MINISTRY OF ENERGY

TREASURY BOARD / MANAGEMENT BOARD of CABINET SUBMISSION

ONTARIO'S FAIR HYDRO PLAN – REPORT BACK

June 27, 2017

CONFIDENTIAL
MINISTRY OF ENERGY

1.0 MINISTRY REQUEST

1. The Ministry of Energy is reporting back with updates to the Treasury Board/Management Board of Cabinet (TB/MBC) on the following:

   i. Implementation of Global Adjustment (GA) Refinancing; and

   ii. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP).

2.0 PURPOSE OF REQUEST

On May 31, 2017, Bill 132, the *Fair Hydro Act, 2017* (*FHA*), which enables Ontario's Fair Hydro Plan (OFHP) under the *Ontario Fair Hydro Plan Act, 2017*, (*OFHPA*) and the implementation of electricity social program-related amendments to the *Ontario Energy Board Act, 1998*, was passed by the legislature. The Bill received Royal Assent on June 1, 2017.

The FHA is comprised of two Schedules:

- Schedule 1 –the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (*OEBA*); and

- Schedule 2 – includes the electricity social program-related amendments to the *OEBA.*

On May 9, 2017, as part of its *FHA* review, TB/MBC requested that the Ministry of Energy report back on key updates and the details of proposed regulations that would support Ontario's Fair Hydro Plan (OFHP).

On June 14, 2017, to support implementation of OFHP, LRC / Cabinet approved a first package of proposed regulations – these regulations are now in effect.

On June 27, 2017, LRC/Cabinet will review the second package, including a new general regulation under Schedule 1 of the FHA and two regulatory amendments related to the social programs.

The general regulation is necessary to ensure that the mechanisms for refinancing of GA as set out under the *OFHPA* are in place in time for the first debt offering in fall 2017.

The Ministry of Finance (MOF) is also seeking an OIC under CIPA to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2 billion. This change will allow the OFA to enhance the IESO credit facility as necessary to assist with the timely and successful implementation of the OFHP.

The new *OFHPA* and the proposed regulation, along with independent accounting advice from both IESO and the OPG, legal support and technical analysis and future financial agreements (i.e., expected to be reached and signed in fall 2017) together help to mitigate the financing, accounting and legal issues raised in the March 1, 2017 Cabinet Submission and the May 9, 2017 TB submission.

The proposed amendments in this package are needed to implement the changes to the Ontario Electricity Support Program (OESP), under (OFHP, as enacted under the *OFHPA*. The proposed amendments support the implementation strategy to increase enrolment of social assistance clients' into the OESP.

1. Implementation of GA Refinancing:

Ontario's energy system is being transformed – more than $50 billion has been invested to decarbonize and modernize the electricity system, including an investment of over $35 billion in clean and renewable generation.

Over the last decade the government has invested in Ontario's transmission and distribution infrastructure (i.e., the grid) and clean generation, and phased out the use of coal-fired generation. These initiatives have resulted in electricity prices increasing.

On March 2, 2017, as part of OFHP, it was announced that a portion of the Global Adjustment (GA) would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Under the *OFHPA* which enables GA Refinancing, electricity bills of typical residential consumers would be reduced by 25 per cent starting on July 1, 2017. In addition, the government has committed to hold increases to electricity bills to the rate of inflation for four years, until commencement of the recovery period of the Clean Energy Adjustment. Up to 500,000 small businesses and farms would also benefit.

Commented [OPCD1]: Implementation and ongoing operation of the FHP?

Commented [OPCD2]: Cindy to confirm appropriate wording

Commented [OPCD3]: It is not yet fully mitigated

Commented [OPCD4]: Confirm appropriate wording (average, as defined by…)

Proposal

On June 27, 2017, to support implementation of OFHP, LRC / Cabinet will review the following proposed regulation:

- Creating a new Regulation (“General Regulation”) to be made under the *Ontario Fair Hydro Plan Act, 2017*(*OFHPA*), which is Schedule 1 of the *Fair Hydro Act, 2017*.

The new regulation would, if approved, provide further detail on the roles and responsibilities of the Financial Services Manager (FSM, i.e., Ontario Power Generation (OPG)), the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) under the OFHPA.

The proposed regulation would, if approved, also provide further criteria related to the development and implementation of the Financing Plan by the FSM, , the setting of the Fair Allocation Amount by the Minister of Energy and the recovery of the Clean Energy Adjustment from electricity consumers, as required under the OFHPA.

Implementation

To implement GA refinancing and mitigate financing, accounting and legal risks (as described in section 8.0), the Ministry has:

- Worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent accounting advisors and third party financers (i.e., dealer community);

- On June 1, 2017, the *OFHPA*, which enables GA refinancing and responds to the financing, accounting and legal issues outlined in the March 1, 2017 Cabinet Submission, received Royal assent. Note: The Ministry has also prepared regulations to support implementation (as noted above);

- Received independent accounting advice from the external advisors to OPG the IESO;

- Received independent advice regarding financing and legal requirements from TD Securities (OFA) and Blakes (ENERGY); and

- Launched third party technical analysis to assist with implementation of GA refinancing.

Commented [OPCD5]: For consistency purposes, consider whether appropriate to include firms’ names in a TB note.

