RE: Updated minute

From:	"Moore, Karen (CAB)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=moore, karen (cab)339">
To:	"Davidson, Steven (CAB)" <steven.davidson@ontario.ca>, "Greenberg, Martha (CAB)" <martha.greenberg@ontario.ca>
Cc:	"Foster, Robert (CAB)" <robert.foster@ontario.ca>, "Chochla, Megan (CAB)" <megan.chochla2@ontario.ca>
Date:	Mon, 20 Feb 2017 14:50:54 -0500
Attachments:	price mitigation minute draft Feb 20 240pm.docx (33.28 kB)

Attached is a revised minute that incorporates the changes below and flags areas where we need further clarification / information from Energy, as well as specific questions for the group. Will send this around shortly.

From: Davidson, Steven (CAB)
Sent: February-20-17 2:21 PM
To: Greenberg, Martha (CAB)
Cc: Foster, Robert (CAB); Moore, Karen (CAB); Chochla, Megan (CAB)
Subject: Re: Updated minute

Yes please let folks know Energy requested dropping reference to 25% and repayment deadline and put question to the group who specifically we want to minute. I think there's risk in not being specific, particularly on the repayment timeline. I can see benefit of leaving flexibility on the target reduction level, and so a range might be a good option there.

And yes need a report back on recommended approach to LDC delivery capping once OEB's smoothing is fully implemented.

Thanks for keeping this moving.

Sent from my iPhone

On Feb 20, 2017, at 2:10 PM, Greenberg, Martha (CAB) <Martha.Greenberg@ontario.ca> wrote:

> Thanks. Energy made all the changes to 2, I thought dropping 25% was good but do see it leaves it vague. Maybe a question for the group when we send back?
>
> Can make all the other changes easily and flag for energy to add more on rate smoothing.
>
> I realize I did not add a report back or review of distribution support once the LDCs move to their fixed rate, perhaps a flag when it is sent back around, based on Serge's email form Saturday if we'd want to do that in the minute.
>
> ---
>
> **From:** Davidson, Steven (CAB)
> **Sent:** Monday, February 20, 2017 1:54 PM
> **To:** Greenberg, Martha (CAB)
> **Cc:** Foster, Robert (CAB); Moore, Karen (CAB); Chochla, Megan (CAB)
> **Subject:** Re: Updated minute

Thanks for revised draft. A few comments and questions.

On 2A, we've changed 2% annual increase to "in line with inflation". Who asked for that change? While 2% locks us in if inflation rates rise, I worry the revised wording is too vague. Who defines what "in line with" means?

Also, I'm not sad to see us drop the reference to 25% but wonder who suggested that change?

We've also dropped reference to 2048!as repayment deadline. Why?

On new 2B, I think we should be even clearer, ie "If a non fiscal mechanism cannot be established, Energy report back to ... with options for achieving a comparable level of electricity rate mitigation in the most cost effective way to minimize impact on the province's fiscal plan."

For Class B, I would remove it from 3, which deals with implementing, and instead reframe 5. Could use same lead in as for 3 but replace "implement" with "explore" and have a 5a for tenants and a 5b for class b.

For 5a, I'd say "tenants who are not septet it metered and do not directly benefit ..."

As for 4a on OPG rate smoothing , we need wording for that from Energy as I'm not sure what that's about.

Thanks. Steven.

Sent from my iPhone

On Feb 20, 2017, at 1:21 PM, Greenberg, Martha (CAB) <Martha.Greenberg@ontario.ca> wrote:

> Here is new minute – happy to send around if you'd like. This includes energy's comments, has new 2B and new 3E for class B (with report back) and 5 (tenants). We could look at either including tenants under 3 where we talk about supports for specific populations or move Class B to be 6, but if people like the positioning we can play around with the format still.
>
> Energy included a placeholder for an OPG rate smoothing, I think this is what Serge was talking about as the compromise with the OPG on Friday so they need to amend their nuclear rate smoothing reg. I have left it in but unsure that needs to be addressed here, think that could just track to LRC.
>
> ---
>
> **From:** Davidson, Steven (CAB)
> **Sent:** February-20-17 12:05 PM
> **To:** Orsini, Steve (CAB)
> **Cc:** Thompson, Scott (MOF); Imbrogno, Serge (ENERGY); Greenberg, Martha (CAB); Angus, Helen (TBS); Bromm, William (CAB); Hughes, Karen (TBS); McLean, David (MOF); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Foster, Robert (CAB); Moore, Karen (CAB); Chochla, Megan (CAB); Kwamena, Boafoa (CAB)
> **Subject:** Re: Updated minute
>
> We'll have revised minute and CO note for distribution this afternoon.
>
> We're repositioning minute #2 to remove 2A ii and add a new 2B that will speak more clearly to the report back requirements per comments below, ie be clear that we're not assuming an automatic full fiscal offset for GA smoothing, but to require options for achieving the desired outcome in the most cost effective way.
>
> Sent from my iPhone

