December 19, 2016

Current / Near-Term Electricity Sector Policy Issues

Lead Policy Advisor: Marianne

	Item	Overview	Risks	Timeline	Minister's Decision Required
Fiscal Plan Related	**OPG Business Plan, Projections of Hydro One Results, and the Ontario Electricity Financial Corporation (OEFC)**	• Preliminary OPG business planning information and MOF's own modelling of Hydro One and OEFC results is used to develop the "Electricity Sector Outlook" for the 2017 Document's fiscal plan.	• **OPG** submitted its 2017-2021 Rate Application to the Ontario Energy Board (OEB) on May 27, 2016. It's currently undergoing the regulatory review process and a decision is not expected until the new year. ○ An adverse decision would affect OPG's financial performance and the fiscal plan. • **Hydro One** also has a rate application before the OEB, for its transmission rates. One area at issue is the treatment of Hydro Ones deferred tax benefit and the tax shield that reduces its real taxes paid to the CRA.	2017 Document	No
	Electricity Sector Policy Initiatives – Electricity Price Mitigation	• Existing and already approved measures are estimated to cost about $2 billion annually. • MOF is monitoring and doing analysis on new and proposed electricity sector initiatives, including price mitigation initiatives. ○ Some of Energy's proposals directly affect some MOF areas of responsibility, such as accessing Trillium Trust funding, lowering OPG's borrowing costs from OEFC, ending the DRC early for Class B consumers, and using the deferred tax benefit / departure tax revenues for rate mitigation.	• Any electricity price mitigation policy initiatives not on the rate base would have a fiscal impact. • Current proposals being developed by Energy could significantly increase the fiscal-funded electricity rate mitigation measures (by $2B/yr or more).	2017 Document	Yes; full scope of decision not clear yet

	Electricity Sector Policy Initiatives – DRC Net-Metering	• A planned amendment to the DRC regulation to conform with Energy's net-metering initiative. Amendment will remove the output cap to enable larger generators to participate and receive a DRC exemption.
		  ○ Posted on the regulatory registry to January 6, 2017.
		  ○ Scheduled for LRC on January 31, 2017.
				January 2017	Yes

	Electricity Sector Policy Initiatives – Long-Term Energy Plan	• Energy is consulting on the planned 2017 LTEP, and CEFD staff are monitoring and prepared to review proposals and drafts of LTEP, including any plans for additional price mitigation.	• Any electricity price mitigation policy initiatives not on the rate base would have a fiscal impact.	Energy Cabinet Submission in Q1 2017	No

Asset Related	**Broadening Ownership of Hydro One and Associated Transactions**	• As part of the 2017 Budget and fiscal planning process, Ontario must decide when to sell additional shares and how to allocate sales across fiscal 2017/18 and 2018/19.
		• In April/May 2016 the government completed a secondary offering of 14 per cent common shares. Ontario now holds about 70 per cent of the common shares in Hydro One.
		  ○ Discussions will be needed with OPCD to determine the accounting treatment of the purchase of shares by OPG.
		• In July 2016, Ontario announced that in connection with broadening the ownership of Hydro One, the government agreed-in-principle to sell up to 2.5% of Hydro One common shares at $18 per share to First Nations in Ontario and to provide a 25-year loan for $268 million to finance the acquisition of the shares. Ontario also agreed to provide up to $45 million in cash to be used as seed capital by First Nations.
		  ○ Ontario will have to approve the terms agreed with the Chiefs of Ontario (C)OO)and subject to 80 per cent or more of FNs agreeing to the terms the government will be expected to execute the sale purchase agreement (SPA) and associated loan agreement with FN represented by COO in December 2017.
			• Decisions on future Hydro One share sales will have an impact on asset optimization targets and fiscal planning.		Yes
					• A reg under the Trillium Trust Act, to dedicate net revenue gains, and to provide an amount to OEFC under s.50.3 of the Electricity Act.
					• COO Loan Agreement

	Trillium Trust Regulations and Real Estate Transactions	• The government will also need Treasury Board regulations to credit the Trillium Trust with the net revenue gains from asset optimization transactions that may close in calendar 2017 (Hydro One shares, Hydro One Brampton, OPG head office properties, and a portion of Seaton Lands).			Yes

	Item	Overview	Risks	Timeline	Minister's Decision Required
Asset Related	**Ontario Nuclear Funds Agreement (ONFA)**	• Following the Minister's Reference Plan approval secured on December 16, OPG is to submit within 30 days proposed contribution schedules to the Province for approval. • Later in 2017, OPG would submit its financial guarantee requirement submission to the Canadian Nuclear Safety Commission (CNSC). Under ONFA, the Province agrees to provide a direct Provincial Guarantee to the CNSC in partial fulfillment of OPG's financial guarantee requirement. ○ The current Provincial Guarantee is about $1.5 billion, and is in place until December 31, 2017. ○ The new amount is TBD. An estimate is likely to be prepared by spring 2017 and staff would bring that to the Minister for review, prior to OPG making its submission to the CNSC.		Q1 2017 Q2 & Q4 2017	No; just a follow-up briefing
Other	**Global Adjustment Lawsuit**	• OEFC's application for a leave to appeal has been referred to a panel of the Supreme Court for review. A decision from the panel is projected to be issued in mid-January, based on estimated timelines. ○ OEFC is seeking to appeal to the Supreme Court of Canada the April 19, 2016, decision by the Ontario Court of Appeal that dismissed OEFC's appeal of the March 12, 2015, lower court decision on how OEFC calculated certain price escalators under various Non-Utility Generator Power Purchase Agreements following the change to how the Global Adjustment was charged to class A large industrials.	• Potential issues management	Mid-January 2017 (TBC)	No; just a follow-up briefing