Commented [OPCD6]: Clearer wording would be helpful

2. **Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP)**

- The proposed amendments to O. Reg. 314/15 will facilitate the processing of OESP applications by MCSS on behalf of SA clients pursuant to an agreement with the Minister or the OEB, and help meet the government's goal of substantially increasing uptake in the OESP. Proposed amendments include:
    - Changes to the OESP eligibility definitions when MCSS is processing applications on behalf of SA clients that would make household size and household income – the two main criteria for determining OESP eligibility –consistent with the criteria that MCSS uses to determine financial eligibility for social assistance. These changes are needed because there are minor differences in how eligibility is determined between SA programs and the OESP.
    - Recognizing the "benefit unit" as eligible for OESP, such that a current or new SA client who is not the utility account holder, but is part of an account holder's benefit unit, can still receive support from MCSS to apply to the OESP.
    - Addressing current and future scenarios where those deemed financially eligible for SA fall outside of the current OESP eligibility categories. Proposed amendments to Schedule 1 would ensure that anyone deemed financially eligible for social assistance (and is part of a benefit unit that is billed directly for electricity) would also be eligible for OESP.
- The proposed amendments O. Reg. 314/15 (Ontario Electricity Support Program) made under the OEBA are needed to implement the changes to the Ontario Electricity Support Program (OESP), under Ontario's Fair Hydro Plan (OFHP), as enacted under the FHA. The proposed amendments support the implementation strategy to increase enrolment of social assistance clients' into the OESP.

Rural or Remote Rate Protection

Rural or Remote Rate Protection (RRRP) mitigates some of the high costs of electricity distribution in rural or remote areas of the Province. It is a legacy program of the old Ontario Hydro and has existed in its current form since 2001.

The new legislation enables, through regulation, the transfer of the costs of funding the program for Hydro One's R2 customers from the rate-base to the tax-base for prescribed customers. The regulation will also prescribe the monthly amount of rate protection available to Hydro One R2 customers through RRRP.

- R2 customers are those customers of Hydro One classified as living in the lowest density areas of the Province.

Distribution Rate Protection

While the RRRP program helps mitigate some of the higher distribution costs for Hydro One R2 customers, as well as certain customers served by Algoma Power, Hydro One Remote Communities and James Bay First Nation LDCs, there is an opportunity to provide further relief to consumers served by higher distribution cost LDCs.

The new legislation enables tax-based funding to support distribution rate protection for prescribed residential customers of LDCs with high-cost distribution rates. Eight high-distribution cost LDCs whose customers are eligible customers will be prescribed in regulation. Residential customers of Algoma Power and Hydro One R2 customers would be eligible for additional relief as these LDCs are the highest cost distributors in the province (as well as six additional higher-distribution cost LDCs).

The regulation will set out a process that the OEB will utilize to determine the maximum monthly distribution charge that all prescribed high-cost distributors will charge their customers. In future years, this harmonized monthly charge, by design, cannot decrease as it adjusts to reflect the higher of either the lowest rate LDC in the program, or the maximum monthly charge of the previous year, as determined by the OEB.

Ontario Electricity Support Program (OESP)

OESP began on January 1, 2016 as a rate-payer funded program to provide relief to low income Ontarians who are struggling to afford their electricity bills. The OEB administers the program.

The Fair Hydro Plan committed to move the program from the rate base to the tax base, and to expand the OESP by increasing the credit amounts by 50 per cent, making more Ontarians eligible for the program, and aligning the OESP with other social assistance programs to increase uptake.
March 23, 2017, the OEB issued a Decision and Order to end the OESP volumetric charge paid by all Ontario consumers on May 1, 2017 ($0.0011 per kilowatt-hour of power consumed). On April 10, 2017, Cabinet approved amendments to the OESP regulation (O.Reg. 314/15) to increase credit amounts by 50% and introduce new eligibility categories so more Ontarians can access the program. These changes came into effect on May 1, 2017.

As part of the OFHP, ENERGY has already completed the following legislative and regulatory changes on OESP:

- Effective May 1, 2017, ENERGY completed a regulatory amendment to O. Reg. 314/15 to increase OESP credit amounts by 50% and expand eligibility criteria.

- Corresponding legislative amendments to section 79.2 of the OEBA were made to enable the program to shift from the rate-base to the tax-base once the rate-base pooled funding has been depleted. The intended approach involves proclaiming s.79.2 of the OEBA into force on a future date to be named by proclamation.

- These legislative amendments also provided authority for the Minister or the OEB to enter into an agreement with MCSS to provide services related to the administration of the OESP on behalf of SA clients, including data-sharing and information-sharing required to deliver OESP to SA clients. Along with ss. amendments to s. 79, the new sections 79.3 and 79.4, came into force on Royal Assent on June 1, 2017.

Implementation

MCSS will be responsible for implementing the proposed regulatory changes once an agreement has been entered into between the Minister and/or the OEB and MCSS, which were designed to support a strategy jointly developed by ENERGY, the OEB, and MCSS to meet the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery.

MCSS will be seeking Treasury Board approval for resources to implement these proposed changes in a separate request.

3.0 KEY CONTEXT

On June 1, 2017, the *Fair Hydro Act, 2017*, the legislation to enable the Ontario Fair Hydro Plan (OFHP) under the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) received Royal assent. The OFHPA will reduce the electricity bills of typical residential consumers by 25 per cent starting in summer 2017. Up to 500,000 small businesses and farms would also benefit.

Commented [OPCD7]: See comment above

OFHP also announced other measures to enhance business competitiveness, helping vulnerable consumers and reduce the cost of electricity over the longer term.

