Instructions for Completing Commodity Accounts Analysis Workform (formerly "GA Analysis Workform") – 2027 Rates

Purpose

The Commodity Accounts Analysis Workform (Workform) assesses the reasonability of Account 1589 RSVA – GA and Account 1588 RSVA – Power (collectively referred to as the "Commodity Accounts"). The Workform calculates approximate expected balances in the Commodity Accounts in the Workform and compares the expected amounts to the amounts reported in the distributor's general ledger. Material differences between the two need to be reconciled and explained on an annual basis. Materiality is assessed on an annual basis for Account 1589 based on a threshold of +/- 1% of the annual IESO Global Adjustment (GA) charges. For Account 1588, materiality is assessed using a threshold of +/- 1% of the annual Cost of Power purchased (Account 4705).

The Workform also includes a "Principal Adjustment" tab to document any principal adjustments necessary to reconcile the balances reported in the distributor's General Ledger to the balances requested for disposition, as reflected in the Deferral and Variance Account (DVA) Continuity Schedule.

Notes

The Workform is a generic analysis template and distributors may need to alter the analysis as needed for their specific circumstances. Any alterations to the Workform must be clearly disclosed and explained. Please note that these instructions focus on the completion of the Commodity Accounts Analysis Workform for 2027 rates, which in general includes the analysis for 2025 variances in commodity accounts. If distributors have populated the Commodity Accounts Analysis Workforms prior to 2025, distributors may refer to prior years' workform instructions for the specific instructions pertaining to the reconciling items and principal adjustments for that year.

Summary of Changes to Workform from Prior Year:

Update to Note 7 Account 1588 Reasonability Test in Tab Account 1588

Note 7 has been updated to include reconciling items and their total in the "Total Activity in Calendar Year." The Account 1588 as a percentage of Account 4705 has also been updated, as the total "Activity for Account 1588" now includes the impact of reconciling

items recorded in Notes 7b. If the percentage falls outside the +/- 1% reasonability threshold, a note will automatically appear to indicate that an explanation is required.

The updated wording provides clearer guidance as to when Note 7a and Note 7b should be completed and the type of items that should be included.

Update to Note 7a in Tab Account 1588

Note 7a has been updated to focus on identifying and explaining principal adjustments that relate to Account 1588 for the year. The updated wording provides clearer guidance as to when Note 7a should be completed and the type of items that should be included.

Addition of Note 7b in Tab Account 1588

A new table has been added to the Account 1588 tab to provide a dedicated place to record reconciling items that are relevant to the Account 1588 reasonability test. This is now Note 7b. This supports clearer presentation of items that may affect the annual variance but are not otherwise captured in Note 7 and the Note 7a analysis.

Steps for Completing the Commodity Accounts Analysis Workform:

1) Information Sheet:

Complete the Information Sheet:

a) From the drop-down box, select the distributor name. This selection will result in pre-populating consumption data, reported to the OEB through Reporting and Record-Keeping Requirements (RRR).
b) Under Note 1, select the appropriate year that the account 1589 and 1588 balances were last approved for disposition.
    i) A Workform or workforms will be generated from the year after the GA balance was last disposed, unless there are changes to the last approved interim balance. If there was a change to an approved interim balance, a Workform will be generated for each year after the GA balance was last disposed on a final basis. The Workform for the year where there was a change in the approved interim balance will need to be revised and resubmitted, and a detailed explanation for the reason for the change should also be provided.
    ii) The Account 1588 tab will be generated. The number of years that require a reasonability test to be completed is shown on the tab and will depend on the year selected under Note 1.

iii) The Principal Adjustment tab will be generated. The number of years that require a principal adjustment reconciliation to be completed are shown on the tab and will depend on the year selected under Note 1.

2) GA Tab – Note 2: Consumption Data Excluding Loss Factor

The Workform pre-populates Reporting and Record Keeping Requirements (RRR) consumption data for any applicable year. The purpose of the Consumption Data table is to calculate the expected Account 1589 balance for the calendar year.

The distributor is expected to review the pre-populated RRR data and confirm that it is accurate. If not, please explain the discrepancy and refile the RRR data applicable.

3) GA Tab – Note 3: GA Rate Billed

Under Note 3:

a) Select the GA rate used to bill customers (i.e. 1st estimate, 2nd estimate or actual) in the drop-down box. This selection will result in populating column J, GA Rate Billed ($/kWh) in the table calculating the Expected GA Price Variance under Note 4.
b) Confirm that the distributor uses the same GA rate to bill all customer classes. If not confirmed, please provide further details.
c) Confirm that the distributor uses the same GA rate for recording unbilled revenue entries. If not confirmed, please explain.

Note that the same GA estimate is to be used for all non-RPP Class B customers within a customer class (per O. Reg 429/04, section 16(3)).

4) GA Tab – Note 4: Analysis of Expected GA Amount

a) Complete columns F, G and H of the first table under Note 4. Completion of this table will calculate an Expected GA Price Variance. See below for description of the columns in this table.
   i) Note that the Workform requires kWh volumes for revenues and expenses on a calendar month basis. It is calculated as billed kWh minus the prior month's unbilled kWh plus the current month's unbilled kWh. Alternatively, if more precise calendar month consumption is available, this may be used rather than using unbilled data. In this case, input the calendar month consumption data in column F. Unbilled consumption would not be required in columns G and H. However, if columns G and H are not used, an explanation should be provided in the text box under Note 4, part a.

<u>Description of Columns in the Calculation of the Expected GA Price Variance:</u>

Column	Description
Column F	Monthly non-RPP Class B kWh consumption billed (including losses).
Column G	Prior month's unbilled consumption is to be deducted.
Column H	Current month's unbilled consumption is to be added.
Column I	Non-RPP Class B consumption billed, adjusted for losses and unbilled consumption as calculated from columns F to H. Total annual consumption is expected to differ from the Consumption Data Table (Note 2) by the loss factor. Utilities are expected to ensure that the difference in consumption between that in column I and the Consumption Data Table is reasonable.
Column K	Calculated GA revenues billed.
Column J	GA rates billed to customers will be populated once the distributor selects the billed rate in Note 3.
Column L	Actual GA rates billed by the IESO will be populated.
Column M	Calculated GA costs paid.
Column N	Expected GA Price Variance calculated based on the data in the table, prior to the impacts of any differences between approved and actual system losses.

b) Complete the second table under Note 4. Completion of this table will calculate an Expected GA Volume Variance, inclusive of the impacts of differences between approved and actual system losses. See below for description of the columns in this table.
   i) Note that distributors may propose a more precise calculation of the GA volume variance using monthly consumption and monthly GA actual rates. In this case, the distributors should provide the supporting calculation for the expected GA volume variance.

