OPG business issue

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Attachments: Blackline -Fair Allocation Provisions - Proposed Alternative.pdf (114.7 kB)

Deputy – OPG came back strongly this evening with the position that they do not want to do the "fair allocation". They propose what they call a compromise, but I don't see it as a half way point:

- The Minister would do the 1st fair allocation within 20 days that the bill receives Royal Assent.
- The Minister would certify the initial calculation, including the assumptions, methodology, accuracy of information and numbers used in such calculation.
- OPG would update the calculation starting May 2018 and then as necessary, at least every 5 years.
- OPG expects the method for the update calculation to be very prescriptive and set out in detail in the regulations.
- The regulations would also compel the IESO, OEB, LDCs and other relevant agencies to provide OPG with the necessary information to do the update calculation.
- OPG expects to use the model put together by the Province for the initial calculation and input the updated data from the agencies into the model to calculate the updated fair allocation amounts.

I attach their mark up of the relevant provisions.

OPG's approach will require the Minister to provide certifications as part of the first debt offering. It may require the Minister to be a party to some of the transaction documents.

We talked about having OPG take on this role because of the limiter that the fair allocation puts on the funding that OPG can seek and its role in filling out the numbers under the curve (figuring out when debt is payable in out years). This is integrally linked to OPG's financing plan. OPG probably sees this as an assumption of risk, because they expect to be asked to show investors the curve, and they are worried that they don't have the information necessary to do the calculation.

We need to resolve the issue at our meeting tomorrow morning so that we can settle the legislative drafting. I expect OPG will raise it in any event.

Carolyn

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