The Ministry's report back and update to TB/MBC focuses on the following OFHP initiatives:

1) Implementation of GA Refinancing:

Under the *OFHPA*, a portion of the GA would be refinanced in order to more fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Today's electricity consumers have been bearing disproportionate cost responsibility for the investments in developing the clean, modern and reliable electricity system that Ontario has today and that will continue to provide benefit to future generations. The legislation recognizes the long-term benefit of clean energy investments to more appropriately allocate costs into the future to account for long-term benefits.

Commented [OPCD8]: Section below mentions other types of investments as well (demand management, conservation, etc.)

Refinancing a portion of the GA would provide significant and immediate rate relief to current electricity consumers that have been burdened with the costs of the necessary investments that have been made to decarbonize and modernize the province's electricity infrastructure. This would be achieved by spreading the cost of electricity investments so that they are shared more equitably with future ratepayers who cause a need for or benefit from the province's multi-billion dollar investments in electricity infrastructure.

Commented [OPCD9]: Proper terms?

To implement GA refinancing and to help mitigate the financing, accounting and legal risks, the Ministry has:

- Worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing (i.e., dealers);
- Developed the *Fair Hydro Act, 2017* which enables the OFHP under the *Ontario Fair Hydro Plan Act (OFHPA), 2017*, to respond to the financing, accounting and legal issues outlined in the March 1, 2017 Cabinet Submission. Note: On June 1, 2017, the *OFHPA* received Royal assent.
- Developed supporting regulations which further contribute to the implementation of the OFHP under the legislation;
    - One new regulation under the OFHPA, *Ontario Regulation 195/17 Fair Adjustment under Part II of the Act.* and one amendment to existing regulation under the Electricity Act, 1998 (O. Reg. 280/14, IESO: Eligible Investments and Borrowing) went to LRC/Cabinet on June 14, 2017; and

  - A further new proposed regulation will go to the June 27,2017 LRC/Cabinet.

- Received accounting opinions from E&Y (OPG) and KPMG (IESO);

- Received independent advice regarding financing and legal requirements from TD Securities (OFA) and Blakes (ENERGY); and

- Launched a third party technical analysis project to assist with implementation of GA refinancing. Scope of work includes analysing the expected lifecycle of the existing generation infrastructure and related financial modeling of costs over an extended timeframe.

On June 27, 2017, to support implementation of OFHP, LRC / Cabinet will review the following regulation:

Creating a new Regulation ("General Regulation") to be made under the *Ontario Fair Hydro Plan Act*, 2017, which is Schedule 1 of the Fair Hydro Act, 2017.

- The proposed regulation supports key aspects of the OFHPA including:
  - The establishment of the OFHPA-related deferral and variance account to be held by the Independent Electricity System Operator (IESO);
  - Details around and the related sale of IESO's regulatory asset, or portions thereof, created under the FHPA;
  - The definition and details regarding the "funding obligation" which relates to the recovery of moneys borrowed by OPG/financing entity to fund GA refinancing;
  - Methodology related to the calculation by the FSM of the Clean Energy Adjustment (CEA, i.e., the total amount payable by electricity consumers each reference period) including the communication of the CEA amounts to be collected to the OEB for its use in setting rates;
  - Determination of rates and amounts related to the recovery of the CEA under which regulated rate consumers must be invoiced and which must be used in the calculation of rates for non-regulated consumers;
  - Requirements for electricity vendors (the IESO, LDCs, retailers and unit sub-meter providers (USMPs)) in relation to the collection of amounts in respect of the CEA from electricity consumers;
  - The composition of the FSM's fees and the OEB's role in the review of those (i.e., the fees related to the ongoing operation of the FSM during the period of GA Refinancing);
  - Details related to the methodology to be used by the Minister in the calculation of the Fair Allocation amount (i.e. a calculation of the fair allocation of clean energy costs over time); and

Commented [OPCD10]: As above, these have not been received. Timing will follow the final regs and commercial agreements. Should change terminology to reference independent accounting advice and consider removing names of firms.

Commented [OPCD11]: See above note.

Commented [OPCD12]: This is the regulatory asset, so it's creation should likely be listed first.

Commented [OPCD13]: Cindy to review.

- Further criteria related to the development and implementation of the Financing Plan by the FSM.

Financing, Accounting and Legal Risk Considerations / Mitigations

The Ministry was asked to report back to TBS/MBC with details on how financing, accounting and legal risks would be mitigated.

Financing

OFHPA Legislation

The purpose of the legislation is to support the Government of Ontario's commitment to ensure that the costs of investments in the electricity system are allocated fairly among present and future generations of consumers. Costs to be allocated include clean and renewable generation facilities, conservation, demand management and energy efficiency programs.

The supporting legislation defines the mechanisms and framework that would achieve the refinancing of the (GA), including:

- Fair Allocation Amount: A calculation and allocation of clean energy costs over time in proportion to clean energy benefits. It is expected that the calculation would lead to decreased rates in the near term with rates higher than forecast in the long term. The Minister of Energy is to calculate the Fair Allocation Amount and provide the amount to the Financial Services Manager (OPG). Subsequent calculations may be undertaken by other agents as prescribed by the Minister, if prescribed by regulation.

- Fair Adjustment: Sets out the mechanism for the Ontario Energy Board (OEB) to determine the "relief", including the initial decrease in rates to achieve the 25% decrease as defined by the FHP, for the period July 1, 2017 to April 30, 2018. Under the legislation, the OEB must determine the amount within 15 business days of the legislation coming into force. The Fair Adjustment also allows the Lieutenant Governor in Council (LGIC) to make regulations prescribing electricity rates for the period May 1, 2018 to June 30, 2021.