<u>Description of Columns in the Calculation of the Expected GA Volume Variance:</u>

Column	Description

Column O	This is the annual non-RPP Class B wholesale consumption. It is calculated as [Allocated Quantity of Energy Withdrawn (AQEW) - Class A + embedded generation kWh]*(non-RPP Class B retail kwh/Total retail Class B kWh).
Column P	The annual non-RPP Class B retail consumption is generally equal to the total non-RPP Class B consumption, including loss adjusted consumption and adjusted for unbilled consumption. It is populated from Column I in the table above (except for 2021 and 2022).
Column Q	The unaccounted for energy loss is populated as the difference between wholesale and retail consumption from columns O and P.
Column R	This is the weighted average GA price paid. It is calculated as: (non-RPP portion of CT 148 on the IESO invoice)/(non-RPP Class B Wholesale kWh per column O).
Column N	Expected GA Volume Variance calculated based on the data in the table, inclusive of the impacts of differences between approved and actual system losses.

c) The Workform will calculate the loss factor based on the data in Notes 2 and 4. The calculated loss factor should be within +/- 1% of the approved loss factor for that particular year. If it is not, an explanation should be provided in the text box under Note 4, part b.

5) GA Tab - Note 5: Reconciling Items

The purpose of this section is to reconcile the difference between:

i. the Total expected GA variance for the year calculated in the Workform for Account 1589, and
ii. the adjusted net variance recorded in the distributor's general ledger.

Reconciling items must be considered for each year requested for disposition.

a) Input the in-year transactions recorded in the general ledger for the principal balance. This should equal the GA transactions recorded in Account 1589 for the year.
    - Do not include dispositions in this amount.

- Do not include principal adjustments in this amount as that will be shown in the "Principal Adjustments" column in the DVA Continuity Schedule.
- This amount should agree to the "Transactions Debit/(Credit)" column shown in the DVA Continuity Schedule.

b) Complete the reconciling items table as applicable. See Appendix A for examples of reconciling items and how to calculate them.
For each reconciling item, indicate which of the amounts are included as principal adjustments on the DVA Continuity Schedule. Reconciling items may or may not be principal adjustments depending on the nature of the item.

c) There are two types of reconciling items as below:
   I) Reconciling items that are not principal adjustments are the items that are in the distributors' GL but need to be excluded for the purpose of the comparison to the Total expected GA variance calculated in Note 4.

   II) Reconciling items that are principal adjustments are the items that are not recorded in the distributors' GL and need to be excluded for the purpose of the comparison to the Total expected GA variance calculated in Note 4.

For each of the reconciling items entered in the Table under Note 5, the "Yes" or "No" needs to be chosen in the drop-down box of column I. See Appendix A for examples of common reconciling items in Account 1589 GA.

6) GA Tab – Note 6: Unresolved Difference

Under Note 6, any remaining unreconciled difference that is greater than +/- 1% of the annual IESO GA charges must be analyzed and investigated to identify any additional reconciling items, and/or to identify corrections to the balance requested for disposition.

7) Account 1588 Tab – Note 7: Account 1588 Reasonability Test

All distributors should complete Account 1588 Tab, Note 7.

Typically, large balances are not expected for Account 1588, as it should only hold the variance between commodity costs based on actual line losses and commodity revenues calculated based on approved line losses.

The Account 1588 Reasonability Test included in the Workform compares the annual activity recorded in Account 1588 to the Cost of Power purchased (Account

4705) for the same year. This table has been updated to reflect all components that affect the annual movement in Account 1588, which now includes:

- Transactions (to be filled in by the distributor, and should match the value in the DVA Continuity Schedule and corresponding year),
- Principal Adjustments (from Note 7a), and
- Reconciling Items (from Note 7b)

In contrast to principal adjustments, reconciling items are not additional activities in the general ledger nor in the continuity schedule; reconciling items are items that have been already recorded in the general ledger and are separately identified in this table to assist in the assessment of Account 1588's reasonability test. The total of the principal adjustments and reconciling items is added to the net transactions of the current year and then the total of the transactions, principal adjustments and reconciling items is divided by the Cost of Power Purchased - Account 4705, for the year, to calculate the % of total activity of the Cost of Power. As an example, quantifying line loss differences in Account 1588 can be a reconciling item. After taking into account the reconciling items, it is expected that the calculated % should be within +/-1%.

Principal adjustments and reconciling items flow automatically into Note 7 from Notes 7a and 7b; no direct input is required in the columns of Note 7.

Any annual Account 1588 variance greater than +/- 1% of that year's cost of power purchased must be explained. When this threshold is exceeded, an automated note will appear in the Workform prompting the distributor to provide supporting explanations in the Notes section.

Reconciling items and principal adjustments in Account 1588 arise due to timing differences, changes in estimation, or true-up adjustments required by the IESO, OEB or other market mechanisms.

The two categories serve different purposes. Principal Adjustments reflect material corrections or non-routine adjustments that change previously recorded amounts in Account 1588. These adjustments are recorded as separate entries in the general ledger and may or may not reverse in the following year, depending on whether the underlying correction relates to an estimate or a permanent correction. Reconciling Items identify settlement-related or timing-related differences that arise when reconciling amounts recorded in the general ledger to final IESO settlement data. Reconciling items do not create new entries in Account 1588; they are amounts already recorded through normal transactions and are separated for explanation and reconciliation purposes.

See Appendix B for examples of common reconciling items and principal adjustments in Account 1588 RSVA Power.

7a) Account 1588 Tab – Note 7a: Principal Adjustments Breakdown

The table in this Note is for one year's variance only. If the distributor's undisposed balance in Account 1588 is more than one year, the distributor can copy and paste the table so that the principal adjustments in each year are explained separately.

The purpose of this section is to provide a more comprehensive explanation of the variance in Note 7 by quantifying the principal adjustments that impact the variance in the account.

Amounts recorded in this Note will automatically populate the Principal Adjustments column in Note 7.

Distributors must complete Note 7a whenever principal adjustments exist for the reporting year on the DVA Continuity Schedule.

7b) Account 1588 Tab – Note 7b: Reconciling Items

The table in this Note is for one year's variance only. If the distributor's undisposed balance in Account 1588 is more than one year, the distributor can copy and paste the table so that the reconciling items in each year are explained separately.

The purpose of this section is to provide a more comprehensive explanation of the variance in Note 7 by quantifying the reconciling items that impact the variance in the account.

Amounts recorded in this Note will automatically populate the reconciling items column in Note 7.

Distributors must complete Note 7b whenever reconciling items exist for the reporting year.

8) Principal Adjustments Tab – Note 8: Breakdown of Principal Adjustment Included in Last Approved Balance

Complete the Principal Adjustments Tab.

Provide a breakdown of any principal adjustments included in the last approved balance disposed for accounts 1588 and 1589.

- Note that if the last approved balance was approved on an interim basis and there are changes to this balance, then a principal adjustment breakdown included in the last approved balance that was disposed on a final basis should be provided instead of the last approved balance that was disposed on an interim basis.
- If a prior period principal adjustment is to be reversed in the current rate application, this will be populated automatically in the table under Note 9.

9) Principal Adjustments Tab – Note 9: Principal Adjustment Reconciliation in Current Application

Complete the reconciliation of principal adjustments in the current rate application for accounts 1588 and 1589.

- This table is required for each year that is requested for disposition in the current rate application.
- Note that if the last approved balance was approved on an interim basis and there are changes to this balance, the reconciliation of principal adjustments must also be completed for this revised balance as well.
- Auto populated reversals of prior period principal adjustments should not be changed without explanation. Such items should be separated according to their original description and amount.

Distributors are reminded to reverse principal adjustments from the prior year in the current year's Workform on a timely basis. This ensures that the variance between the RRR balances and the general ledger reflects only principal adjustments related to the current year.

Appendix A Commodity Accounts Analysis Workform – Examples of Reconciling Items and Principal Adjustments for Account 1589

This Appendix provides examples of the typical reconciling items and principal adjustments used in the Workform. Reconciling items relating to load transfers, GA balances pertaining to Class A customers, and differences between the posted and invoiced GA rates are generally not expected to be material.

In the examples below,

- references to the "Total Expected GA Variance" from the Workform are referred to as the expected balance
- references to the "Net Change in Principal Balance in the GL" from the Workform are referred to as the General Ledger balance

The illustrative examples below use:

- 2025 as the current year
- 2024 as the prior year
- 2026 as the subsequent year

1. True-up of GA Charges based on Actual Non-RPP Volumes:

True-ups of non-RPP consumption impacting Account 1589 should be included in the year in which it relates for disposition purposes. If the true-up is not recorded in the General Ledger in the year in which it relates, a reconciling item will be needed in the Workform and a principal adjustment will be needed in the DVA Continuity Schedule. A distributor receives the IESO invoice, and reflects the invoice in its General Ledger as of year-end, the true-up is determined as the difference between:

i. the actual non-RPP Class B kWh multiplied by the actual invoiced GA price per kWh, and
ii. the estimated non-RPP Class B kWh multiplied by the actual invoiced GA price per kWh that was initially accrued in the General Ledger

Note: there may be multiple amounts included in this reconciling item depending on how many months of true-ups were not reflected in the General Ledger balance of Account 1589 at the year-end.

1a. True-up of GA Charges based on Actual Non-RPP Volumes – prior year:

Example:

Data used in true-up of non-RPP Class B volumes for December 2024:

Data	Quantity
Estimated non-RPP Class B volumes	275,000,000 kWh
Actual non-RPP Class B volumes	296,000,000 kWh
GA actual invoiced price	$0.1000/kWh

- **Scenario A**: The IESO invoice was received and reflected in the General Ledger as of the 2024 year-end, and GA costs were recorded in Accounts 1588 and 1589 based on actual consumption volumes. For December 2024, the estimate of GA costs for non-RPP Class B customers was $27,500,000 and the actual GA cost for non-RPP Class B customers was $29,600,000. The consumption true-up of $2,100,000 was reflected in 2024 GL.

Reconciling item: Under Scenario A, the distributors should include a reconciling item of $2,100,000 for Account 1589 in the 2024 Workform to separately identify the year-end true-up. Similarly, in the 2025 Workform (current year workform), the reconciling item relating to the prior year true-up would be reversed and shown as ($2,100,000). Under this scenario, there is no need to have any principal adjustments on the DVA continuity schedule because these true-ups are included in the GL.

- **Scenario B**: The consumption true-up of $2,100,000 at year end was not recorded in the 2024 General Ledger, but was recorded in the 2025 General Ledger.

Principal adjustment*:* Under Scenario B, the true-up of $2,100,000 would be a principal adjustment in the 2024 DVA Continuity Schedule to true-up the understated GA costs to actual costs. Similarly, ($2,100,000) relating to the prior year true-up would be a reversing principal adjustment in the 2025 DVA Continuity Schedule. These two principal adjustments should also be included in the 2024 and 2025 Workform to explain the variance in the account. Please note that the distributors should record the true-up adjustments at year-end, based on the Accounting Guidance on the Commodity Accounts 1588 and 1589.[1] As a result, Scenario B should occur on a minimum basis.

[1] Accounting Guidance for Commodity Accounts 1588 and 1589

1b. True-up of GA Charges based on Actual Non-RPP Volumes – current year:

Example:
Data used in the true-up of GA costs for December 2025:

Data	Quantity
Estimated non-RPP Class B volumes	263,000,000 kWh
Actual non-RPP Class B volumes	277,000,000 kWh
GA actual invoiced price	$0.1100/kWh

- **Scenario A:** The IESO invoice was received and reflected in the General Ledger as of the 2025 year-end, and GA costs were recorded in Accounts 1588 and 1589 based on actual consumption volumes. For December 2025, the estimated GA costs for non-RPP Class B customers was $28,930,000 and the actual GA costs for non-RPP Class B customers was $30,470,000. The consumption true-up of $1,540,000 was reflected in 2025 GL.