On Feb 20, 2017, at 10:37 AM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

Scott,

This is an important point. It should be very clear that there will also be a risk that the debt financing will end up impacting the deficit.

It may be prudent to have the Ministers report back to Cabinet/TB. Since all items from TB go to Cabinet, it amounts to the same thing. It is just the ordering.

Steve

From: Thompson, Scott (MOF)
Sent: Monday, February 20, 2017 7:23 AM
To: Orsini, Steve (CAB)
Cc: Imbrogno, Serge (ENERGY); Davidson, Steven (CAB); Greenberg, Martha (CAB); Angus, Helen (TBS); Bromm, William (CAB); Hughes, Karen (TBS); McLean, David (MOF); Mayman, Gadi (OFA); Kwan, Ronald (OFA)
Subject: Re: Updated minute

That would be the appropriate way to go. However the current Minute suggests that if the debt financing method doesn't work that Ministries just go to TB to get the required funding. That suggests that GA smoothing is happening whether or not the OPG debt method works, which seems to be foregoing the possibility that there's a more effective and less costly way of delivering the same price savings to customers.
I agree with you that a trip back for Cabinet consideration of options would be the way to go - that's just not what the current minute says.
Scott

Sent from my iPad

On Feb 18, 2017, at 7:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

Agreed, but we need to have that discussion and the minute should reflect the need to report back on more effective options.

From: Thompson, Scott (MOF)
Sent: Saturday, February 18, 2017 6:44 PM
To: Orsini, Steve (CAB); Imbrogno, Serge (ENERGY)
Cc: Davidson, Steven (CAB); Greenberg, Martha (CAB); Angus, Helen (TBS); Bromm, William (CAB); Hughes, Karen (TBS); McLean, David (MOF); Mayman, Gadi (OFA); Kwan, Ronald (OFA)
Subject: Re: Updated minute

Sorry, I didn't finish my sentence!
What I meant to say was ...."If it doesn't, presumably there's a more effective or cost efficient way of providing the same benefit vs the GA smoothing."
Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Thompson, Scott (MOF)
Sent: Saturday, February 18, 2017 6:10 PM
To: Orsini, Steve (CAB); Imbrogno, Serge (ENERGY)
Cc: Davidson, Steven (CAB); Greenberg, Martha (CAB); Angus, Helen (TBS); Bromm, William (CAB); Hughes, Karen (TBS); McLean, David (MOF); Mayman, Gadi (OFA);

Kwan, Ronald (OFA)
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And if there is to be that large a fiscal impact, there should really be an analysis of the fiscal cost for each dollar (or percent) of price mitigation. There's been no real cost-benefit analysis because the assumption has been that the GA smoothing will work. If it doesn't, presumably there's a more eff

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Orsini, Steve (CAB)
Sent: Saturday, February 18, 2017 5:01 PM
To: Thompson, Scott (MOF); Imbrogno, Serge (ENERGY)
Cc: Davidson, Steven (CAB); Greenberg, Martha (CAB); Angus, Helen (TBS); Bromm, William (CAB); Hughes, Karen (TBS); McLean, David (MOF); Mayman, Gadi (OFA); Kwan, Ronald (OFA)
Subject: RE: Updated minute

These are good points. I would add that until we have confirmed the legal and accounting treatment, the GA smoothing should be assumed to fall on the deficit.

