Foundation Materials

Top Issues – Key Facts

1. Darlington Refurbishment

Key Context:

- The Ministry is reporting back to Treasury Board on February 6th on the progress of Ontario Power Generation's (OPG) refurbishment of Darlington Unit 2, currently underway and OPG's planning for Unit 3 refurbishment.
- The government has established "off-ramps" for the Darlington refurbishment that may be used in the event that OPG fails to adhere to the approved budget and schedule for the project.

Immediate Next Steps:

- Unit 2 refurbishment is on track to be complete ahead of schedule and within budget. As such, an off-ramp is not recommended.
- OPG will proceed to release additional funds to begin the Unit 3 refurbishment in late-2019 / early 2020.

2. Watay

Key Context:

- Ontario has committed to the grid connection of remote First Nation communities where it is economic. This would eliminate dependence on diesel-fired generation, which is costly and environmentally damaging. Ontario and Canada currently subsidize diesel for these communities.
- Wataynikaneyap Power (Watay) is a transmitter that is majority owned by First Nations and seeking to connect 16 remote communities to the grid.
- The Ministry will be seeking approval from Treasury Board for the funding mechanism, on February 6th, 2018 and Cabinet approval on February 8th.
- Ontario has nearly finalized an MOU with the federal government and Watay, which includes a $1.55B contribution from the federal government at the time the project is complete, subject to appropriation by Parliament.

Immediate Next Steps:

- Following Treasury Board approval, the Ministry will proceed with development of Definitive Documentation, including binding agreements related to the loan, escrow account and trust.~~Seek approval from Treasury Board for the funding mechanism, on February 6th, 2018 and Cabinet approval on February 8th.~~
- Coordinate an announcement with Canada and Watay.

3. Ontario Energy Board (OEB) Modernization

Key Context:

- The Minister launched the OEB modernization panel on December 14, 2017 and also announced the appointment of Richard Dicerni as Chair of the Panel.
- Work plan for the Panel calls for a full public launch in early March.
- The Ministry has been working with executive search firm Knightsbridge to identify additional candidates for the Panel.

Immediate Next Steps:

- Identify two remaining panel members ~~appointees~~ and undertake Public Appointments Secretariat processes including conflict-of-interest checks.
- ~~Launch public website.~~

4. microFIT

Key Context:

- On December 22, 2017, the Chair of IESO Board of Directors wrote to the Minister of Energy to advise him of ~~the~~ issues with the IESO's microFIT program and described the actions IESO has undertaken to mitigate potential harm to microFIT participants.
- The IESO has observed and identified marketplace misconduct issues in administering the microFIT program and reported that the frequency of these occurrences is increasing, with the largest volume of this activity attributed to a single company.
- ~~On December 22, 2017, the Chair of IESO Board of Directors wrote to the Minister of Energy to advise him of the issues and describe the actions IESO has undertaken to mitigate potential harm to microFIT participants.~~
- A letter responding to the Chair of IESO has been sent.

Immediate Next Steps:

- The IESO is in the process of taking steps to disclose any alleged fraudulent activities to the appropriate regulatory and law enforcement authorities.
- The Ministry of Energy will continue to be in contact with IESO as they take appropriate steps to mitigate these issues.

5. MNO Update

Key Context:

- As part of broadening the ownership of Hydro One, the Province agreed to enter into discussions with COO and MNO related to participation in broadening the ownership of Hydro One.
- COO negotiations are complete and the transaction closed on December 29, 2017.
- MNO negotiations are nearing completion, and include $27.5 million in case, exclusive of negotiating costs and requiring commitment from the province to establish an energy table.
- ~~MNO has expressed interest in the Province's initiative to broaden ownership in Hydro One following the release of the Province-Chiefs of Ontario agreement-in-principle in 2016.~~
- ~~The Provincial negotiating team received flexibility to offer up to $25 million in cash, subject to final TB/MBC approval; MNO sent a letter to the province with a proposal for $27.5 million cash, exclusive of negotiation costs and requiring commitment from the province to establish an energy table.~~
    - ~~MNO has indicated PCMNO is supportive of this amount and they are sorting through governance of the vehicle~~

Immediate Next Steps:

- In advance of accepting the offer from MNO, the Ministry will need to seek TB/MBC approval of the agreement in principle
- The Ministry is developing a submission and is tentatively tracking to Treasury Board on February 27, subject to receiving a mark-up of the term sheet and legal opinion from MNO

6. Public Accounts

Key Context:

- In December 2017, the Auditor General (AG) released her 2017 Annual Report. The Ministry of Energy has two chapters in that report (i.e., Chapters 2 and 3).
- The AG also released a special report in October 2017 on the Fair Hydro Plan.
- The AG is also ~~expected to release a special report on IESO's accounting~~auditing the IESO's 2017 financial statements.

