Ontario

LEGISLATION AND REGULATIONS COMMITTEE BRIEFING NOTE

Finance

DRAFT IESO's borrowing requirement for the Fair Hydro Plan

Policy Approval: May 31, 2017 (Fair Hydro Act)	TB/MBC: May (Fair Hydro)	LRC Date: June 27, 2017	Cabinet Date: June 27, 2017	Effective Date:

Summary of Proposal

This proposal does not contain any variances from current government direction.

Context for Decision:

The Ministry of Finance (MOF) is seeking an Order in Council (OIC) to authorize the Minister to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2B, which will provide the OFA with the capacity to provide additional loans to the Independent Electricity System Operator (IESO) in order to fulfil the commitments under the *Fair Hydro Act, 2017*.

The IESO is responsible for financing short to medium term funding shortfalls in the implementation of the Fair Hydro Plan.

The Capital Investment Plan Act (CIPA) authorizes the Minister of Finance to make loans to the OFA in the amounts, times and on the terms and conditions authorized by Lieutenant Governor in Council ("LGIC").

Why does Ontario need these changes? Why now?

The proposed OIC is needed to ensure borrowing authority for the OFA is available to provide the IESO necessary resources to implement the *Ontario Fair Hydro Plan Act, 2017*, which was passed on May 31, 2017.

The Ministry of Energy (Energy) is expected to propose regulations under the *Fair Hydro Plan Act* for Cabinet approval by the end of June 2017. The proposed OIC should be considered for approval concurrently as it supports a crucial component for the successfully implementation of the Fair Hydro Plan.

How will this proposal impact Ontario?

This proposed OIC is required to assist in fulfilling the commitments under the *Ontario Fair Hydro Plan Act.*

The OFA currently provides a credit facility to the IESO of $975M. The IESO has requested that the existing credit facility be reduced to $475M, and a new credit facility be provided of $2B, for a total amount of $2.475B.

[place holder for Fair Hydro cross reference]

What is the expected cost to government?

With this OIC, the Minister of Finance will be authorized to lend an additional amount of $2B to the OFA. Loans advanced will result in increased borrowing in the debt markets by the Province. Loans are expected to be repaid and, therefore, no fiscal impact is expected.

What are the key steps to deliver this proposal?

If the OIC is approved and signed, the Minister of Finance will have authorization to provide a loan to the OFA. A Directive from the Minister may provide direction to the OFA on how it can use the proceeds of the loan.

How will the changes be communicated?

MOF is not proposing any communications in relation to the proposed OIC.

[place holder for Fair Hydro?]

Cabinet Office Analysis

Introduction:

Under other OICs, the Minister of Finance is authorized to provide loans to the OFA, and in turn the OFA has provided loans and credit facilities to colleges, school boards and other public bodies such as Infrastructure Ontario, IESO, Ontario Lottery and Gaming Corporation and Liquor Control Board of Ontario.

Linkages:

The proposed OIC is required is to ensure the timely implementation and support for the success of the Fair Hydro Plan.

[place holder for Fair Hydro description]

Delivery:

If approved, the Minister of Finance would have authorization to provide a loan to the OFA with a directive on how the loan can be used.

Stakeholder response:

[place holder for Fair Hydro]

Risks:

Not being able to implement Fair Hydro.
[place holder for Fair Hydro]