RE: HQEM

From: "Teliszewsky, Andrew (ENERGY)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=teliszewsky, andrew (energy)4fe">
To: "Coe, Michael (OPO)" <michael.coe@ontario.ca>, "Bevan, Andrew (OPO)" <andrew.bevan@ontario.ca>, "Marangoni, Emily (OPO)" <emily.marangoni@ontario.ca>, "An, Derrick (OPO)" <derrick.an@ontario.ca>
Cc: "Wright, Melanie (OPO)" <melanie.wright@ontario.ca>
Date: Fri, 15 Sep 2017 18:34:34 -0400
Attachments: QC-ON Update - PO Briefing - September 18 2017 - final.pdf (602.66 kB); Quebec Deal analysis_Aug31_17.pdf (440.07 kB); BN Quebec Negotiations Update v3_Sep14-17_clean.docx (25.48 kB); Ministry of Energy Letter_EN.DOCX (51.83 kB); MC-2017-1530 Outgoing - Arcand.pdf (650.26 kB); Lettre adressée au ministre Glenn Thibeault.pdf (139.93 kB)

Good Evening:

Please find enclosed a raft of products for your use and review. Short decks and companion notes:

IESO Deck | QC-ON Update

OPG Deck | Quebec Deal Analysis

Ministry of Energy Briefing Note | Quebec Negotiations Update

MC-2017-1530 | Thibeault Letter to QC Minister Arcand (September 1, 2017)

Inbound Reply from Arcand (September 8, 2017)

NOTE / Thoughts:

IESO Deck = Slide # 6. Interesting point about how Ontario ratepayers have saved "$3.5-million YTD" (current transaction). Recall that we said $70MM over 7 years, so we are 2/3 through the year and not even half way to our target of $10-million in savings this year.

Also, preliminary analysis shows that 60-80% of the HQ energy is displacing domestic natural gas, the balance is pushing back on solar, wind and hydro in Ontario. Given the timeframe for this analysis that is why we have a range (20%) for this data point. Even so, if you take the low end of the range – 20% of the HQ energy is displacing domestic renewables, that is a significant issue and we need to really assess the potential that new transaction could exacerbate this problem. Again, much more analysis required.

Why = we model everything before, but circumstances change in real-time, once the deal is operationalized. For example, it has been an exceptionally cool summer so we simply haven't been burning the natural gas that "could" have been displaced. So, take with a grain of salt since we only have 7 months of data to support this current product. Should take more time to see how system needs develop to see how it plays out before passing final judgement.

OPG Deck = much different analysis. Slide 4 indicates that 72% of the hours were priced at below Beck spill price – meaning that we could have used Niagara Falls instead, but the current transaction required us to take from HQ instead.

I have not had occasion to get everyone into a room in an effort to reconcile these numbers. It is possible that they could both be "right". Example: Even if the HQ was below the Beck spill price, it is possible that in some of that "72%" – so was natural gas. So part of that 72% could also have resulted in domestic natural gas "beating" domestic hydro-electric on the margins. I don't know for sure, but need to assess this further.

Bottom line: we have enough cause for concern that the current deal is pushing back on domestic renewables (and leading to a concomitant reduction in net income / loss to fiscal plan, in the case of Ontario Power Generation) that we need to continue to review and assess the present transaction to ensure that it is accomplishing what we had set out to do. Again, we have a 130+ TWH system and this deal represents 2 TWH of the overall 7 TWH that HQ trades with Ontario each year, so 20% (IESO number) of 2 TWH means we are talking about less than half a Terawatt hour of domestic renewable displacement. Point being, this might be as precise / accurate that anyone can get to when big swings in demand (temperature) are a major factor.

Commentary & Advice :

Briefing note might be all you need for Premier, as well as slide #13 from the IESO deck (lines up the position – QC July offer, our August Counter-offer).

Current status: September 1, 2017 letter from Thibeault to Arcand gave a 29 September deadline for HQ to respond to IESO regarding our terms. Given the tactic earlier this summer from QC, strongly suggest that our position in Quebec City be "looking forward to your response to our counter-offer."

More pointed: QC Government proposal would have raised rates $30 (per year). Our proposal decreases rates by $6-8 (per year) for Ontario ratepayers.

HOPE this helps!

Have a great weekend.

Andrew Teliszewsky

Chief of Staff | Office of Hon. Glenn Thibeault

Ministry of Energy

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From: Coe, Michael (OPO)
Sent: September-14-17 3:20 PM
To: Teliszewsky, Andrew (ENERGY); Bevan, Andrew (OPO); Marangoni, Emily (OPO); An, Derrick (OPO)
Cc: Wright, Melanie (OPO)
Subject: Re: HQEM

Hi Andrew,

Copying Mel Wright into this chain.

Best,

Michael

Sent with BlackBerry

From: "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>
Sent: Sep 14, 2017 10:56 AM
To: "Bevan, Andrew (OPO)" <Andrew.Bevan@ontario.ca>; "Marangoni, Emily (OPO)" <Emily.Marangoni@ontario.ca>; "An, Derrick (OPO)" <Derrick.An@ontario.ca>; "Coe, Michael (OPO)" <Michael.Coe@ontario.ca>
Subject: HQEM

Hi.

Officials are preparing for / understand that we are looking to set up a briefing for Bevan on the status of Hydro Quebec discussions in advance of travel to Quebec City, Quebec next week.

Some bureaucrats are with Glenn in Winnipeg today, returning tomorrow.

If we are looking to Friday for this, could we pick 4.30-pm or later?

Alternative is anytime Monday before 11am or after 2.30pm?

Sorry – wanted to get your feedback on scheduling since I understand from MIA that Premier's briefing on this topic is Tuesday.

Many thanks, in advance.

Atel/

Andrew Teliszewsky

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