor's GL shows an excess credit for this amount reflected in Account 1588.

For Account 1589:

Unbilled to Billed adjustments:			
For Account 1589			
Energy Sales Recorded in 4006 - 4055, Sub-Account GA			
	Estimated (JE#2)	Actual (JE#8)	Adjustment
	\$	\$	\$
Total	29,122,500	30,409,185	(1,286,685)

Note: The amounts shown under "Principal Adjustments" on the DVA Continuity Schedule for the current year must be reversed in the following year.

B. RPP True-up of CT 1142

Distributors must submit their RPP settlement claim forms to the IESO by day 4 after month-end. These submissions are based on estimated total kWh consumption for RPP customers for each of the two-tier conventional meter prices, and the three Time-of-Use (TOU) RPP prices when calculating RPP settlement claims with the IESO. All volume components at each price must be trued up to ensure the appropriate cost allocation to the customers.

The calculations in our illustrative example show there are two elements of the RPP Settlement true-up that the distributor had estimated relating to the RPP settlements

with the IESO (or host distributor) for the month of December. The amounts has the effect of reducing the cost of power, and therefore resulting in additional credit to be recorded in Accounts 1588 - RSVA_{Power}.

1. Adjustment #1, JE #6 relates to truing up the GA price from the 2nd estimate to the actual price based on estimated volumes. In the example, JE #6 records an initial true up adjustment of impacting Account 1588 - RSVA_{Power} for a credit of \$1,890,000.
2. Adjustment #2, JE #9 relates to ~~the~~ truing up the estimated non-RPP and RPP volumes to actual volumes. In the example, JE #9 records a subsequent true-up adjustment impacting Accounts 1588 - RSVA_{Power} for a debit of \$554,452.

True-up of CT 1142:			
		For Account 1588	
		Energy Sales Recorded in 4705	
		\$	
1st true-up	(1,890,000)	JE #6 - true up for actual GA	
2nd true-up	554,452	JE #9 - true-up for actual consumption	
Total Adjustment required	(1,335,548)		

The two true-up adjustments must be shown as "Principal adjustment" on the DVA continuity schedule, if they have not already been reflected in the distributor's GL.

The adjustments on the continuity schedule are not to be made if they are already reflected in the distributor's GL in the correct year. In our illustrative example, if the distributor does not have either of the above JEs in its GL as of December 31, it must show the true-up adjustment for a credit of \$1,335,548 as "Principal adjustment" on the DVA continuity schedule.

Note: The 2nd true-up adjustment would be completed after the actual kWh consumption volumes for RPP customers and non-RPP become available, which must be trued up within three months of the original RPP Settlement Claim. The true-up adjustments for the calendar year must be included under "Principal Adjustments" on the DVA Continuity Schedule and must be reversed in the following year when the actual true-up appears on the invoice and recorded in the distributor's GL. True-up adjustments relating to GA price and volumes must also be reflected in the GA Analysis Workform that a distributor submits with their rate application.

C. True-up of CT 148 GA Class B

The OEB expects that the costs accrued (JE #1 in the illustrative example) have been reversed and the IESO invoice received in December has been reflected in the year-end balances.

The true-up presented in the illustration relates to the differences between estimated and actual volumes for RPP customers that were recorded in the distributor's GL based on actual CT 148 and actual per kWh rate. In addition, a journal entry is required to reflect the change in proportions between RPP customer kWh volumes and non-RPP customer kWh volumes. In this example JE #10 records the entry to correctly transfer \$995,894 from Account 1588 - RSVA_{Power} to Account 1589 - RSVA_{GA}. This misallocation must be corrected in the DVA continuity schedule to ensure that the dispositions to customers are made correctly.

Note: The OEB requires that the DVA Continuity Schedule should show the amounts under "Principal Adjustments" for the year that the consumption is related to. A reversal is required to be made in the following year. A Journal Entry will be required to be made in the distributor's GL.