- Clean Energy Adjustment: The mechanism to recover the under-collection of GA from eligible consumers during the recovery period. This is an adjustment to a consumer invoice on a monthly basis to repay principal, interest and other financing costs. IESO and each electricity distributor will act as an agent for the financing entity to impose, invoice and collect the clean energy adjustments.

Commented [OPCD14]: Anything about winding down of the Trust once the GA Refinancing is complete?

Commented [OPCD15]: Insert reference to section 8.0?

Commented [OPCD16]: Above section refers only to clean energy investments.

Commented [OPCD17]: Vs. broader scope of costs in preceding paragraph?

The Ministry has prepared the legislation, recently passed regulation and supporting proposed regulation in close collaboration with key ministries (i.e., TB, MOF, AG and CO), agencies (i.e., OEB, IESO, OPG) and external legal and financial advisors.

The legislation enables the province to provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework and the authority of the legislature to pass the legislation. The intent is to ensure that the full value of any investment is recoverable.

The legislation also enables the Province to guarantee borrowing of the trust in the event of a market disruption to mitigate the OPG Trust's financing risk. Specifics of these guarantees will be determined in agreements to be negotiated later this year.

The regulations further support the legislation in terms of providing clarity on the roles of the Ministry, OEB, IESO, and OPG.

As reported in the TB/MBC submission of May 9, 2017, it is still possible that the full value of the regulatory asset may not be purchased at any point in time. In such cases, IESO may be able to retain the unsold amounts recorded in its variance account for a short period of time not expected to exceed X.

In addition, the Ministry has worked closely with the Ontario Financing Authority (OFA) and TD Securities (TD), as the Province's external financial advisor, on the financing structure (i.e., legislation, provincial guarantees, OPG's equity injections and IESO's enhanced credit facilities).

In particular, the legislation enables a structure that OFA and TD believe will enable financing at a reasonable cost. Key elements that support this financing structure include:

- OPG issuances of subordinated debt to the Special Purpose Vehicle(SPV)/Trust representing up to 49% of total borrowing; and
- Conditional (springing) guarantees by the Province that will include a backstop in the event of specific and limited events (e.g., changes to legislation that unduly harm investor interests).

Note: The ability to finance and the cost of financing will only be known with certainty once OPG receives the rating of the offering in July/August 2017, seeks short term financing in September/October 2017 and sells the initial offering on the market by the end of October 2017. These milestones are contingent on the creation of the SPV/Trust to facilitate the subsequent sale of the Regulatory Asset by IESO to the SPV/Trust.

Commented [OPCD18]: Vs reliable operation of? After the GA refinancing is done, will it continue?

Commented [OPCD19]: check wording…impact on cost of financing

Commented [OPCD20]: include name?

Commented [OPCD21]: see comment above w.r.t. objective of guarantee

Commented [OPCD22]: contingent?

Commented [OPCD23]: Is there a threshold test that should be referenced?

Commented [OPCD24]: Cost of financing can also change at any point of time, with each successive financing/refinancing – this should be referenced as it is a risk.

OPG Financing / OPG Equity Financing

The ability to implement the FHP to accomplish the fair allocation of clean energy costs requires financing during periods where the collection of the clean energy costs, and other costs included in the FHP, is deferred to later years. The legislation outlines mechanisms that are required to enable the financing and meet requirements for rating agencies and investors.

As reported in the May 9, 2017 submission to TB/MBC, IESO will have a funding gap resulting from the reduction in amounts collected over four years. The legislation enables IESO to record the under-collection of GA in a variance account, and deems this under-collected amount to be a "regulatory asset".

- OEB would determine rates to allow IESO to recover under-collection recorded in its variance account.
- IESO is authorized to sell all or a portion to the OPG SPV/Trust under the Financing Plan.

As part of supporting the financing and administration of the GA refinancing mechanism, it is expected that OPG would purchase the right to future cash flows from IESO on an ongoing basis.

The sale of the regulatory asset from IESO to the OPG Special Purpose Vehicle (SPV)/Trust creates an "Investment Asset" on OPG's books.

- The Investment Asset allows for the recovery of the under-collected GA as the Investment Asset may in turn be sold to other investors or group of investors.

The Ministry has worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation and regulations enables refinancing of the GA.

The general regulation sets out principles, assumptions and further clarity on process for the development of the financing plan and the implementation of clean energy adjustments to recover amounts related to funding obligations incurred under the terms of the financing plan.

Purchases would be financed in part by capital infusions from the Province to OPG for the purposes of stabilizing OPG's capital structure:

- OPG would require monthly “equity injections” from the Province which would be fiscally neutral as OPG would issue new shares to the Province in exchange;

- Funds from the Province would flow from the Ontario Financing Authority (OFA); and

- The Ministry, OFA and OPG are working through the specific mechanisms, timelines and share features to support implementation consistent with the intention of the FHP.

- It is anticipated that the initial equity injection would take place as early as June 2017.

In April 2017, the Ministry of Energy received approval for the creation of an operating asset ”OPG Share Purchase” and an increase in operating asset allocation for $1.1 billion. This approval was dependent on the passing of the legislation (i.e., the OFHPA that received Royal assent on June 1, 2017).

OPG will provide a two-year forecast of its equity requirements to the Ministry on annual basis, as part of OPG’s business plan process. Note: While included in the business plan, equity requirements will not form part of the Ministry of Energy’s concurrence process and are expected to be fiscally neutral.

For future funding requirements, the Ministry will seek appropriation through the PRRT process.

OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. Credit ratings will depend on provisions in legislation, regulation and agreements as well as the capital structure of the SPV / Trust. Despite these factors, rating agencies may see the Province’s rating forming a ceiling given the contingent guarantees that the Province will provide (described above).

In addition, given the long term nature of this program (i.e., approximately thirty-years), the calculations related to refinancing of the GA set out in the legislation will be subject to fluctuations in Ontario electricity demand, GA and interest rates in the medium to long-term.

- Should electricity demand be higher than forecast (e.g., as a result of greater electrification,), the cost of paying off the debt will be spread over a greater pool of consumption and decreasing estimated future costs for individual ratepayers. Note: The reverse is also true in regards to lower than anticipated electricity demand.

- Should interest costs increase from the assumed 5%, total borrowing costs would rise. Given that this is a unique offering, managing investor confidence will be key to ensure borrowing costs don't rise. Note: The reverse is also true in regards to interest rates being lower than assumed.

IESO's Credit Facilities

As report in the May 9, 2017 submission to TB/MBC, IESO is in discussions with the Ontario Financing Authority (OFA) regarding an increase to its current "line of credit" with the OFA and OEFC (i.e., credit facilities). The increases are in response to IESO role in the delivery of OFHP and to provide a necessary buffer to fund short periods where OPG SPV/Trust does not fund a shortfall.

IESO advises that this is important not only for IESO solvency, but also to maintain its credit rating (i.e., IESO's contracted suppliers' credit arrangements are often based on IESO maintaining a certain rating).

IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period. OPG Trust is not expected to access public capital markets monthly, nor is it required to purchase the regulatory asset. Therefore, IESO will need a credit facility for interim financing. IESO may also require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.

The Ministry of Finance (MOF) is seeking an OIC under CIPA to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2 billion. This change will allow the OFA to enhance IESO credit facility as necessary to assist with the timely and successful implementation of the OFHP.

Accounting

As reported in the TB/MBC submission of May 9, 2017, legislation to enable GA refinancing has benefitted from the review and input from the external advisors of OPG, the IESO and OPCD.

The legislation establishes mechanisms to enable the funding, sale and transfer between IESO and OPG that align with accounting advice outlined in the March 1, 2017 Cabinet Submission.

Under the legislation, OEB will issue an "accounting order" to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. This satisfies accounting concerns regarding OEB oversight in the establishment of the regulatory asset.

The legislation and the associated amendments to the Electricity Act, 1998, enable OPG to create OPG's SPV/Trust as a stand-alone entity able to conduct business separately under a Trust agreement.

To recover its revenue shortfall, IESO will establish a regulatory asset that it would sell to OPG's SPV/Trust.

IESO will effectively sell the "right to collect" deferred future revenue from ratepayers to OPG Trust in return for cash proceeds.

The general regulation provides further clarity on the process for establishing the asset and what costs are eligible for inclusion in the asset.

Commented [OPCD25]: It also deals with eventual recovery of GA costs through future rates and the role of the IESO and LDCs in this regard.

IESO

As reported in the TB/MBC submission of May 9, 2017, the Ministry has worked closely with the Independent Electricity System Operator (IESO) and its external accounting advisor on the accounting considerations of GA Refinancing (i.e., legislation, applications of accounting standards/principles to the IESO's financial reporting under public sector accounting standards).

Commented [OPCD26]: KPMG's focus should be noted as on the IESO's f/s which are prepared under PSAS.

In particular, the legislation provides a structure that IESO and KMPG – in the accounting analysis they provided to IESO – believe would meet the necessary accounting requirements. Key elements include:

- An IESO variance account created by the legislation that would be recognized as a "regulatory asset".
- The sale of the regulatory asset to the Ontario Power Generation (OPG) special purpose vehicle (SPV) / Trust.

Commented [OPCD27]: The IESO analysis deals with the sale of the asset (such that the IESO no longer controls it). OPG's analysis would have to deal with the control over the Trust.

OPG/ E&Y

As reported in the TB/MBC submission of May 9, 2017, the Ministry has worked closely with Ontario Power Generation (OPG) and its external accounting advisors on the accounting requirements to enable GA Refinancing with respect to consolidation (i.e., legislation, application of International Financial Reporting Standards, establishing a special SPV / Trust).

The legislation and the associated amendments to the Electricity Act, 1998, enable OPG to create OPG's SPV/Trust as a stand-alone entity able to conduct business separately under a Trust agreement. Note: To further support the operations and mechanics of the OPG SPV/Trust, additional work will be done through the regulations and supporting agreements/documents.

- OPG will have the authority to set up the SPV/Trust and assign it with powers regarding decision-making, funding and ongoing operation.

- OPG and IESO are developing a process that will allow interest payments to occur under GA Refinancing.

Based on the legislation, key operating conditions are being addressed in regulations and supporting agreements/documents supporting OPG's control of the SPV/Trust. OPG's external advisor concurs with OPG's assessment that the accounting requirements to support "consolidation" of OPG SPV / Trust with OPG Inc. appear to be met by the proposed legislation.

Legal

The legal risks flagged in the May 9, 2017 submission to TB/MBC have not changed.

In principle, refinancing the Global Adjustment (GA) to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.

Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.

Commented [OPCD28]: See comment above.

Former Supreme Court Justice Ian Binnie has provided a legal opinion concluding that the current proposal is at a moderately high risk of being a tax, for the following reasons:

The degree of constitutional risk is in direct proportion to the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year from electricity generated by those facilities.

