

Policy and Legal Foundations for the Proposed Ontario Fair Hydro Plan Act

April 4, 2017

Creating the Regulatory Framework

- Principles will link the benefit of the “Green Generation Initiative” with the regulatory cost that future rate payers will pay
- Need to name and articulate “Green Generation Initiative”

Fair Allocation Plan

- Policy direction around intergenerational funding will be established by the Minister of Energy
- The Fair Allocation Plan has been determined for the 1st four years, as set out in the March 2nd announcement

Treasury Plan

- Created by OPG to implement the Fair Allocation Plan
- Will pass through actual costs and expenses of funding obligations incurred
- 3 components:
 - Treasury Plan must be compliant with principles and parameters of the Fair Allocation Plan;
 - The Plan must match maturities to allocations under the Fair Allocation Plan, as well as achieve funding efficiencies and cost management articulated in the Fair Allocation Plan; and
 - Implementation

Establishment of the Regulatory Asset

- Right to recover from rate payers, through collection by LDCs and IESO, the regulatory charge, late fees, interest established by legislation
- IESO may dispose of (by assignment, transfer, sale, etc.) its right, title and interest in the Regulatory Asset
- Legislation will create property rights and allow for security interests in the Regulatory Asset
- Role of the OEB in establishing the Regulatory Asset?
- Role of OPG in acquiring the asset?

Ensuring Collectability

- Clearly defined class of rate payers that receive and pay for the benefit
- Charges are irrevocable
- LDCs have duty to invoice rate payers for the charge
- IESO and LDCs have duty to collect charges as agent and pay remittances to IESO

- IESO has duty to pay remittances to the Regulatory Asset Owner
- Non-by-passability – subject rate payers who opt to go off grid to a penalty (prepayment)?
- True up mechanism to reconcile collections with incurrences
- Province shall not take steps to reduce, alter, impair or terminate the Regulatory Asset or collection

Ontario Energy Board (OEB) Role

- [Inspect books and records?]
- [Approve administrative costs?]
- [Prudence review of financing costs?]

Contingent Guarantee

- Scope / Triggers / Consequences / Form