From: Thompson, Scott (MOF)
Sent: February-18-17 3:56 PM
To: Imbrogno, Serge (ENERGY)
Cc: Davidson, Steven (CAB); Greenberg, Martha (CAB); Orsini, Steve (CAB); Angus, Helen (TBS); Bromm, William (CAB); Hughes, Karen (TBS); McLean, David (MOF); Mayman, Gadi (OFA); Kwan, Ronald (OFA)
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A few points:
- most importantly, we haven't been able to take our Minister through the 'all in' fiscal impact summary for the package being presented. Our Minister will be back on Tuesday and this will be at the top of his mind.
- related to this, is it assumed that there will be a full year's worth of fiscal impact in 17-18. Won't some of these measures take time to roll out and therefore be a smaller impact in year one?
- also related, what is the presumed duration of the non-GA mitigation measures? Are they permanent? If so, we'll need a stronger understanding of the long term fiscal implications of them. There's just a small (and worrisome) footnote at the bottom of the fiscal table on page 35 that suggests the costs for RRRP will start increasing post 2023
- I don't believe we've seen a strong case being made for the 200M affordability fund. Since that is proposing to use money from 16-17, and we're publishing Q3 on Tuesday, he'll be particularly sensitive to that. He does not want additional expense items added between now and Q3 that would significantly add to the interim deficit number for 16-17 to be presented in Document. With all of the other affordability measures being proposed, why do we need to rush this program out the door now? I'm not suggesting moving it into a later fiscal year, but I think it would benefit from a stronger analysis of the level of need, after building in all of the OESP proposed changes. The slides say that LDC's say that something is needed, but of course they would, they haven't seen all of the other things that are coming.
- why does the fiscal impact of oesp need to increase so significantly from years one to four? Can't we somehow put a limit on the size of the program, and revisit the need to enhance further once we see the effect of electricity price mitigation overall on lower income households?
- not sure how the 25 percent cap works after 2022. Does this mean that the cost in any

given year can't be any more than 25 percent higher than what it was in 2017? Does this math work, even if electricity prices increase drastically for some unexpected reason?
- the TB consideration of this will be important. They will need some real analysis of the impact, and hopefully some real time to consider the options. Not sure how this is possible if an announcement is to be this week
- I see MMA referenced in the Minute. Is Energy working with them on implementation options? I'm quite concerned about the operability of any proposal, as I'm aware that rent control is only on a portion of the rental stock, and I know that we didn't try to ensure savings pass through from landlord to renter in some previous electricity programs.
Thanks
Scott

Sent from my iPad

On Feb 18, 2017, at 1:50 PM, Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca> wrote:

> Hi. I believe that's where my MO and PO landed but we could try for different language. Not sure if up to 25 percent language would give us some flex. Serge
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
>
> ---
>
> **From:** Davidson, Steven (CAB)
> **Sent:** Saturday, February 18, 2017 1:42 PM
> **To:** Greenberg, Martha (CAB); Imbrogno, Serge (ENERGY)
> **Cc:** Orsini, Steve (CAB); Angus, Helen (TBS); Thompson, Scott (MOF); Foster, Robert (CAB); Chochla, Megan (CAB); Moore, Karen (CAB); Bromm, William (CAB); Kwamena, Boafoa (CAB); Hume, Steen (ENERGY); Hughes, Karen (TBS); Katona, Keley (ENERGY)
> **Subject:** Re: Updated minute
>
> Serge, a question on 2A of attached minute.
>
> I don't recall us locking down a 25% cap. Is that from your MO? Is there any risk of that impacting on ability for full repayment by 2048, ie if consumption patterns change and repayment is being funded by a relatively smaller customer base (which is one of the risks flagged)?
>
> Thanks.
>
> Sent from my iPhone
>
> On Feb 18, 2017, at 1:30 PM, Greenberg, Martha (CAB) <Martha.Greenberg@ontario.ca> wrote:
>
>> Hi all,
>>
>> Attached is an updated minute that incorporates the version received from energy last night as well as SoC comments and Steven's comments this morning. We have incorporated most of the detail energy included but not in all areas, for example some of the detail on legislative change isn't here and some detail is more appropriate for a TB minute (e.g., on the affordability fund). I have left one comment in, around whether OEFC or the OFA would

require any expanded powers as it could be added in 2Ai, will leave that to MOF to answer.

Tracked changes was not a pleasant read so I have made this clean but if you would like further details on the changes, just email me and I can walk you through them.

I've saved this version as Feb 18 130pm.

Same password.
Thanks,
martha

Martha Greenberg
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