If the government fails to establish that the relevant electricity generating assets will continue to perform economically over the 30-year period, or if the GA charge is in the opinion of the Court disproportionately backend loaded, the GA will not qualify as a regulatory charge (and would be characterized as a tax).

By shifting costs to the 20-30 year customers, the government may in reality be disproportionately back-end loading the GA with the effect that the 20-30 year consumers will be subsidizing the 1-20 year consumers.

The judges can be expected to be aware of the difficult political problem of high energy costs in in Ontario, and will take a careful look at the government's evidence in support of the re-allocation of the GA.

The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period. Limiting the near-term rate reductions to such amounts which can be justified as counterbalancing disproportionate GA payments during the 2005-2017 period ensures that the statutory 25% reduction is consistent with proportionate reallocation.

<u>Navigant Analysis</u>

Navigant Consulting, Inc. has been retained to provide its assessment of the expected lives of clean energy asset, as well as a fair allocation of the costs of these assets over the expected lives.

Navigant has focused on the costs and benefits of procuring natural gas, wind, and solar generation, as well as costs associated with conservation and the early retirement of Ontario's coal assets.

The Navigant scope of work includes:

- Research and analysis to ascertain the likely service lives of gas generating, solar and wind facilities from a largely technical point of view;
- Analysis related to the expected cost of extending the service lives of facilities under contract with IESO; and
- Determining the annual cost of a refinanced contract that provides the same value as each generator's actual contract but is extended over the expected life of each generator.

Ontario ratepayers currently pay for the costs of its gas, wind, and solar generators over the life of power purchase agreements (PPAs), which generally run for twenty years. Provincial ratepayers also pay for conservation procurement as costs are incurred, and over the period of 2009-2014 paid for the early shutdown of provincial coal plants on an accelerated schedule.

Given that the clean energy and conservation benefits associated with the assets occur over the entire of life of the asset, there is an opportunity to define an alternative financing methodology that better aligns the costs with benefits.

Navigant is in the process of finalizing its work. Section 8.0 of this note lists the risk associated with this item as low, with high potential impact on the success of the FHP.

Commented [OPCD29]: When it is expected to be ready? What are initial messages?

2) Social Programs: PLACEHOLDER FOR SNAP UPDATES

Program Design

Ontario Electricity Support Program (OESP)

The OESP is an income-tested, application-based program that lowers electricity costs of the most vulnerable consumers by a rebate directly on bills. The OESP is currently funded by the rate base.

OESP credits vary by income level and family size, and there are two credit scales that include:

- The basic program credit originally ranged from $30/month to $50/month. The new credit amounts came into effect May 1, 2017 and range from $35/month to $75/month.

- An enhanced credit, which originally ranged from $45/month to $75/month for consumers that are either Indigenous, use electric heat or use certain electrically intensive medical devices. The new credit amounts came into effect on May 1, 2017 and range from $52/month to $113/month.

Ontario's Fair Hydro Plan (OFHP) committed to move the program from the rate base to the tax base, and to expand the OESP by increasing the credit amounts by 50 per cent, making more Ontarians eligible for the program, and aligning the OESP with other social assistance programs to increase uptake. Recently approved legislative changes have enabled the transition of the program to the tax base, which will be enacted by a subsequent proclamation and associated regulatory changes.

In the meantime, amendments to the OESP regulation (O. Reg. 314/15) are being proposed in order to enable alignment of OESP delivery with social assistance programs delivered by MCSS.

The proposed amendments to O. Reg. 314/15 will facilitate the processing of OESP applications by MCSS on behalf of SA clients pursuant to an agreement with the Minister or the OEB, and help meet the government's goal of substantially increasing uptake in the OESP.

Roles and Responsibilities

Ontario Electricity Support Program

The OEB will continue to deliver the OESP under the current legislative framework until the variance account is depleted. When legislative changes to shift the program from the rate base to the tax base are proclaimed, the OEB will continue to administer the program, but certain decision making responsibilities and oversights will shift to the Minister of Energy.

Second, OEB and its OESP delivery consultant – ICF Consulting – will help MCSS to expeditiously prepare for implementation by providing training materials and technical support for MCSS system changes. The amount of the original contract between ICF and the OEB is $12 million. Cost impacts are expected to be minimal and are covered by the OEB's existing authorities to cover administration costs related to the OESP using the OESP variance account.

MCSS will be responsible for implementing the proposed regulatory changes once an agreement has been entered into between the Minister and/or the OEB and MCSS, which were designed to support a strategy jointly developed by ENERGY, the OEB, and MCSS to meet the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery.

The IESO will continue to manage payments to utilities, unit sub-meter providers, and the OEB in relation to OESP credit delivery and program administration costs. When legislative changes are proclaimed, IESO will begin reporting costs to the Ministry to support forecasting and audit.

4.0 BACKGROUND

Legislation to Implement Ontario's Fair Hydro Plan

On May 11, 2017, the government introduced Bill 132, *Fair Hydro Act, 2017* (FHA) which is comprised of two Schedules:

- Schedule 1 –the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (OEBA); and

- Schedule 2 – includes the electricity social program-related amendments to the *Ontario Energy Board Act, 1998.*

On May 31, 2017, the Bill passed third reading and received Royal Assent on June 1, 2017.

<u>Legislation to Implement GA Refinancing</u>

To enable implementation of GA refinancing and mitigate financing, accounting and legal risks, the *Ontario Fair Hydro Plan Act, 2017* outlines:

- Roles and responsibilities for the OEB, IESO, OPG and the Province;

- A detailed Preamble, Purpose and Definitions;

- Details with respect to Fair Adjustment, Clean Energy Adjustment, Implementation (i.e., Financial Services Manager, Fair Allocation Amount, Financing Plan), Regulatory Asset and Investment Asset;

- Scope of provincial undertaking and enabling the Province to provide guarantees and indemnities to back stop that undertaking; and

- Amendments to other acts (i.e., *Electricity Act* and *Ontario Energy Board)*.

