# RE: CBN- OFHP Implementation- V11- Final

**From:** "Hindmarch-Watson, Tim (CAB)" <tim.hindmarch-watson2@ontario.ca>
**To:** "Davidson, Steven (CAB)" <steven.davidson@ontario.ca>, "Foster, Robert (CAB)" <robert.foster@ontario.ca>
**Cc:** "Moore, Karen (CAB)" <karen.moore4@ontario.ca>, "Greenberg, Martha (CAB)" <martha.greenberg@ontario.ca>
**Date:** Mon, 08 May 2017 16:43:39 -0400

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TBS confirmed that the numbers were based on the previous modelling. I am not sure they will be able to get any updated figures given they are still working flat out on their note for tomorrow. TBS' note apparently "beats" ours at 35 pages…

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**From:** Hindmarch-Watson, Tim (CAB)
**Sent:** May-08-17 3:23 PM
**To:** Davidson, Steven (CAB); Foster, Robert (CAB)
**Cc:** Moore, Karen (CAB); Greenberg, Martha (CAB)
**Subject:** RE: CBN- OFHP Implementation- V11- Final

Okay. And that's correct. End of page 15 deals with this idea, and would have been where the sensitivity analysis would have gone. I kept the language around being within the current historical low interest rate environment etc.

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**From:** Davidson, Steven (CAB)
**Sent:** May-08-17 3:19 PM
**To:** Hindmarch-Watson, Tim (CAB); Foster, Robert (CAB)
**Cc:** Moore, Karen (CAB); Greenberg, Martha (CAB)
**Subject:** RE: CBN- OFHP Implementation- V11- Final

Thanks for following up on this.  I think given the rush and questions on the modelling, I'll hold back and just remind people of the obvious that and increase in rates could have a significant impact on the affordability of the model as currently framed, e.g. extend repayment beyond 2047, increase rates more steeply, or province steps in to offset.  Presumably this also hits up against the legitimacy of the fair allocation amount which could also tip this over into needing to be a tax (again, unless the province steps in to further subsidize rates).

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**From:** Hindmarch-Watson, Tim (CAB)
**Sent:** May-08-17 3:15 PM
**To:** Davidson, Steven (CAB); Foster, Robert (CAB)
**Cc:** Moore, Karen (CAB); Greenberg, Martha (CAB)

**Subject:** RE: CBN- OFHP Implementation- V11- Final

I've followed up with TBS and will get back to you ASAP.

I am a little concerned that these numbers use the original modelling from the policy submission not the current package (i.e. $27.7B vs. $24.7B in total accumulated debt and holding CPI to "end of 2022" vs. June 30, 2021. I have asked these questions specifically.

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**From:** Davidson, Steven (CAB)
**Sent:** May-08-17 2:42 PM
**To:** Hindmarch-Watson, Tim (CAB); Foster, Robert (CAB)
**Cc:** Moore, Karen (CAB); Greenberg, Martha (CAB)
**Subject:** RE: CBN- OFHP Implementation- V11- Final

Ok thanks.

How confident are we in this modelling?  Did TBS involve OFA?

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**From:** Hindmarch-Watson, Tim (CAB)
**Sent:** May-08-17 2:32 PM
**To:** Foster, Robert (CAB); Davidson, Steven (CAB)
**Cc:** Moore, Karen (CAB); Greenberg, Martha (CAB)
**Subject:** RE: CBN- OFHP Implementation- V11- Final

One quick item that I wanted to flag, further to the version that went into the binder. Steven, you had requested that I investigate the possibility of including some sort of sensitivity analysis on interest rate changes. I worked with TBS to develop the following:

> "For instance, if the interest rates increase from 5% to 7% (historical 30 year average) between 2020 and 2024, financing costs would increase by $11.2B (for a total of $37B), requiring much higher price increases in the out-years. Under this scenario, the increases required from 2022 to 2029 would be 7.3% annually (compared to 6.3% per year increases required under the base case) and the bill would remain 12.5% higher (compared to 10.4% in the base case)."

However, it was too late to double check the analysis with Energy and the ministry pushed back hard that they did not want to see this in our note without further clarification. While in the end it is our note, I opted to take Energy's recommendation given the sensitivities, but also flagged to them that this kind of analysis may need to be spoken to. Thought you would want to be aware and to have the TBS figures as back pocket. Let me know if you have any questions.

Thanks,

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**From:** Hindmarch-Watson, Tim (CAB)
**Sent:** May-08-17 12:59 PM
**To:** Foster, Robert (CAB); Davidson, Steven (CAB)
**Cc:** Scott-Vickers, James (CAB); Moore, Karen (CAB); Greenberg, Martha (CAB)

**Subject:** CBN- OFHP Implementation- V11- Final

Hi Steven and Rob:

Please find attached the final version of the CBN for the OFHP Implementation item. Printing now for binders.

Thank you,

**Tim Hindmarch-Watson**
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