

2019 IRM Process Orientation

2019 IRM Team

July 23, 2018

2019 IRM Webinar – Chat Feature

- To submit questions during the presentation please use the chat feature on your screen



- For any technical issues, please contact the OEB IT Help at ITHelp@oeb.ca

2019 IRM Process - Agenda

1. Lessons Learned from 2018 IRM Process
2. 2019 IRM Model and Workforms Updates
3. 2019 Administrative Changes to Filing Requirements
4. 2019 Substantive Changes to Filing Requirements
5. Account 1595 Workform - Example
6. Questions?

Lessons Learned from 2018 IRM Process

- Concerns with accuracy of Account 1595 balances – some utilities requested the recovery of large residual debit or credit balances which they were unable to adequately justify
 - Large balances flag potential that rate riders were calculated incorrectly, rate riders billed incorrectly, or potentially misfiled RRR data
- Concerns with accuracy of commodity pass-through variance accounts, RSVA power and RSVA GA
 - Distributors settle with the IESO for the differences between amounts billed for energy and amounts paid to the IESO (and subsequently trued-up); Account 1588 balance should be relatively small
 - Account 1589 balances should be substantiated by GA Analysis Workform
- Not enough information provided regarding wholesale settlement processes
- Explanations for variances between account balances and amounts reported through RRR not robust enough

Lessons Learned from 2018 IRM Process Cont'd

- IESO RPP/GA settlement true-ups
 - True-ups should be performed with more frequency (min. quarterly)
 - True-ups were not reflected in the year to which they relate
 - OEB letter dated May 23, 2017, titled *Guidance on Disposition of Accounts 1588 and 1589*, addressed this
- Embedded generation reporting to IESO impacting GA settlement
 - Embedded generation volumes must be reported correctly to the IESO so that the IESO can correctly bill GA amounts
- GA unbilled revenue discrepancies
 - Must accrue unbilled revenues for Class A customers on same basis as costs (based on peak demand factor, should be no variance for Class A)
 - Must accrue unbilled revenues for Class B customers on the same basis as their normal billing rate (1st estimate, 2nd estimate, or actual)

Lessons Learned from 2018 IRM Process Cont'd

- GA pricing by customer class:
 - Must apply same GA rate (1st estimate, 2nd estimate, actual) to all customers within the same class
 - Changes to GA rate must be made effective at the start of rate year, not during
- DVA Continuity for Account 1580 CBR sub-accounts
 - Need to use the 1580 CBR Class A and B sub-accounts appropriately
 - Must not dispose of CBR Class A Balances

2019 IRM Model and Workforms Updates

- 2019 Rate Generator Model:
 - No substantive changes being made in the model, mainly updates to data, instructions, and making the model current for the new year
 - One change of note on Tab 20 – any Group 2 rate riders make up part of sub-total A for bill impact purposes
- GA Analysis Workform:
 - Some automation, also enhanced instructions incorporating information that arose from the review of 2018 rate applications
 - Preliminary questionnaire regarding GA transactions and balances included as an attachment to reduce number of interrogatories
 - The requirement to use the workform began for 2018 COS and IRM rate applications and the outcome was very successful – good feedback from distributors
 - In some cases the workform enabled distributors to identify and correct discrepancies with their commodity account balances before they submitted their rate applications
 - The workform also enabled case managers to identify cases with issues with commodity accounts to be flagged for further review
- Account 1595 Workform:
 - New for the 2019 rate year - help distributors explain large residual balances being requested for disposition after associated rate riders cease

2019 Administrative Changes to Filing Requirements

- Reductions to content in both Chapters 2 and 3 for the following:
 - Certain instructions in the previous version of the filing requirements relating to new features of the 2018 IRM Rate Generator Model and the Cost of Service DVA model have been removed and incorporated in the models themselves
- CBR Class B Dispositions
 - Small balances that do not generate a rate rider (4 decimal places) for CBR will be added to the 1580 WMS control account, rather than disposed to 1595 (as was the case in 2018 rate year)
- Summary explanations relating to the GA Analysis Workform, LRAMVA Workform and 1595 Analysis Workform in “Applications and Electronic Models” section in Chapter 3
- New requirement to include projected interest amounts (tab 6) directly in the LRAMVA Workform. This ensures that distributors carry over the LRAMVA total with projected carrying charges to the IRM Rate Generator Model
 - In past year’s claims, not all LDCs have included projected carrying charges, up to the period in which rates were effective, directly in the Workform

2019 Substantive Changes to Filing Requirements

Wholesale Settlement Processes:

- For the 2018 IRM rate applications, most distributors were asked (via OEB Staff questions or interrogatories) to provide information with respect to how transactions are initially recorded in Accounts 1588 and 1589, and to disclose the nature, timing and dollar impact of any subsequent adjustments recorded after the reporting period
- Starting for the 2019 IRM rate applications, the updated GA Analysis Workform will include instructions for distributors to fill in this required information
- Additional disclosures regarding Settlement with IESO:
 - Billing rates used for GA for each customer class
 - Process for providing consumption estimates for RPP and Non-RPP customers to the IESO; data used to adjust estimates to actuals
 - Explanation of any impact of embedded generation volumes
 - Disclosure of internal control tests used by distributor to validate the consumption figures for RPP and Non-RPP customers (Class A & B)

2019 Substantive Changes to Filing Requirements – Cont'd

Wholesale Settlement Process Cont'd:

Additional disclosures regarding Accounting Practices:

- Explanations of how transactions are initially recorded from IESO bills to general ledger Accounts 1588 and 1589
- Details of the process used for true-up adjustments to Accounts 1588 and 1589 for various elements that flow to those accounts (revenues and costs)
- If any Non-RPP Class B customer classes were billed actual GA rates, the distributor must provide a proposal to exclude these customers from calculation of GA rate rider

2019 Substantive Changes to Filing Requirements – Cont'd

New Account 1595 Analysis Workform:

- Several distributors requested the recovery of large positive or negative residual balances, which they were unable to adequately justify
- In other cases, distributors had identified errors in the account balances that needed to be corrected
- In recent years, the OEB has identified that several distributors have had large residual account balances requested for disposition. Some of the reasons for these large balances include:
 - Early disposition of account balances before rate rider ceased
 - Incorrectly calculated rate riders used to recover balances disposed
 - Incorrect application of rate riders to customers or customer classes who did not contribute to variances the account(s)
 - Discrepancies with RRR data submitted by distributors

2019 Substantive Changes to Filing Requirements – Cont'd

New Account 1595 Workform Cont'd:

- New filing requirement that distributors are to provide detailed explanations relating to material residual account balances
- New workform will help distributors explain large residual balances being requested for disposition after associated rate riders cease
- This tool will locate material discrepancies so distributors can focus explanations on causes, enabling distributors to make corrections before disposition
- The full workform will only need to be completed where an initial test, at the group account level, identifies that there is a material residual account balance exceeding 10% of the original amounts approved for disposition

Account 1595 Workform - Example

Quick Links

- Link for Filing Requirements and models [here](#)
- If you have questions in regard to the 2019 IRM Model and Filing Requirements following this webinar, please send enquiries to ratemodels@oeb.ca

Questions

