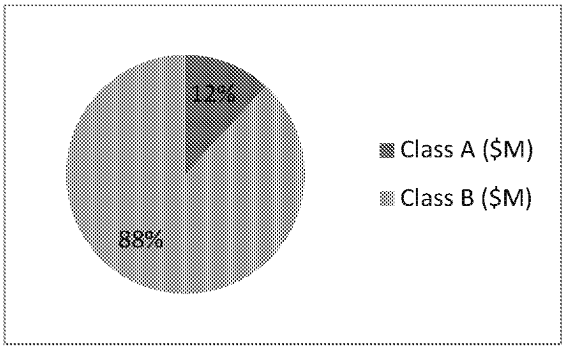
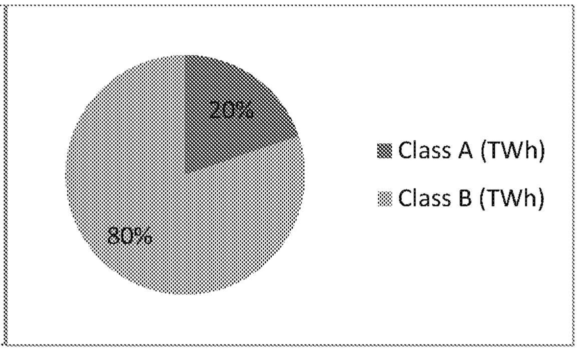
<u>**IESO Administered Market Settlement**</u>	<u>**Government Legislation and Regulation Settlement**</u>
At the heart of the IESO settlements systems is the meter data management system. The revenue meter data collected daily from the 4500 meters around Ontario undergo a validation, editing, and estimating process before it before it can be used for settlement.	The IESO also acts as a settlement agent for various government and/or regulatory programs and initiatives. The most notable government initiative settled by the IESO is the Global Adjustment. However, other programs include Rural or Remote electricity Rate Protection (RRRP), Ontario Rebate for Electricity Consumer (OREC), Ontario Electricity Support Program (OESP), Distribution Rate Protection (DRP), First Nation Delivery Credit (FNDC), Debt Retirement Charge (DRC), Northern Industrial Electricity Rate Program (NIERP) and Ontario Fair Hydro Plan (OFHP),
The IESO uses the meter data and intertie schedules to determine revenue owed to suppliers and costs to consumers, as well as associated charges based on MWh. Most charges are calculated by our Commercial Reconciliation System with some calculated by Settlement tools that are built and operated following IT standards for risk and control as both are subject to the biennial Settlement Audit.	Some of the data required to settle these programs is provided by the local distribution companies and is subject to audit by the Ontario Energy Board. The IESO by license does not have any responsibilities for accuracy, or completeness of these submissions. The IESO does have authority to set the timing and details of submissions. We often work with the Ministries and OEB to set out the reporting requirements and accordingly gather the data.
Charges are 5- minutes, hourly, daily or monthly and described in detail in the IESO's web posted Charge Types and Equation document - the document provides formulas and variable definitions.	Charges are all monthly and included in the Charges Types and Equations document.
In 2016, the IESO settled **$4.7B** • **$2.6B** in energy charges, • **$112M** in CMSC • **$54M** in operating reserve charges • **$64M** in ancillary service charges • **$180M** in IESO fee • **$45M** in demand response • **$106** M in Other • **$1.6B** in transmission charges.	In 2016, the IESO settled **$12.9B**: • **$12.3B** in Global Adjustment (OEFC NUGs $842M, OPG Prescribed Assets $3.5B, Bruce $2.4B, Contracted $3.3B, IEI $60M, LDC Fit/MicroFit $1.9B, Conservation $307M) • **$175M** in RRRP • **$154M** in OESP • **$122M** in DRC • **$109M** in NIERP

The entire settlement process is governed under the market rules, market manuals and is subject to stakeholder review for the implementation of any changes. However, settlement mandated by legislation and regulation goes beyond the timing limitations of the market rules in terms of possible re-settlement as the details of this settlement are not contained within our market rules. The graphs on the subsequent pages show breakdowns of costs that have been subject to MSP and Auditor General reviews related to Global Adjustment and Transmission Rights Clearing Account.

2016 Global Adjustment





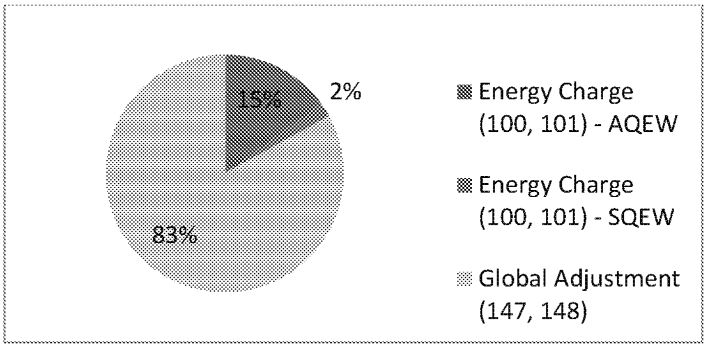
80% of the global adjusted load (Class B) pays for 88% of the global adjustment costs. As regulations are amended to include storage rebates, Class B consumers' global adjustment costs will increase. Note the table below that Class B consumers paid a rate much higher than the average Class A consumers.

2016 Class A and Class B Calculated Rates ($/MWh)	
Class A	52.53
Class B	96.50

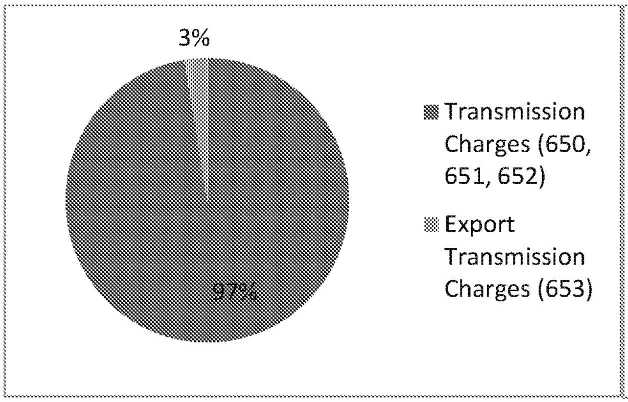
Wholesale Market Charges

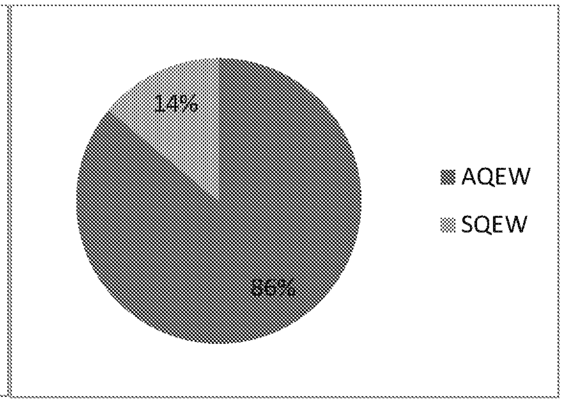
2016 Commodity Charges

Global adjustment accounted for 83% of the commodity charges to the IESO-administered market in 2016.



2016 Transmission





Note that export transmission charges paid account for 3% of the total transmission charges, but the actual energy export accounts for 14% of total energy. The Transmission Rights Clearing Account is disbursed based on Ontario Demand/Export Schedules which is clearly a higher percentage than dollars paid and is the basis of the MSP's issue in its recent report – dollars paid into the transmission balance should be the basis of the rebate not the scheduled measurement quantity.