D. Commodity deferral account differences relating to unaccounted for energy

Differences between volumes due to unaccounted for energy relating to the differences between actual system losses and Total Loss Factor (TLF) billed to customers will also have an impact both on the commodity variance accounts. The result of unaccounted for energy is that it will cause volume variances in both Account 1588 - RSVA_{Power}, and 1589 - RSVA_{GA}. Energy Costs and GA must always be allocated to the respective commodity variance account based on actual calendar month kWh sales volumes for the respective RPP and non-RPP customer groups.

E. Accounting for Differences in RPP settlements due to GA Billed by the IESO

The IESO typically invoices distributors for GA based on a utilities calendar month AQEW plus Embedded Generation quantities multiplied by the Actual GA price for the respective calendar month. There are times that the IESO bills distributors GA adjustments that are not reflected in the posted price. Distributors are expected to allocate such costs between Account 1588 - RSVA_{Power}, and 1589 - RSVA_{GA} reasonably and reflect the RPP portion in the current month RPP settlement with the IESO. Distributors would need to investigate such differences to determine the cause so they may apportion costs appropriately between the two commodity deferral accounts.

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Appendix C (a)

Accounting Guidance related to Embedded Generation Impacting Account 1588, RSVA Power

Background:

Distributors pay specific types of embedded generators (EG) customers at the price set out in the generator's contract with the IESO. Currently, there are three different types of programs where the IESO has contracts with the EGs. These are:

- Feed-In Tariff Program (FIT)
- Renewable Energy Standard Offer Program (RESOP)
- Hydroelectric Contract Initiative Program (HCI).

I. Feed-In Tariff (FIT)

Under this program, a distributor pays a supplier under a contract for the electricity it receives at the price set out in the generator's FIT or microFIT contract with the IESO. Distributors calculate the difference between the contracted payments to FIT and microFIT program participants, and the wholesale market price for the same amount of electricity and settle it with the IESO. This settlement amount appears as Charge Type (CT) 1412 on the IESO invoice.

Figure 1 below, is an excerpt from the IESO claim form distributors must complete to settle the difference between the contract payments made to the EGs regarding FIT and microFIT and the wholesale market cost of energy.

Figure 1⁹: Claims for the FIT

	Payments from IESO		Payments to IESO		No of Installations
	kWh	\$	kWh	\$	#
Off Peak					
On Peak					
					To Top

The amounts paid to EGs at the contract price should be recorded in Account 4705, Power Purchased. The settlement amount on the IESO invoice under CT 1412 is also to be recorded in Account 4705, Power Purchased.

Ultimately, the net result of the amount paid by the distributor for the kWh volume of electricity it receives from an EG under FIT and microFIT programs should be based on

⁹ Feed-In Tariff Program form to be completed as per IESO Guide to Online Data Submission part 5.10 & 5.11

the wholesale market prices (or spot price) after settlement with the IESO for the electricity it receives from an EG under FIT and microFIT programs.

After recording both of the entries, the distributor's Account 4705 would show power purchased at the wholesale market price (or spot price) for quantities received under FIT or microFIT contracts.

Illustrative Example of Embedded Generation Settlement with IESO

- 1) Distributor has three EG customers who have signed microFIT program contracts with the IESO to supply generated electricity to the grid. The signed contracts have the following agreed-upon rates to be paid by the distributor to each microFIT customer:
 - i. microFIT EG customer 1 – \$0.80/kWh
 - ii. microFIT EG customer 2 – \$0.50/kWh
 - iii. microFIT EG customer 3 – \$0.30/kWh
- 2) Distributor should calculate the embedded generation settlement data to submit to the IESO for the month. In order to do this, the distributor needs the following information¹⁰:
 - i. The volume of electricity generated by each microFIT EG customer for each hour of each day of the month
 - ii. HOEP for each hour of each day of the month
 - iii. The contract rate for each microFIT customer

For illustrative purposes, data for 24 hours of the first day of June 2018 is being used for microFIT EG customer 1; 24 hour data for each day of the month is required for settlement purposes, per Table 1 below:

¹⁰ OEB deems this best practice. Less precise data may be acceptable if a distributor does not have meters that record hourly generation for a given EG.

