



BY EMAIL AND WEB POSTING

February 21, 2019

To: All Rate-Regulated Licensed Electricity Distributors

**Re: Accounting Guidance related to Accounts 1588 RSVA Power, and
1589 RSVA Global Adjustment**

On July 20, 2018, the OEB issued a [letter](#) advising electricity distributors of the OEB's initiative to standardize the accounting processes used by distributors related to RPP wholesale settlements and accounting procedures to improve the accuracy of the commodity pass-through accounts: Account 1588 – RSVA Power, and Account 1589 – Global Adjustment. The objective of standardizing accounting procedures is to facilitate the disposition of accurate commodity pass-through variance account balances that enable the setting of accurate rates for customers.

Today, the OEB is providing an initial set of standardized requirements for regulatory accounting and RPP settlements. For some distributors, the result of implementing this guidance may be that changes will be required to their current processes even though the current processes result in accurate balances. The OEB finds it necessary to standardize the requirements on an industry wide basis so that the OEB, distributors' external auditors, and other stakeholders can consistently follow distributors' processes for assessment and review purposes. This is particularly important because the commodity pass-through variance accounts have been categorized as Group 1 accounts and therefore are reviewed each year for disposition.

OEB staff consulted with the IESO and six distributors (the latter by way of a webinar and individual conference calls). The OEB thanks the IESO and distributors for their input.

The OEB will hold training sessions in April 2019 for distributors, external auditors, intervenors, and industry consultants, at the OEB's offices on the new Accounting Guidance. Invitations will be sent out to stakeholders shortly.

The Accounting Guidance provided in the attached document includes detailed examples illustrating accounting and regulatory requirements. The Accounting Guidance also includes an illustrative model to assist with calculations and recording of commodity related revenues, expenses, and variances in distributors' General Ledgers, including the amounts related to RPP settlements with the IESO, or host distributor. Distributors are expected to use the methodology prescribed in the attached guidance and the illustrative model. Distributors may need to adapt the calculations for other matters as per the IESO Settlement Market Manual; for example, short-term and/or long-term load transfers, if any.

The Accounting Guidance includes information on the standardized processes for the following areas:

- RPP settlements and true-ups
- Accounting journal entries for commodity pass-through accounts
- Expected adjustments to commodity pass-through accounts in rate applications
- Embedded generation settlement with the IESO

The new guidance is effective January 1, 2019. Distributors are expected to implement the new guidance no later than August 31, 2019 retroactive to January 2019. In its July 2018 letter, the OEB suspended final disposition of Group 1 accounts until such time as the OEB developed further accounting guidance. The OEB expects that distributors will consider the accounting guidance in the context of their historical balances (i.e. pre January 1, 2019 that have not been disposed on a final basis). If any distributor is of the view that there may be systemic issues with their RPP settlement and related accounting processes that may give rise to material errors or discrepancies, or if the OEB has identified issues with balances, those distributors are expected to correct those balances before filing for disposition in an annual rate application. Distributors not adjusting balances prior to January 1, 2019 should confirm in their rate application that they have considered the accounting guidance and are of the view that no adjustments are required.

In the OEB's July 20, 2018 letter, the OEB also stated that notwithstanding any new initial guidance, the OEB may undertake a broader policy framework to:

- Standardize the data requirements for RPP settlements with the IESO; this includes the exploration of using smart meter data for RPP settlements
- Review RPP settlement processes with the IESO (the OEB has completed this work by establishing standardized settlement processes and has included them with the new standardized Accounting Guidance)

- Explore the standardization of internal controls and accounting procedures employed by utilities (the OEB has addressed accounting procedures in the new standardized Accounting Guidance and may focus any phase 2 review on standardizing internal controls and the treatment of unbilled revenue)
- Further update the Accounting Procedures Handbook as required for the above

The OEB may also consider standardizing regulatory audit requirements for external audits of the commodity accounts. The OEB will determine the timing of any phase 2 work in due course.

Any questions relating to this letter should be directed to Industry Relations at Industryrelations@oeb.ca.

Yours truly,

Original signed by

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Board Secretary