Immediate Next Steps:

- On February 28, 2018, the Ministry has been called to appear before the Standing Committee on Public Accounts (SCOPA) for Chapter 2 of the AG's 2017 Annual Report, *Public Accounts of the Province.* The Secretary of Cabinet, Ministry of Finance, Treasury Board Secretariat, OPG, and IESO have also been called.
- On March 7, 2018, the Ministry has also been called to appear in front of SCOPA for Chapter 3, *IESO – Market Oversight and Cybersecurity*. The IESO and OEB have also been called.

- ENERGY is working with other ministries and its agencies to prepare for SCOPA.
- ~~A release date for the AG's special report on IESO's accounting is still to be confirmed.~~

7. Board Appointments

Key Context:

- The OEB has upcoming vacancies in a Vice Chair and a full-time Board Member. The Chair of the OEB has requested their re-appointment. Appointment of OEB Board members is done through OIC.
- OPG has upcoming vacancies in the Chair position as well as all Board Members. OPG's Board is appointed through a shareholder resolution.
- The IESO has no upcoming vacancies.
- For Hydro One, the Provincial Appointee, Kathryn Jackson, has confirmed she will not stand for re-appointment to the Hydro One Board at the next AGM. Hydro One has suggested the Province appoint an existing non-provincial appointed board member, Marianne Harris.

Immediate Next Steps:

- Reappointment of two OEB Board members, Allison Duff and Christine Long, are tracking to Cabinet on February 8th.
- The process to reappoint OPG's Board is underway with reappointments to take place in conjunction with the March Board meeting. Minister's Shareholder Declaration is required.
- Seek concurrence on the Province's choice of replacement for Kathryn Jackson as the Province's nominee on the Hydro One Board.

8. Ontario Fair Hydro Plan (OFHP) Implementation

Key Context:

- OFHP has lowered electricity bills by 25 per cent on average for residential electricity customers and will hold increases to the rate of inflation for four years. The reduction reflects a number of initiatives, including the refinancing of a portion of the Global Adjustment (GA).
- ~~OFHP also includes initiatives to reduce costs for low-income, rural/remote and First Nations consumers, as well as measures to benefit larger electricity consumers.~~
- ~~Implementation of OFHP initiatives is ongoing.~~
- Ontario Power Generation (OPG), as Financial Services Manager (FSM) under the GA Refinancing program, is undergoing the first issuance of long-term debt.

Immediate Next Steps:

- ~~Ontario Power Generation (OPG), as Financial Services Manager (FSM) under the GA Refinancing program, is undergoing the first issuance of long-term debt.~~
- OPG has launched marketing activities for the issuance, including a cross-Canada roadshow (i.e., investor meetings in Vancouver, Winnipeg, Toronto and Montreal).
- The transaction is expected to be priced on February 5th or 6th, and to close on February 12th. A technical briefing could occur the week of February 12th.

9. Market Renewal

Key Context:

- The Market Renewal initiative, led by the Independent Electricity System Operator (IESO) aims to redesign the province's electricity markets.
- The project is expected to save up to $5.2 billion over a 10-year period by providing a more efficient marketplace with competitive, flexible, and transparent mechanisms to meet system needs at lowest cost.

Immediate Next Steps:

- The IESO is conducting stakeholder engagement workshops as Market Renewal proceeds through the detailed design phase.
- The IESO has announced plans to issue a Request for Information (RFI) to support understanding of the technical, operational and commercial considerations of non-emitting resources (NER) as the marketplace is renewed. Phase I of the RFI is expected early February with responses due in April/May.

10. Climate Change Action Plan

Key Context:

- In June 2016, Ontario released its five-year Climate Change Action Plan (CCAP) to outline how cap and trade auction proceeds will be used to fund actions to reduce greenhouse gas (GHG) emissions.
- The CCAP Cabinet Minute stipulates that ENERGY is responsible for leading on 11 actions and supporting on 15 actions.

Immediate Next Steps:

- ENERGY is currently actively involved in the following CCAP actions:
    - Green Ontario Fund;
    - Electric Vehicles;
    - Community Energy Planning;
    - Microgrid Program for Remote First Nations;

- Renewable Natural Gas; and
- Home Energy Rating and Disclosure.

11. OPG Collective Bargaining

Key Context:

- Over 90 per cent of OPG's regulated operations employees are under collective agreements governing terms and conditions of employment and pension plans.
- OPG employees are mainly represented by two union bargaining units:
  1. **Power Workers Union (PWU) -** represents workers in maintenance trades, support services and clerical/technical staff at generating stations. Represents ~5,300 OPG employees.
  2. **Society of Energy Professional (Society) -** represents professional employees including engineers, scientists, supervisors and finance specialists. Represents ~3,000 OPG employees.
- Current collective agreements with both unions expire this year:
  - PWU expires on March 31, 2018, and
  - Society expires on December 31, 2018.
- Collective agreements reached in 2015 introduced a number of pension reform measures aimed at reducing pension costs over the long-term. In exchange for these reforms, employees received lump sum payments, and annual Hydro One share awards for up to 15 years.

Immediate Next Steps:

- ~~OPG came to talk to Ministry staff on November 23 and indicated the plan to begin negotiations in 2018. OPG to update ENERGY as required.~~ Negotiations between OPG and the PWU are underway.