

**PROPOSED REQUIREMENTS OF ELECTRICITY MONITORING CODE -  
INDEPENDENT ELECTRICITY MARKET OPERATOR (IMO)**

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**F1 Annual report (including audited financial statements)**

**requirements** required annually for the preceding calendar year, by June 30

Provide the annual report containing (i) audited financial statements of the regulated corporate entity. Where the financial statements of the regulated corporate entity being reported contain material non-regulated businesses, provide also (ii) audited financial statements for the regulated activity. Where the regulated entity conducts more than one regulated activity, provide (iii) audited financial statements for each regulated activity.

In addition, if sufficient information is not included in the audited financial statements to determine the financial ratios provided in **Appendix A** it should be reported separately.

**F2 Budget to actual comparisons and variance analysis**

**requirements** required quarterly, by the 1<sup>st</sup> day of third month after the period end

- 1 An analysis of the difference (5% or more) of the actual from the budgeted amount for all budget line items. Update the budget, where applicable, and compare actual to updated budget for the next quarter.
- 2 Composition of all variance/ deferral accounts and an analysis of the change (or lack thereof) from the previous quarter.

**F3 Change in accounting**

IMO Licence s16.1

**requirements** notification required within 10 days of change

s16.1 The Licensee shall maintain proper books of account and adhere to generally accepted accounting practices. The Licensee shall notify the Board of any material change to its accounting.

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**F4 Rural or remote electricity rate protection**

Ontario Regulation 442/01 made under the Ontario Energy Board Act - rural or remote rate protection

**requirements** required monthly, by last day of the following month

- 1 the total amount collected (and paid to Hydro One Inc.) by levying the charge (per kilowatt hour) from anyone withdrawing electricity from the IMO-controlled grid for use in Ontario
- 2 demonstrate the accuracy of the amount collected by applying the charge to the electricity withdrawn

**NB** Monthly reporting will cover the period commencing on market opening (May 1, 2002) to December 31, 2004.

**F5 Adverse material circumstances**

Transitional Licence for the Independent Market Operator s10.2

**requirements** required within 15 days of change

The entity shall notify the Board as required.

S10.2 The Licensee shall notify the Board of any material change in circumstances that adversely affects the Licensee's ability to comply with this Licence, its financial integrity, or its ability to carry out its responsibilities under the Electricity Act, as soon as practicable, but in any event within fifteen days of the date upon which such change becomes known to the Licensee.

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<b>M1</b>	<b>Market monitoring review</b>
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Transitional Licence for the Independent Electricity Market Operator s18.1

**requirements**

file reports in accordance with procedures  
established between the IMO and the Board

s18.1 The Licensee shall monitor the state of electricity demand and available supply in Ontario and shall report its findings to the Minister and the Board.

**NB** Monitoring and reporting requirements conducted in conjunction with sections 18.2 and 18.3 of the Transitional Licence for the Independent Electricity Market Operator.

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<b>Appendix A</b>		
<b>Financial Analysis of Audited Financial Statements - Details of Ratios</b>		
<b><u>TYPE</u></b>	<b><u>RATIO</u></b>	<b><u>FORMULA</u></b>
<b>LIQUIDITY</b>	Current Ratio	Current Assets /Current Liabilities
	Acid Test	(Current Assets less Inventories) / Current Liabilities
<b>DEBT</b>	Asset Coverage	[Total Assets - Deferred Charges - Intangibles- (Current liabilities less short debt like bank advances/loans and current portion of long-term debt)] / Total Debt(short-term and long-term debt)/100
	Debt/Equity Ratio	{Total Debt ( Short-term + long-term debt)/Total Equity (Preferred Stock + Common Stock + Contributed Surplus + Retained Earnings)} x 100
	Cash Flow/Total Debt Outstanding	(Earnings before Extraordinary items - equity income - minority interest in earnings of subsidiary + deferred income taxes + depreciation + non-cash deductions e.g amortization, depletion)/Total debt outstanding) x 100
	Preferred Dividend Coverage	(Net earnings before extraordinary items) - equity income + minority interest in earnings of subsidiaries + all income taxes + total interest charges)/total interest charges + preferred dividend payments before tax
<b>PROFITABILITY</b>	Gross Profit Margin	{Net Revenue less Cost of Sale(Power/Energy)/Net Sales} x100
	Operating Profit Margin	{Net sales - (cost of sales + selling, administrative and general expenses)/ net sales} x 100
	Net Profit Margin	{Net earnings before extraordinary items - equity income + minority interest in earnings of subsidiaries/Net Sales} x 100
	Net Return (after tax) on Common Equity	{Net earnings before extraordinary items - preferred dividend/ Common Equity} x 100
<b>VALUE</b>	% of Earnings Paid as Stock	(Total dividends (Preferred + Common)/Net earnings before extraordinary items) x 100
	Earnings per Common Share	(Net earnings before extraordinary items - preferred dividends) / # of common shares outstanding