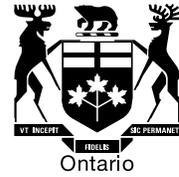


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BY E-MAIL

May 23, 2017

TO: All Licensed Electricity Distributors

RE: Guidance on the Disposition of Accounts 1588 and 1589

This letter establishes a new requirement intended to address issues with account balances in distributors' RSVA Power (1588) and Global Adjustment (1589) variance accounts that result from the RPP settlement claims process with the IESO^{1,2}.

Distributors are required to file claims for the RPP settlement with the IESO for each month by business day four after month end. Since billing has generally not been completed for the month, the claim is based on a forecast of what will be billed to RPP customers for the month. Once the customers have been billed, distributors are then expected to do a true up to capture the difference between the forecast and actual amounts. Balances in the accounts are affected if a distributor is not doing this true up on a timely basis. If a distributor then seeks disposition of those balances, this can also cause intergenerational inequities pertaining to allocations between RPP and non-RPP customer groupings.

Accordingly, effective immediately, the OEB requires distributors to complete RPP settlement true-up claims and to reflect these true-ups in the account balances being requested for disposition, before filing for disposition of the RSVA Power (1588) and Global Adjustment (1589) variance accounts.

The OEB notes that most distributors should already be performing the majority of the items noted below as required in the IESO's RPP Self-Certification Program³. However, distributors may not currently be reflecting RPP settlement true up claims in the year to which such true-up adjustments relate when filing balances for disposition.

¹ Reconciliations between the estimated claim amounts and actual post billing claim amounts.

² IESO Form-1598 Claims submitted to the IESO.

³ IESO Form-41

Guidance

- RPP settlement true-up claims should be conducted monthly and if not, at a minimum on a quarterly basis. The year-end RPP settlement true-up claim for the last quarter of a year must be completed no later than the settlement claim with the IESO for the final month of the first quarter of the following fiscal year.
- The balances in distributors' RSVA Power (1588) and Global Adjustment (1589) variance accounts that are requested for disposition by distributors must reflect RPP settlement amounts pertaining to the period that is being requested for disposition. This means that RPP settlement true-up claims made with the IESO in the period subsequent to the fiscal year for which disposition is being requested must be reflected in the balances being requested for disposition.
- RPP settlement true-up claims for a given fiscal year that have not been reflected in the audited financial statements are to be identified separately as an adjustment to the balance requested for disposition in the DVA continuity schedule submitted in rate applications. The impact of such adjustments should be reversed on the continuity schedules for the following year.

In addition, distributors should ensure that they have the appropriate controls, processes and systems in place relating to RPP settlement claims in order to:

- Accurately and on a timely basis calculate RPP transactions and claims to the IESO.
- Provide reasonable assurance of the validity and accuracy of RPP claims.
- Accurately describe the processes conducted to submit RPP claims to the IESO if requested.
- Determine the amount of the settlement claims that pertain to RPP true-up adjustments for the previous fiscal year.

Distributors must ensure that these controls, processes and systems for calculating RPP claims are periodically tested to ensure their continued effectiveness.

Any questions relating should be directed to Dan Gagic, Manager, Incentive Rate-setting and Accounting at 416-440-7654 or dan.gagic@oeb.ca.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary