



Ontario | Commission
Energy | de l'énergie
Board | de l'Ontario

BY EMAIL AND WEB POSTING

June 12, 2024

**To: All Licensed Rate-regulated Electricity Distributors
All Licensed Electricity Retailers
Independent Electricity System Operator
All Other Interested Stakeholders**

**Re: Draft Accounting Guidance related to Accounts 1588 RSVA Power and 1589
RSVA Global Adjustment resulting from the IESO's Market Renewal Program**

The purpose of this letter is to provide a draft of the Ontario Energy Board (OEB) update to the [Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589](#) (Accounting Guidance) resulting from the Independent Electricity System Operator (IESO) Market Renewal Program (MRP). This update is to assist electricity distributors in preparing for the changes under the MRP.

To date, the IESO Board of Directors has provisionally adopted several batches of Market Rule amendments related to the MRP. The IESO Board is expected to review and consider formal adoption of a full set of Market Rule amendments related to the MRP in October 2024 (MRP Market Rule Amendments) and implementation is expected in May 2025.

Background

As part of the Accounting Guidance issued on February 21, 2019, the OEB provided a set of standardized requirements for regulatory accounting and Regulated Price Plan (RPP) settlements. The Accounting Guidance was [updated](#) on May 23, 2023 resulting from the implementation of a new optional ultra-low overnight (ULO) price plan.

OEB staff have been participating in discussions with the IESO and electricity distributors regarding MRP implementation. During those discussions, electricity distributors identified the need for early understanding of the changes they need to

make to their settlement, billing and accounting systems to be ready for MRP implementation.

On April 9, 2024, the OEB issued a [letter](#) providing guidance to stakeholders regarding the various OEB Code amendments it anticipates will need to be in place as and when the final MRP Market Rule Amendments take effect (April Letter). The OEB indicated, that the [Standard Supply Service Code](#) (SSSC) and the [Retail Settlement Code](#) (RSC) will require amendment as a result of the replacement of the Hourly Ontario Energy Price (HOEP) with the Day-Ahead Market Ontario Zonal Price (DAM OZP) and Load Forecast Deviation Charge (LFDC), pursuant to the MRP Market Rule Amendments.

In the April Letter, the OEB also indicated that it would provide guidance on the RPP settlement under the MRP and on the treatment of new IESO Charge Types. Accordingly, this letter issues a draft update to the Accounting Guidance related to the MRP Market Rule Amendments. Furthermore, Appendix A of this letter provides a draft mapping of the IESO Charge Types that are expected under the MRP to the OEB's respective Uniformed System of Accounts (USoA).

Draft Accounting Guidance Update

Pursuant to the SSSC, distributors must provide Standard Supply Service¹ to customers and bill non-RPP customers market-based electricity prices². Under the MRP, market-based electricity prices are based on the weighted average hourly DAM OZP³ plus the LFDC⁴. In addition, under the SSSC, distributors must bill RPP customers on the basis of either the Standard Time of Use (TOU), two tier RPP, or the ULO price plan.

After implementation of the MRP Market Rule Amendments, distributors will not be required to track DAM OZP and LFDC separately as sub-accounts for USoAs 4006-4055 – Sale of Electricity.⁵

For initial monthly RPP settlement submissions with the IESO, distributors are to rely on the LFDC estimates published by the IESO for a certain number of days at the end of each settlement month before the preliminary settlement statements become available.

In the first RPP settlement true-up included in the following month's RPP settlement submission, distributors are to true-up the estimated LFDC to the LFDC embedded in

¹ Standard Supply Service Code, Section 2.2

² Standard Supply Service Code, Section 3.2

³ Day-Ahead Market Ontario Zonal Price

⁴ Load Forecast Deviation Charge

⁵ Accounting Guidance, May 31, 2024, p. 4

Charge Type 1115 on the IESO's invoice for the calendar month that the initial RPP settlement is associated with, in addition to the true up of the GA 2nd estimate price to the actual GA price billed by the IESO⁶. This true-up method allows distributors to true up any differences between estimated and actual wholesale power costs on the IESO invoiced amounts.

No further updates are made to the second RPP settlement true-up as the second true-up is related to the actual kWh sales volumes for the distributor's RPP customers. The RPP variances from the true-up of the volumes to the actual are to be claimed from the second true-up that is included in the 2nd or 3rd month following the initial RPP settlement claim.

In February 2019, the OEB issued an [Illustrative Commodity Model](#) (Model) accompanying the Accounting Guidance. The Model was designed to assist with calculations and recording commodity related revenues, expenses, and variances in distributors' general ledgers, including amounts related to RPP settlements with the IESO, or host distributor. The OEB noted that distributors were expected to use the methodology prescribed in the Accounting Guidance and the Model, and that distributors may need to adapt the calculations for other matters, as per the IESO Settlement Market Manual.

The Model is being updated to incorporate the changes under the MRP, specifically, the replacement of the HOEP with the sum of the DAM OZP and the LFDC. The main changes in the Model are as follows:

- The available DAM OZP plus LFDC values are to be trued up to the final billed amount for DAM OZP plus LFDC in Charge Type 1115 on the IESO's invoice.
- Two new reconciliation tables⁷ are added in the new Tab "Variances in ac 1588" of the Model for record keeping purposes:

The price variances are expected to remain in the commodity Account 1588. No sub-accounts are required at this time for these components of the commodity variance. The calculated variances in the two new tables will facilitate the quantification of such variances which can be used to explain the 1% threshold test in Account 1588 during the rate applications.

New IESO Charge Types under the MRP

⁶ If a distributor is either partially, or fully embedded to a host distributor, the amounts billed, would also relate to amounts billed to the distributor for energy and global adjustment charge by the Host Distributor.

⁷ Accounting Guidance, May 31, 2024, p.11

The OEB reviewed the new IESO Charge Types under the MRP and identified that these new IESO Charge Types are all uplift upstream charges to distributors. As a result, distributors are expected to follow existing procedures in recording these charge types in USoA 4708 and reflect them in the wholesale market service variance account 1580 as per the [Accounting Procedures Handbook](#).

A draft mapping of anticipated IESO Charge Types under the MRP to OEB Uniform System of Accounts (including a list of IESO Charge Types to be recorded in Account 4708, Charges WMS) is provided in Appendix A to this letter. This mapping is based on IESO and OEB staff's current understanding regarding the effects of the MRP on Settlement Charge Types and is subject to future changes made by the IESO based on the evolving needs of the implementation of MRP.

Finalization and Effective Date of Updated Accounting Guidance

The OEB welcomes comments and feedback from distributors and other interested parties. The OEB may also make changes to the draft Accounting Guidance update and the draft Model, in accordance with any further changes made by the IESO to the MRP Market Rule Amendments or as a result of any statutory review or appeal before the OEB.

The OEB expects to finalize the draft updated Accounting Guidance prior to the IESO's announced MRP implementation date of May 1, 2025⁸. Subject to any changes to the implementation date, the finalized updated Accounting Guidance will also take effect on May 1, 2025, and will supersede the existing Accounting Guidance at that time.

Any questions or comments relating to this letter should be directed to the OEB's Industry Relations hotline, at 1-877-632-2727 or industryrelations@oeb.ca, using the subject of "Draft Accounting Guidance for the MRP".

Yours truly,

Original Signed By

Nancy Marconi
Registrar

Attachment: Appendix A – Anticipated Mapping of IESO Charge Types under the MRP – to OEB Uniform System of Accounts (USoA)

⁸ [Market Renewal Program Project Status \(ieso.ca\)](#)