Table 1: Illustrative Example for one Day Settlement Calculations

Date	Hour	HOEP (\$/kWh)	Generated kWh (Assumption)	Wholesale Market Cost of Energy (\$)	Contract Rate (\$/kWh) (Assumption)	Payment to EG at Contract Rate (\$)	Total Claim for Generated kWh (\$)
		A	B	C = A x B	D	E = D x B	F = E - C
1-Jun-18	1	0.00714	0	0	0.80	0	0
1-Jun-18	2	0.00904	0	0	0.80	0	0
1-Jun-18	3	0.01334	0	0	0.80	0	0
1-Jun-18	4	0.01333	0	0	0.80	0	0
1-Jun-18	5	0.00473	0	0	0.80	0	0
1-Jun-18	6	0.00331	0	0	0.80	0	0
1-Jun-18	7	0.01598	0	0	0.80	0	0
1-Jun-18	8	0.03538	0	0	0.80	0	0
1-Jun-18	9	0.03649	0.5000	0.02	0.80	0.40	0.38
1-Jun-18	10	0.04112	4.5000	0.19	0.80	3.60	3.41
1-Jun-18	11	0.03739	7.5000	0.28	0.80	6.00	5.72
1-Jun-18	12	0.03754	11.0000	0.41	0.80	8.80	8.39
1-Jun-18	13	0.03793	12.0000	0.46	0.80	9.60	9.14
1-Jun-18	14	0.03824	8.0000	0.31	0.80	6.40	6.09
1-Jun-18	15	0.04224	4.5000	0.19	0.80	3.60	3.41
1-Jun-18	16	0.05067	2.0000	0.10	0.80	1.60	1.50
1-Jun-18	17	0.03994	0	0	0.80	0	0
1-Jun-18	18	0.03602	0	0	0.80	0	0
1-Jun-18	19	0.03444	0	0	0.80	0	0
1-Jun-18	20	0.02195	0	0	0.80	0	0
1-Jun-18	21	0.00531	0	0	0.80	0	0
1-Jun-18	22	0.00841	0	0	0.80	0	0
1-Jun-18	23	0.00144	0	0	0.80	0	0
1-Jun-18	24	0.00087	0	0	0.80	0	0
Total for day for microFIT customer 1:		Off-peak	5.0000	\$ 0.20		\$ 4.00	\$ 3.80
		On-peak	45.0000	\$ 1.75		\$ 36.00	\$ 34.25
		Total	50.0000	\$ 1.95		\$ 40.00	\$ 38.05

Note that On-peak represents electricity generated on business days between 11am and 7pm.

Per Table 1, above, using HOEP (A) and the microFIT EG customer's hourly volume of generated electricity (B), the distributor can calculate the "Wholesale Market Cost of Energy" for generation for 24 hours of each day of the month (C).

Using the microFIT EG customer's Contract Rate per kWh (D), and the EG customer's hourly kWh volume of generator electricity (B) the distributor can also calculate the "Payment to the EG at Contract Rate", (E).

The difference between the Wholesale Market Cost of Energy (C) and the Payment to the EG at Contract Rate (E) is the amount that is settled with the IESO (F).

Data for columns (B), (C), (E) and (F) must be aggregated for Off-peak and On-Peak periods for each month for settlement with the IESO as well:

- 3) Using information for 24 hours of each day of June 2018 for microFIT EG customer 1 the distributor can calculate the total on-peak and off-peak kWh volume of generated electricity for 24 hours of each day of June 2018, as well as the total wholesale market cost of energy and the payment to EG on contract rate. Per Table 2 below. The same calculations are required for microFIT EG customers 2 and 3 as well.