The legislation defines the mechanisms and framework that would achieve the refinancing of the GA.

The Ministry has worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing in the development of the legislation.

To support the implementation of GA refinancing under the *Fair Hydro Act, 2017*, the Ministry has developed supporting regulation:

- Creating a new Regulation (“General Regulation”) to be made under the Ontario Fair Hydro Plan Act, which is Schedule 1 of the Fair Hydro Act, 2017.

- The proposed regulation supports key aspects of the OFHPA including:

    - The details around the establishment and transfer of portions of the regulatory asset;
    - The establishment of the OFHPA-related deferral and variance account to be held by the Independent Electricity System Operator (IESO);

- o The definition and details regarding the "funding obligation" which relates to the recovery of moneys borrowed by OPG/SPV to fund GA refinancing;
- o Methodology related to the calculation of the Clean Energy Adjustment (i.e., the total amount payable by electricity consumers each reference period);
- o Determination of rates and amounts related to the recovery of the Clean Energy Adjustment under which regulated rate consumers must be invoiced and which must be used in the calculation of rates for non-regulated consumers;
- o Requirements on the IESO, LDCs, retailers and unit sub-meter providers (USMPs) in relation to the collection of amounts in respect of the Clean Energy Adjustment from electricity consumers;
- o OEB's role in the review of fees incurred by Financial Service Manager (i.e., the fees related to the ongoing operation of the Financial Services Manager during the period of GA Refinancing);
- o Details related to the methodology to be used by the Minister in the calculation of the Fair Allocation amount (i.e. a calculation of the fair allocation of clean energy costs over time);
- o Further criteria related to the development and implementation of the Financing Plan by the Financial Services Manager.

<u>Ontario Electricity Support Program (OESP)</u>

The OESP launched on January 1, 2016. By the end of May 2017:

- Almost 200, 000 have been enrolled in the program, which is approximately 35% of all potentially eligible low-income customers in Ontario.
- Over $60 million in credits have been provided to vulnerable consumers.
- 172 intake agencies have been mobilized to assist low income consumers to apply for the OESP.

5.0 TIMING

Under the *OFHPA*, a portion of the GA will be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Some of Ontario's Fair Hydro Plan commitments for the OESP came into effect on May 1, 2017 (e.g., removal of the OESP charge from customer bills;

expanding credit amounts and program eligibility). Remaining changes associated with moving the program from the rate-base to the tax-base will be proclaimed at a later date when the OESP variance account is depleted. Additional regulatory amendments needed to implement this legislative change will come into effect on the same date.

Further work to enable GA refinancing to be undertaken Summer/Fall 2017:

- Minister to determine the Fair Allocation Amount for each reference period;
- OPG/SPV to produce Financing Plans that would set out funding obligations for each reference period consistent with the Fair Allocation Amount;
- IESO to record deferral amounts and establish the regulatory asset;
- OPG/SPV to begin purchasing of investment asset; and
- OPG to work with lenders and credit rating agencies in establishing the vehicles for selling of investment asset interests.

6.0 FINANCIAL IMPACT

1) GA Refinancing:

The General regulation would support the implementation of GA refinancing, including methodology, principles and assumptions related to various aspects of the initiative (e.g., fair allocation amount). Based on the anticipated accounting treatment on the Province's consolidated financial statements, the initiative is expected to be fiscally neutral. The accounting treatment will be supported by independent accounting opinions from both the IESO and OPG which are consolidated on the Province's books in accordance with public sector accounting standards.
Note: The Auditor General has expressed disagreement with the Province's planned accounting treatment, specifically as related to the recognition of a regulatory asset on the IESO's financial statements which were first reported on the entity's December 31, 2016 audited financial statements.

Commented [OPCD30]: Cindy to review

2) Social Programs:

Cost impacts for the amending O. Reg. 314/15 are expected to be negligible. There is significant overlap between the financial eligibility for the OESP and other social assistance programs, resulting in very few occurrences where SA clients do not meet the current OESP eligibility requirements.

As reported in the TB/MBC submission of May 9, 2017 and as approved in the TB/MBC submission of March 1, 2017 and confirmed in Vote-Item 2905-1, the financial impacts of the social programs for the period July 1 2017- March 31 2018 are as follows:

Program	2017-18 Budget
Ontario Electricity Support Program	140,000,000

The cost forecasts for these programs were made through a combination of Ministry analysis that utilized consumption data and local distribution company rates to estimate program costs, and information provided to the Ministry by the Ontario Energy Board. Cost forecasts are subject to some uncertainty surrounding consumer uptake, future consumption levels, and future rates as set by the OEB.

ENERGY will report back to TB/MBC in fall 2017-18 with an update on out-year projections following analysis on rate applications before the Ontario Energy Board.

The IESO manages a variance account for the OESP, which holds the difference between the amount of OESP charge collected from the rate base, and the amount of OESP paid out in the form of credits. The amount in the variance account is about $106 million as of May 2017. These funds will be used to fund the OESP program until the variance account is depleted, at which point the transfer payment line will be used to finance the program costs. Due to the potential range in costs of the OESP, which will depend on program uptake and any costs associated with supporting increased participation, the set allocation is required despite the variance account.