Reconciling item: Under Scenario A, there would be a reconciling item of $1,540,000 in the 2025 Workform. Similarly, in the 2026 Workform, the reconciling item would be reversed and shown as ($1,540,000).

- **Scenario B**: The true-up of $1,540,000 was not reflected in the 2025 General Ledger, but was recorded in the 2026 General Ledger.

Principal adjustment*:* Under Scenario B, the true-up of $1,540,000 would be a principal adjustment in the 2025 DVA Continuity Schedule to true-up the understated GA costs to actual costs. Similarly, the ($1,540,000) would be a reversing principal adjustment in the 2026 DVA Continuity Schedule. These two principal adjustments should also be included in the 2025 and 2026 Workform to explain the variance in the account. Please note that the distributors should record the true-up adjustments at year-end, based on the Accounting Guidance on the Commodity Accounts 1588 and 1589. As a result, Scenario B should occur on a minimum basis.

2. Unbilled to actual revenue differences:

- Distributors are required to follow monthly accrual accounting for transaction recording and financial statement preparation. Revenue accrual accounting is performed by recording unbilled revenue, based on best available information, for the electricity consumed by customers that they will eventually be billed for to the end of the reporting period. Unbilled revenue must be accrued for all components

of a customer's bill that will be invoiced in the future to the end of the reporting period.

- Distributors are to record the differences between i) estimated unbilled revenue for the GA for all customer classes and ii) the actual GA revenue billed in the subsequent year relating to consumption in the previous fiscal year, for account disposition purposes. This is referred to as the unbilled to actual revenue true-up.
- Whether a reconciling item in the Workform and/or principal adjustment in the DVA Continuity Schedule is required will depend on:
    i. whether estimated consumption is reflected in the expected balance calculated in the Workform or whether actual calendar month consumption is used, and
    ii. whether the unbilled to actual revenue true-up is included in the General Ledger at year-end.

Table 1: Reconciling Item and Principal Adjustments Scenarios for Unbilled to actual revenue differences

	Expected GA balance in Note 4 is calculated based on estimated consumption	**Expected GA balance in Note 4 is calculated based on actual consumption**
GL balance -Includes unbilled to actual revenue true-up, i.e. actual charge based on actual consumption	Scenario 1: ➢ Reconciling item is required ➢ Principal adjustment is not required	Scenario 2: ➢ Reconciling item is not required ➢ Principal adjustment is not required
GL balance -Excludes unbilled to actual revenue true-up, i.e. estimated charge based on estimated consumption	Scenario 3: ➢ Reconciling item is not required because of no misalignment of the consumption basis in the Woorkform ➢ Principal adjustment is required because the Accounting Guidance requires the true-up being performed at year end	Scenario 4: ➢ Reconciling item is required ➢ Principal adjustment is required

2a. Prior year-end unbilled to actual revenue differences:

Example:

Data used to calculate the difference between estimated unbilled revenue for 2024 and actual billed revenue in 2025 relating to consumption in the 2024 fiscal year (assuming the distributor records unbilled revenue using the GA 1st estimate price):

	November 2024	December 2024
Estimated unbilled non-RPP Class B kWh as at Dec. 31, 2024	5,800,000 kWh	335,000,000 kWh
Actual billed non-RPP Class B kWh (billed in 2025)	4,300,000 kWh	329,000,000 kWh
GA 1st estimate price	$0.1000/kWh	$0.1100/kWh

- The estimated unbilled revenue accrual for non-RPP Class B customers at the end of 2024 (November and December) was: $37,430,000 = [(335,000,000 X $0.1100/kWh) + (5,800,000 X $0.1000/kWh)].
- The actual revenue billed in 2025 related to consumption in 2024 for non-RPP Class B customers was $32,620,000 = [(329,000,000 X $0.1100/kWh) + (4,300,000 X $0.1000/kWh)].
- The difference between estimated unbilled revenue and actual billed revenue is $4,810,000 ($37,430,000 - $32,620,000). The 2024 unbilled revenue amount was overstated by $4,810,000.
- Assume that the estimated unbilled consumption is used in calculating the expected balance in the Workform. Also assume the 2024 General Ledger balance excluded the unbilled to actual revenue true-up, but that this difference was included in the 2025 General Ledger through typical billing/unbilled journal entries.

With the above assumptions, this example falls into Scenario 3 in Table 1 above. As a result, no reconciling item is needed on the Workform but a principal adjustment is required on the DVA Continuity Schedule.

Principal adjustment: There would be a principal adjustment for a debit amount of $4,810,000 in the 2024 DVA Continuity Schedule to true-up the overstated unbilled revenue to actual revenue. Similarly, there would be a reversing principal adjustment for a credit amount of $4,810,000 relating to the prior year in the 2025 DVA Continuity Schedule.

2b. Current year-end unbilled to actual revenue differences:

Example:

Data used to calculate the difference between estimated unbilled revenue for 2025 and actual billed revenue in 2026 related to consumption in the 2025 fiscal year (assuming the distributor records unbilled revenue using the GA 1st estimate price):

	November 2025	December 2025
Estimated unbilled non-RPP Class B kWh as at Dec. 31, 2025	7,000,000 kWh	348,000,000 kWh
Actual billed non-RPP Class B kwh (billed in 2026)	6,500,000 kWh	335,000,000 kWh
GA 1st estimate price	0.1200/kWh	$0.1000/kWh

- The estimated unbilled revenue accrual for non-RPP Class B customers at the end of 2025 (November and December) was $35,640,000 = [(348,000,000 X $0.1000/kWh)] + (7,000,000 X $0.1200/kWh)].
- The actual revenue billed in 2026 related to consumption in 2025 for non-RPP Class B customers was $34,280,000 = [(335,000,000 X $0.1000/kWh)] + (6,500,000 X $0.1200/kWh)].
- The difference between estimated unbilled revenue and actual billed revenue is $1,360,000. The 2025 unbilled revenue amount was overstated by $1,360,000.
- Assume that actual calendar month consumption data is used in calculating the expected balance in the Workform. Also, assume the 2025 General Ledger balance included the unbilled to actual revenue true-up.

With the above assumptions, this example falls into Scenario 2 in Table 1 above. As a result, neither a reconciling item nor principal adjustment are needed on the Workform or on the DVA Continuity schedule.

3. Significant out-of-period billing adjustments:

- Cancel and rebills for billing adjustments may be recorded in the current year's revenue General Ledger but the related consumption and costs charged by the IESO may not be reflected in the current year.
- Conversely, billing errors may occur in the current year but the related cancel and rebills for billing adjustments may be recorded in a future year's revenue General Ledger. Meanwhile, the related consumption and costs charged by the IESO may be reflected in the current year. If distributors know that such circumstances have occurred at the time of requesting disposition of Account 1589, the related reconciling item should be identified if the billing adjustment has a significant impact on Account 1589.

- It is a normal part of business for distributors to make billing corrections, bill cancellations, and re-billings. Billing adjustments can be small or quite large, depending on the nature and cause of the billing adjustment.

Example:

- A distributor made significant billing adjustments in 2025, where certain customers were under-billed for 2,000,000 kWh of consumption in August 2024.
- The billing adjustment is recorded in the General Ledger in August 2025. The billing statistics for August 2025 also reflected the inclusion of the 2,000,000 kWh relating to the billing adjustment.
- Applicable GA prices are as follows:

	August 2024	**August 2025**
GA 2nd estimate price (Biling price)	$0.1097/kWh	$0.1062/kWh
GA actual price	$0.1261/kWh	$0.1035/kWh

Note that the below rationale for the reconciling item and principal adjustment for 2024 in this example would generally apply to the year in which a billing error was made and the rationale for the reconciling item and principal adjustment for 2025 in this example would generally apply to the year in which the billing adjustment was recorded in the General Ledger.

Reconciling item: There would be a reconciling item of ($252,000) in the 2024 Workform as there is a misalignment between the 2024 General Ledger balance and the expected balance calculated in the Workform, with respect to the GA cost component. The calculation of the reconciling item is as follows:

2024 Reconciling Item:

	kWh	GA price ($/kWh)	2024 GL	kWh	GA price ($/kWh)	2024 Workform	Reconciling item
GA Revenues	0	0.1097	$0	0	0.1097	$0	
GA Costs	2,000,000	0.1261	$252,200	0	0.1261	$0	
GA variance for the billing adjustment			**$252,200***			**$**0	**($252,200)**

*represents the variance in GA consumption

The GA cost component that forms part of the 2024 General Ledger balance includes the consumption relating to the 2025 billing adjustment, as this amount was charged by the IESO and recorded in the General Ledger in 2024. However, the 2024 expected balance calculated in the Workform, which is based on billed consumption, excluded the related consumption.

As the reconciliation under Note 5 starts with the General Ledger balance and reconciles that to the expected balance calculated in the Workform, a reconciling item of ($252,200) is required for 2024.

There would also be a reconciling item of $214,000 in the 2025 Workform as there is a misalignment between the 2025 General Ledger balance and the expected balance calculated in the Workform, with respect to both the GA cost and revenue components. The calculation of the reconciling item is as follows:

2025 Reconciling Item:

	kWh	GA price ($/kWh)	2025 GL	kWh	GA price ($/kWh)	2025 Workform	Reconciling item
GA Revenues	2,000,000	0.1097	$(219,400)	2,000,000	0.1062	$(212,400)	
GA Costs	0	0.1035	$0	2,000,000	0.1035	$207,000	
GA variance for the billing adjustment			**$(219,400)***			**$(5,400)****	**$214,000**

*represents the variance in GA consumption
**represents the variance in in GA pricing

The GA cost component that forms part of the 2025 expected balance calculated in the Workform is based on billed consumption, which includes the consumption relating to the 2025 billing adjustment. However, the 2025 General Ledger balance would not have included this amount, as it would have already been charged by the IESO and recorded in the General Ledger in a prior period. In addition, the GA revenue component that

forms part of the 2025 expected balance calculated in the Workform is calculated based on the August 2025 GA 2nd estimate. However, the billing adjustment included in the 2025 General Ledger balance is calculated based on the August 2024 GA 2nd estimate.

Reconciling Item: As the reconciliation under Note 5 starts with the General Ledger balance and reconciles that to the expected balance calculated in the Workform, a reconciling item of $214,000 is required for 2025.

Principal adjustment: A principal adjustment would not be required in the 2024 or 2025 DVA Continuity Schedule as the 2024 and 2025 General Ledger appropriately reflects the billings in each respective year.

4. Prior Period Corrections/Adjustments:

Effective May 1, 2023, charge type (CT) 2148 is no longer used and is to be included as part of charge type 148. For the Commodity Accounts Analysis Workform, distributors are to continue to identify and show adjustments to GA for prior periods separately as a reconciling item with supporting rationale.

Example:

- The IESO included prior year correction/adjustment as part of CT 148 on a distributor's monthly invoice during 2025, totaling $900,000, of which $425,000 has been determined to pertain to non-RPP customers. It is important that distributors apportion the total correction/adjustment into RPP and non-RPP portions in Account 1588 and Account 1589, respectively. Please refer to the OEB letter issued on May 15, 2019 regarding Accounting Guidance for IESO Charge Type 2148.[2] The prior year correction/adjustment pertained to an error from 2024, where the distributor was undercharged GA costs. This adjustment would result in an invoiced GA rate that is different than the actual posted rate.

Reconciling item: A reconciling item of $425,000 would be required in the 2024 Workform as there is a misalignment between the 2024 General Ledger balance and the expected balance calculated in the Workform, with respect to the GA cost component. The distributor was undercharged $425,000 in GA costs in 2024, however, the consumption used in calculating the expected balance in the Workform was the appropriate consumption.

[2] Accounting Guidance for IESO Charge Type 2148 (May 15, 2019)

As the reconciliation under Note 5 starts with the General Ledger balance and reconciles that to the expected balance calculated in the Workform, a reconciling item of $425,000 is required in the 2024 Workform.

A reconciling item of ($425,000) would be required in the 2025 Workform as there is a misalignment between the 2025 General Ledger balance and the expected balance calculated in the Workform, with respect to the GA cost component. The GA costs including the $425,000 adjustment would have been recorded in the 2025 General Ledger balance, however, the additional charge would not have been reflected in the calculation of the expected balance calculated in the Workform (reflecting actual GA price, excluding the prior period adjustment).

As the reconciliation under Note 5 starts with the General Ledger balance and reconciles that to the expected balance calculated in the Workform, a reconciling item of ($425,000) is required in the 2025 Workform.

Principal adjustment: A principal adjustment would not be required in the 2024 and 2025 DVA Continuity Schedule as GA costs, including the prior period adjustment, would have been appropriately reflected in the 2024 and 2025 General Ledger.

5. IESO Settlement Adjustments

The Government of Ontario passed a series of regulations, that came into effect on July 1, 2023, which provide for a two-year limitation period applicable to certain settlement amounts. Under this regulation, market participants can no longer submit adjustment claims for settlement amounts related to the impacted programs, more than 24 months after such amounts were invoiced or should have been invoiced by the IESO. The following table describes the four scenarios for the distributors to determine whether the original period is still open for disposition and how to reflect the impact of the settlement adjustments in the Workform and DVA Continuity Schedule.

	Commodity Accounts Open (not final disposed for the identified IESO adjustment)	**Commodity Accounts Closed (Final Disposed for the identified IESO adjustment)**
IESO Settlement Adjustments – out of a 24-month period	i. The distributor would need an OEB order[3] to grant exception to the limitation period for submitting settlement adjustment(s) to the IESO, if applicable.	i. The distributor would need an OEB order[4] to grant exception to the limitation period for submitting settlement adjustment(s) to the IESO, if applicable.

[3] Paragraph 36.1.1(7)(b) of the Electricity Act, 1998: A decision, an order or a direction of the OEB in respect of a variance account.
[4] *Ibid*, note 4

	ii. DVA continuity schedule: add principal adjustment(s) for the identified IESO settlement adjustment in the relevant Commodity Account(s) to eliminate the impact of the settlement error from the disposition balances. iii. GA Workform: add reconciling item(s) for the identified IESO settlement adjustment to eliminate the impact of the settlement error from the reasonability tests.	ii. DVA continuity schedule: add principal adjustment(s) for the identified IESO settlement adjustment in the relevant Commodity Account(s) to eliminate the impact of the settlement error from the disposition balances. iii. GA Workform: add reconciling item(s) for the identified IESO settlement adjustment to eliminate the impact of the settlement error from the reasonability tests. iv. Potential Rates Retroactivity Issue: in the rate application, the distributor should address the potential rates retroactivity issue.
IESO Settlement Adjustments – Within a 24-month period	i. Submit the settlement adjustment to the IESO. ii. Record the adjustments in accordance with the regulatory accounting procedure and guidance issued by the OEB.	i. Submit the settlement adjustment to the IESO. ii. Record the adjustments in accordance with the regulatory accounting procedure and guidance issued by the OEB. iii. Potential Rates Retroactivity Issue: disclose the adjustment in the rate application because of the potential rates retroactivity issue.

The example below illustrates how to treat a settlement adjustment related to the identified Class A GA settlement error which is outside of the two-year window.

Example:

In January 2026, Utility ABC identified a submission error for May 2022, where Class A consumption was understated in the IESO submission. As a result, the Class B GA charge (CT 148) on May 2022 IESO invoice was overstated, since GA costs were incorrectly allocated to Utility ABC.

Description	Value
Original Class A Consumption (Incorrect)	4,496,299 kWh
Updated Class A Consumption (Correct)	7,941,686 kWh
Difference (understated Class A)	(3,445,387)
Actual (fictional) GA rate (May 2022)	$0.1005/kWh
Overstated Class B GA (CT 148) (shown on May 2022 IESO Invoice)	$346,261
RPP share – 60%	$207,757
Non-RPP Class B share – 40%	$138,505

If the distributor identifies any material settlement errors, adjusting entries need to be made in the respective Commodity accounts 1588 and 1589 to remove the impact of overstated GA charges, regardless of whether the commodity accounts have been disposed on a final basis.

Utility ABC would record:

Reconciling Item:

A reconciling item of ($207,757) should be recorded in the 2022 Workform for Account 1588 and ($138,505) for Account 1589.

Principal Adjustment:

A principal adjustment of ($207,757) should be recorded in the 2022 DVA Continuity Schedule to reduce the RPP potion of overstated GA costs in May 2022 in Account 1588. A principal adjustment of ($138,505) should be recorded for Account 1589 to reduce the non-RPP portion of overstated GA cost in May 2022.

If 2022 Commodity Account balances were disposed on a final basis, in addition to the above requirements, the distributor should address the potential rates retroactivity issue. Please reference the guidance in the OEB's letter issued October 31, 2019 regarding adjustments to correct for errors in electricity distributor "Pass-Through" variance accounts after disposition.[5]

Please note that this example pertains to both Account 1588 and 1589.

[5] Letter re: Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition (Oct 31, 2019)

Appendix B Commodity Accounts Analysis Workform – Examples of Reconciling Items and Principal Adjustments for Account 1588

This Appendix provides examples of common reconciling items and principal adjustments used in the Workform for Account 1588. Some of the reconciling items in Note 7a mirror the examples of reconciling items and principal adjustments for Account 1589, as described in Appendix A.

1a. True-up of GA Charges based on Actual RPP Volumes – prior year:

Example:

Data used in the true-up of RPP volumes for December 2024:

Data	RPP Quantity	Non-RPP Quantity
Estimated Class B volumes	225,000,000 kWh	275,000,000 kWh
Actual Class B volumes	204,000,000 kWh	296,000,000 kWh
GA actual invoiced price	$0.1000/kWh	

When a true-up of CT 148 GA charges is received for Class B volumes from the prior year, the amounts are recorded in Accounts 1588 and 1589. The RPP portion is recorded in Account 1588 as a credit (i.e. a reduction to RPP portion of GA), which is the opposite of the debit amount recorded in Account 1589 for the non-RPP portion.

- **Scenario A**: The IESO invoice was received and reflected in the General Ledger as of the 2024 year-end, and GA costs were recorded in Accounts 1588 and 1589 based on actual consumption volumes. For December 2024, the estimate of GA costs for RPP Class B customers was $22,500,000 and the actual GA cost for RPP Class B customers was $20,400,000. The consumption true-up of ($2,100,000) was reflected in 2024 General Ledger.