Table 2: Illustrative Example for Full Month Settlement Calculations

Date	Hour	HOEP (\$/kWh) A	Generated kWh (Assumption) B	Wholesale Market Cost of Energy (\$) C = A x B	Contract Rate (\$/kWh) (Assumption) D	Payment to EG at Contract Rate (\$) E = D x B
1-Jun-18	1	0.00714	0	0	0.80	0
1-Jun-18	2	0.00904	0	0	0.80	0
:	:	:	:	:	:	:
30-Jun-18	23	0.02174	0	0	0.80	0
30-Jun-18	24	0.01226	0	0	0.80	0
Total for month for microFIT customer 1:		Off-peak	200.0000	\$ 10.00		\$ 160.00
		On-peak	1,800.0000	\$ 70.00		\$ 1,440.00
		Total	2,000.0000	\$ 80.00		\$ 1,600.00
1-Jun-18	1	0.00714	0	0	0.50	0
1-Jun-18	2	0.00904	0	0	0.50	0
:	:	:	:	:	:	:
30-Jun-18	23	0.02174	0	0	0.50	0
30-Jun-18	24	0.01226	0	0	0.50	0
Total for month for microFIT customer 2:		Off-peak	300.0000	\$ 20.00		\$ 150.00
		On-peak	3,700.0000	\$ 80.00		\$ 1,850.00
		Total	4,000.0000	\$ 100.00		\$ 2,000.00
1-Jun-18	1	0.00714	0	0	0.30	0
1-Jun-18	2	0.00904	0	0	0.30	0
:	:	:	:	:	:	:
30-Jun-18	23	0.02174	0	0	0.30	0
30-Jun-18	24	0.01226	0	0	0.30	0
Total for month for microFIT customer 3:		Off-peak	500.0000	\$ 50.00		\$ 150.00
		On-peak	6,500.0000	\$ 150.00		\$ 1,950.00
		Total	7,000.0000	\$ 200.00		\$ 2,100.00

- 4) Combining data from all three microFIT EG customers, the distributor can arrive at the total kWh volume of generated electricity for the month for all three microFIT EG customers, as well as the total wholesale market cost of energy and the total payments for EG on contract rate, used to calculate the EG Settlements with the IESO. See Table 3 below.

Table 3: Illustrative Example of 1 month settlement calculations for 3 MicroFIT EG Customers

		Generated kWh	Wholesale Market Cost of Energy Generated (\$)	Generated kWh at contract rate (\$)	Difference between contract rate and HOEP for generated kWh (\$)
Total for month (for all microFIT customers):	Off-peak	1,000.0000	\$ 80.00	\$ 460.00	\$ 380.00
	On-peak	12,000.0000	\$ 300.00	\$ 5,240.00	\$ 4,940.00
	Total	13,000.0000	\$ 380.00	\$ 5,700.00	\$ 5,320.00

- 5) IESO settlement form for MicroFIT should to be completed based on the data aggregated per Table 3 above. As part of the distributor's monthly online filing, the MicroFIT submission for June 2018 is illustrated below:

Table 4: Excerpt from IESO EG Settlements submission for FIT and MicroFIT

		Payments from IESO		Payments to IESO		No of Installations
		kWh	\$	kWh	\$	#
Off Peak		1,000	\$380			3
On Peak		12,000	\$4,940			To top

These amounts are subsequently reflected on the June 2018 IESO invoice to the distributor under Charge Type 1412.

- 6) The journal entries recorded by the distributor would be as follows:
- Record payments made to microFIT EG customers at contracted rates for electricity generated in the month:

Dr. Account 4705, Power Purchased	\$5,700
Cr. Accounts Payable	\$5,700

To record payments made to microFIT EG customers at contracted rates for electricity generated in the month.

- ii. Record EG settlement credit received typically¹¹ through a reduction from overall charges on the monthly IESO invoice shown as CT 1412 on the invoice received for the month:

Dr. Accounts Payable through reduction of amount owing
 To the IESO \$5,320
 Cr. Account 4705, Power Purchased \$5,320

To record settlement of microFIT EG customers' generated electricity for the month as shown on the IESO invoice as CT 1412.

In summary, the amounts to be recorded by a distributor in Account 4705 and ultimately reflected in account 1588 in relation to embedded generation settlements can be shown in a T-account below and illustrated in an example as follows:

Account 4705, Power Purchased	
Debit	Credit
(i) 5,700	(ii) 5,320
Net result: \$380, i.e. Electricity purchased from embedded generator at HOEP	

Distributors should also ensure they have effective internal controls in place to ensure the input data to the settlement, the settlement process and the settlement amounts were fairly represented and accurately reported.

- 7) FIT settlement should be performed based on the same methodology as microFIT, as provided in the example above.