Reconciling item: Under Scenario A, the distributors should include a reconciling item of ($2,100,000) for Account 1588 in the 2024 Workform to separately identify the year-end true-up. Similarly, in the 2025 Workform (current year workform), the reconciling item relating to the prior year true-up would be reversed and shown as $2,100,000. Under this scenario, there is no need to have any principal adjustments on the DVA Continuity Schedule because these true-ups are included in the General Ledger.

Scenario B: The consumption true-up of ($2,100,000) at year end was not recorded in the 2024 General Ledger, but was recorded in the 2025 General Ledger.

Principal adjustment*:* Under Scenario B, the true-up of ($2,100,000) would be a principal adjustment in the 2024 DVA Continuity Schedule to true-up the overstated GA costs to actual costs. Similarly, $2,100,000 relating to the prior year true-up would be a reversing principal adjustment in the 2025 DVA Continuity Schedule. These two principal adjustments should also be included in the 2024 and 2025 Workform to explain the variance in the account. Please note that the distributors should record the true-up adjustments at year-end, based on the Accounting Guidance on the Commodity Accounts 1588 and 1589.[6] As a result, Scenario B should occur on a minimum basis.

Reconciling item: There would be a reconciling item of $2,100,000 in the Account 1588 reconciling table on the 2025 Workform. The 2024 General Ledger balance excluded the true-up while the expected balance calculated in the Workform included the true-up as it was calculated based on calendar year consumption. Similarly, in the 2025 Workform, the reconciling item relating to the prior year true-up would be reversed and shown as $2,100,000.

1b. True-up of GA Charges based on Actual RPP Volumes – current year:

Example:
Data used in the true-up of GA costs for December 2025:

Data	RPP Quantity	Non-RPP Quantity
Estimated Class B volumes	237,000,000 kWh	263,000,000 kWh
Actual Class B volumes	223,000,000 kWh	277,000,000 kWh
GA actual invoiced price	$0.1100/kWh	

In December 2025, the IESO issued a CT 148 true-up based on updated actual Class B volumes for October 2025. The distributor calculated that RPP volumes were overestimated in the initial settlement submissions compared to actual billed volumes.

- **Scenario A:** The IESO invoice was received and reflected in the General Ledger as of the 2025 year-end, and GA costs were recorded in Accounts 1588 and 1589 based on actual consumption volumes. For December 2025, the estimated GA costs for RPP Class B customers was $26,070,000 and the actual GA costs for non-RPP Class B customers was $24,530,000. The consumption true-up of ($1,540,000) was reflected in 2025 GL.

[6] Accounting Guidance for Commodity Accounts 1588 and 1589

Reconciling item: Under Scenario A, there would be a reconciling item of ($1,540,000) in the 2025 Workform. Similarly, in the 2026 Workform, the reconciling item would be reversed and shown as $1,540,000.

- **Scenario B**: The true-up of ($1,540,000) was not reflected in the 2025 General Ledger, but was recorded in the 2026 General Ledger.

Principal adjustment*:* Under Scenario B, the true-up of ($1,540,000) would be a principal adjustment in the 2025 DVA Continuity Schedule to true-up the overstated GA costs to actual costs. Similarly, the $1,540,000 would be a reversing principal adjustment in the 2026 DVA Continuity Schedule. These two principal adjustments should also be included in the 2025 and 2026 Workform to explain the variance in the account. Please note that the distributors should record the true-up adjustments at year-end, based on the Accounting Guidance on the Commodity Accounts 1588 and 1589. As a result, Scenario B should occur on a minimum basis.

2a. CT 1142/142 True up adjustment based on actual price and volume – prior year

The distributor may submit an adjustment related to CT 142 RPP settlements based on actual price and volumes. The IESO will reflect such adjustments in the subsequent invoice under CT 142. If this correction pertains to a prior year but is recorded in the general ledger in a subsequent year, a reconciling item and/or principal adjustment is required.

CT 142 applies to all energy charges pertaining to the distributor's RPP customers. The distributors should true-up the CT142 in accordance with the Accounting Guidance for the Commodity Accounts 1588 and 1589. The following illustrative example assumes that the volume and price true-ups are done once for simplicity.

Example:

Data used in true-up adjustment for December 2024:

Data	RPP Rate ($/kWh)	RPP Energy Price ($/kWh)	GA Price ($/kWh)	kWh Volumes	RPP Settlement $
Estimated	$0.0950	$0.0315	$0.0760	5,000,000	($62,500)
Actual	$0.0950	$0.0320	$0.0860	5,050,000	($116,150)
True-up					($53,650)

In January 2025, the distributor submitted a CT142 adjustment to the IESO relating to RPP customers' actual volumes consumed in December 2024 and actual energy and GA prices. As a result, the IESO overcharged the distributor by $53,650 based on

revised meter data and prices. This adjustment was reflected in the February 2025 invoice and can be recorded in two ways: 1) recorded in the general ledger in 2025; or 2) if the distributor keeps the 2024 general ledger open long enough, the distributor can record the true-up back in Dec 2024.

Reconciling item if the CT142 True-ups at year end are recorded in 2024 General Ledger:

There would be a reconciling item of ($53,650) in the 2024 Workform and a reversal of the 2024 reconciling item (i.e. $53,650) in the 2025 Workform. However, no principal adjustment is required on the 2024 DVA continuity schedule because the year-end true-ups are included in the General Ledger.

Principal Adjustment if CT142 True-ups at year end are not recorded in 2024 General Ledger:

A principal adjustment of ($53,650) should be recorded in the 2024 DVA Continuity Schedule for Account 1588 to true up the additional cost that pertains to 2024.

In the 2025 DVA Continuity Schedule, a reversal of the principal adjustment of $53,650 would be recorded in Account 1588, to offset the cost that was recorded in 2025 but pertains to 2024.

In the 2024 Workform, the CT 142 true-up of ($53,650) should also be included as one of the reconciling items in the reconciling table for Account 1588. A reconciling item of $53,650 would be included in the 2025 Workform for Account 1588.