II. Renewable Energy Standard Offer Program

The Renewable Energy Standard Offer Program (RESOP) settlement is performed based on the same methodology as MicroFIT, as provided in the example above.

Under the (RESOP), distributors pay specific types of EGs at the price set out in the generator's standard offer contract. Distributors calculate the difference between the contracted payments to RESOP participants and the wholesale market price for the same amount of electricity and settle it with the IESO. This settlement amount appears as Charge Type (CT) 1410 on the IESO invoice.

¹¹ A distributor would have to pay the IESO if the market price of energy was higher than the contract price.

Figure 2 reproduced below shows the claim form excerpt that distributors must complete to settle the difference between the contract payments made to the EGs regarding RESOP and the wholesale market cost of energy.

Figure 2: Claims for the RESOP

Number of Regulated Installations		
Payments to IESO		
Off Peak	On Peak	On Peak Performance Incentive
\$	\$	\$
kWh	kWh	
Payments from IESO		
Off Peak	On Peak	On Peak Performance Incentive
\$	\$	\$
kWh	kWh	
To Top		

The amounts paid to EGs at the contract price should be recorded in Account 4705, Power Purchased. The settlement amount under CT 1410 is also to be recorded in Account 4705, Power Purchased.

Ultimately, the net result of the amount paid by the distributor for the kWh volume of electricity it receives from an EG under the RESOP program should be based on the wholesale market prices (or spot price) after settlement with the IESO for the electricity it receives from an EG under RESOP programs.

After recording both of the entries, the distributor's Account 4705 would show power purchased at the wholesale market price (or spot price) for quantities received under RESOP contracts.

Online data submission for settlement with the IESO:

Distributors must follow the same methodology as described under the illustrative example for FIT and microFIT in section I above.

III. Hydroelectric Contract Initiative Program

The Hydroelectric Contract Initiative Program (HCIP) settlement is performed based on the same methodology as microFIT, as provided in the example above.

The IESO has procurement contracts under HCIP with certain hydroelectric generation facilities.

Distributors with participating generation facilities must calculate the difference between:

- The amount that was paid to the participating embedded generators for electricity produced calculated at wholesale market prices, and
- The amount owed to participating embedded generators calculated at the contract price.

This settlement amount appears as Charge Type (CT) 1414 on the IESO invoice.

Ultimately, the net result of the amount paid by the distributor for the kWh volume of electricity it receives from an EG under the HCIP program should be based on the wholesale market prices (or spot price) after settlement with the IESO for the electricity it receives from an EG under HCIP programs.

Figure 3 reproduced below shows the claim form excerpt that distributors must complete to settle the difference between the contract payments made to the EGs regarding HCIP and the wholesale market cost of energy.

Figure 3: Claims for the HCIP

Number of Installations				
Payments to IESO	Off Peak		On Peak	
	\$		\$	
	kWh		kWh	
Payments from IESO	Off Peak		On Peak	
	\$		\$	
	kWh		kWh	
To Top				

The amounts paid to HCIP participants at the contract price should be recorded in Account 4705, Power Purchased. The settlement amount on the IESO invoice under CT 1414 is also to be recorded in Account 4705, Power Purchased.

After recording both of the entries, the distributor's Account 4705 would show power purchased at the wholesale market price (or spot price) for quantities received under HCIP contracts.

Online data submission for settlement with the IESO:

Distributors must follow the same methodology as described under the illustrative example for FIT and microFIT in section I above.

Appendix C (b)

Accounting Guidance related to Embedded Generation Impacting Account 1589, RSVA Global Adjustment

The IESO requires the distributors to submit the EG and Class A volumes as part of distributor's monthly submission, as both of these elements is taken into account by the IESO in the determination of Charge Type 148 Class B - GA settlement amounts. The IESO bills distributors the actual GA (CT 148) by aggregating the reported EG volume and the total power withdrawn from the IESO grid, excluding Class A.

A separate CT 147 is used by the IESO to bill the distributors for GA related to the distributor's Class A customers, based on the customer's peak demand factor.

The specific requirements of the settlement form submission has been detailed under part 5.5 of the IESO's Guide to Online Data submission.