2b. CT 1142/142 True up adjustment based on actual price and volume – current year

In January 2026, the distributor submitted an adjustment relating to RPP customers' actual prices and volumes consumed in December 2025.

Example:

Data used in true-up adjustment for December 2025:

Data	RPP Rate	RPP Energy Price	GA Price	kWh Volumes	RPP Settlement
Estimated	$0.0880	$0.0310	$0.0780	6,000,000	($126,000)
Actual	$0.0880	$0.0320	$0.0790	5,010,000	($115,230)
True-up					$10,770

This adjustment resulted in the IESO undercharging the distributor $10,770 based on revised meter data and prices. This adjustment was reflected in the February 2026 invoice.

Reconciling item if the CT142 True-ups at year end are recorded in 2025 General Ledger:

There would be a reconciling item of $10,770 in the 2025 Workform because the expected variance in the Workform are based on actual consumption and prices.

There would also be a reversal of the reconciling item of $10,770 in the 2026 Workform (i.e., a credit of $10,770). However, no principal adjustment is required on the 2025 DVA Continuity Schedule because the year-end true-ups are included in the 2025 General Ledger.

Principal Adjustment if CT142 True-ups at year end are not recorded in 2025 General Ledger:

A principal adjustment of $10,770 should be recorded in the 2025 DVA Continuity Schedule for Account 1588 for the cost that pertains to 2025.

In the 2026 DVA Continuity Schedule, a reversal of the principal adjustment of $10,770 would be recorded in Account 1588, to offset the cost that was recorded in 2026 but pertains to 2025.

In the 2025 Workform, the CT 142 True-up of $10,770 should also be included as one of the reconciling items in the reconciling table for Account 1588 and the ($10,770) would be included as one of the reconciling items in 2026 Workform for Account 1588.

3a. Prior year-end unbilled to actual revenue differences:

Example:

Data used to calculate the difference between estimated unbilled RPP revenue for 2024 and actual billed revenue in 2025 relating to consumption in the 2024 fiscal year (assuming the distributor records unbilled revenue using the GA 2nd estimate price):

	November 2024	December 2024
Estimated unbilled RPP kWh as at Dec. 31, 2024	5,800,000 kWh	3,350,000 kWh
Actual billed RPP kWh (billed in 2025)	3,700,000 kWh	3,290,000 kWh
GA 2nd estimate price	$0.1150/kWh	$0.1200/kWh

- The estimated unbilled revenue accrual for RPP customers at the end of 2024 was: $1,069,000 = [(5,800,000 X $0.1150/kWh) + (3,350,000 X $0.1200/kWh)].
- The actual revenue billed in 2025 related to consumption in 2024 for RPP Class B customers was $820,300 = [(3,700,000 X $0.1150/kWh) + (3,290,000 X $0.1200/kWh)].
- The difference between estimated unbilled revenue and actual billed revenue is $248,700. 2024 unbilled revenue was overstated.

- Assume that estimated unbilled consumption is used in calculating the expected balance in the Workform. Also assume the 2024 General Ledger balance excluded the unbilled to actual revenue true-up, but that this difference was included in the 2025 General Ledger through typical billing/unbilled journal entries.

Reconciling item: There would be no reconciling item in the 2024 Workform as both the 2024 General Ledger balance and the expected balance calculated in the Workform were determined on the same basis of consumption (i.e. both reflect estimated unbilled consumption). There is no misalignment between the General Ledger balance and the expected balance calculated in the Workform. Similarly, assuming the same practices were used in 2025, there would be no reconciling item relating to the prior year in the 2025 Workform.

Principal adjustment: There would be a principal adjustment of $248,700 in the 2024 DVA Continuity Schedule to true-up the overstated unbilled revenue to actual revenue. Similarly, there would be a reversal principal adjustment of ($248,700) relating to the prior year in the 2025 DVA Continuity Schedule.

3b. Current year-end unbilled to actual revenue differences:

Example:

Data used to calculate the difference between estimated unbilled revenue for 2025 and actual billed revenue in 2026 related to consumption in the 2025 fiscal year (assuming the distributor records unbilled revenue using the GA 2nd estimate price):

	November 2025	December 2025
Estimated unbilled RPP kWh as at Dec. 31, 2025	6,000,000 kWh	3,600,000 kWh
Actual billed RPP kwh (billed in 2026)	5,500,000 kWh	3,300,000 kWh
GA 1st estimate price	0.1180/kWh	$0.1220/kWh

- The estimated unbilled revenue accrual for RPP customers at the end of 2025 was $1,147,200 = [(6,000 X $0.1180/kWh)] + (3,6000 X $0.1220/kWh)].
- The actual revenue billed in 2026 related to consumption in 2025 for RPP customers was $1,051,600 = [(5,500,000 X $0.1180/kWh)] + (3,300,000 X $0.1220/kWh)].
- The difference between estimated unbilled revenue and actual billed revenue is $95,600. 2025 unbilled revenue was overstated.
- Assume that actual calendar month consumption data is used in calculating the expected balance in the Workform. Also, assume the 2025 General Ledger balance included the unbilled to actual revenue true-up.

Reconciling item: There would be no reconciling item in the 2025 Workform as both the 2025 General Ledger balance and the expected balance calculated in the Workform were determined on the same basis of consumption (i.e. reflects actual consumption). There is no misalignment between the General Ledger balance and the expected balance calculated in the Workform. Similarly, assuming the same practices were used in 2026, there would be no reconciling item relating to the prior year in the 2026 Workform.

Principal adjustment: There would be no principal adjustment in the 2025 DVA Continuity Schedule to true-up the unbilled revenue to actual revenue as it was already included in the 2025 General Ledger balance. Similarly, there would be no reversal principal adjustment relating to the prior year in the 2026 DVA Continuity Schedule.

4. Reconciling Item: Quantifying Significant Line Loss Factor Differences

A common and expected source of variance between the cost of power and the revenue from RPP customers is the difference between the actual line losses experienced by the distributor and the approved line loss factor used for billing and accrual purposes. These differences are naturally held in Account 1588. However, when the actual line loss experienced by the distributors' customers significantly differs from the approved line loss factors, the distributors can quantify the impact of the line loss difference on Account 1588 and provide the supporting calculation for the impact. The quantified significant line loss differences can be recorded in Note 7b reconciling items.