Per the Regulations, the Ministry has the authority to request social program costs forecasts from the OEB.

7.0 STAKEHOLDER ANALYSIS

Stakeholder	Comments
Eligible Electricity Consumers	• As a result of OFHP, eligible electricity consumers will welcome the immediate reduction in electricity bills that they will experience in the short to medium term.
Electricity Agencies	• In the development of legislation to enable implementation of OFHP, the Ministry has been working closely with OEB, IESO and OPG and their independent advisors.
Local Distribution Companies (LDCs)	• The Ministry hosted LDC workshop sessions on March 16, April 19, and May 17, 2017. Nearly 40 LDC representatives attended in person or by phone and were briefed on OFHP, including implementation. The Ministry has also held separate engagements with LDCs in particular to the social programs.
Government	• ENERGY has been engaging with MCSS and the OEB for several months to

Stakeholder	Comments
(MCSS)	develop a strategy for meeting the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery. The joint strategy instructed the recent amendments to the OEBA, and the changes to O. Reg. 314/15 that are being proposed in this submission.
Auditor General	•

Commented [OPCD31]: Confirm if you want to include this. If so, see wording above.

8.0 RISK ASSESSMENT AND MITIGATION – UPDATES

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
1) Global Adjustment (GA) Refinancing			
Maintaining OPG's Financial Viability / Capital Structure	L	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Energy). • Equity injections are necessary to support OPG as the owner and manager of GA refinancing. The equity injections allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • In order to provide financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its experience developing capital-intensive generation projects as well as their management of Nuclear Funds. • OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. **<u>Update:</u>** • Work is ongoing to finalize a draft term sheet that would serve as the basis for the Master Subscription Agreement between OPG/ENERGY and OFA. In addition, OFA and ENE to develop Service Level Agreement for monthly cash management services.

<table>
<tr><th>Risk</th><th>Likelihood (L/M/H)</th><th>Impact (L/M/H)</th><th>Mitigation Strategy</th></tr>
<tr><td>OPG Securing Capital Markets Funding</td><td>L</td><td>H</td><td>OPG will need to obtain a portion of the required funding from the capital markets.
The Ministry, IESO, OPG and other ministries have worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation enables refinancing of the GA.
In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior debt, with the remaining 49% being provided by OPG as subordinated debt.
U
The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG's capital structure remains in line.
<u>Update:</u>
The legislation and proposed general regulation were developed with input from third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the Global Adjustment (GA).
OPG is continuing to work through the mechanics of securing financing (e.g., engaging rate agencies, etc).
In addition, in order to provide assurances to those with claims against the "Financing Entity" (e.g., holders of debt) and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of IESO are carried out including obligations related to collecting and remitting clean energy adjustments. Working is ongoing.</td></tr>
</table>

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
Managing Interest Cost Risks	M	H	• OPG's Special Purpose Vehicle (SPV) / Trust is borrowing in its own corporate capacity from the capital markets. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). **Update:** • The legislation and proposed general regulation were developed with input of third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the GA • The provincial guarantee as set out in legislation should provide comfort to dealers, thereby increasing the likelihood of achieving more favourable interest rates. • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
Provincial Guarantee is Triggered	L	H	• The legislation sets out that the province could provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework. The intent is to ensure that the full value is recovered. • The legislation also enables the Province to: ○ Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations **Update:** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
IESO Failure to Establish a Regulatory Asset / Maintaining IESO Financial	L	H	• Under the legislation, the Ontario Energy Board (OEB) is providing the necessary oversight required to enable IESO the

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
Viability			ability to establish a Regulatory Asset. • To recover its revenue shortfall, IESO will establish it as a Regulatory Asset that it would sell to OPG's SPV / Trust. • The OEB will issue an accounting order to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. • IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset. **<u>Update:</u>** • IESO has received an accounting opinion from KPMG that concurs with IESO's view that it has the ability to establish the regulatory asset. • In addition, OFA is planning to increase IESO's credit facility to support its role in implementing the OFHPA. OFA is seeking an OIC that would authorize the OFA to borrow an additional \$2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.
GA Refinancing Approach is Viewed as an Indirect-tax	L	H	• In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. • Legal risk arises if it becomes apparent that the Government is not spreading

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. • The legislation attempts to mitigate the risks identified above by requiring that the costs moved into the future align with the benefits that future rate payers will receive. To create the flexibility to achieve this requirement, the amounts of the costs and benefits will not be enshrined in the legislation. **Update:** • The legislation was designed to mitigate this risk. • The Fair Allocation Amount, the process for which is further clarified under general regulation, will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of GA Refinancing.
2) Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP) *3)*			
Social Program Cost Estimating	M	M	• OESP costs will depend on uptake of the program, which will be impacted by the 50% increase in credits, enhanced eligibility, and work with MCSS on aligning OESP delivery with their social assistance programs • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to ensure access to data for regular forecasting.

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			• A mechanism would be created in regulation to ensure that all parties are aligned in the yearly forecasting and costing of the program. • Social program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update cost projections based on up-to-date figures.

9.0 JURISDICTIONAL ANALYSIS

GA Refinancing approached outlined in the legislation is modelled on frameworks used in the United States (e.g., Duke Energy), where utility debt is financed by selling it to investors with recovery from ratepayers over time.

The Ministry conducted no jurisdictional analysis related to the expansion of social program funding for OESP as the structure of Ontario's electricity sector, and thus the delivery of these benefits, is unique.

10.0 PERFORMANCE MEASURES

With respect to OESP, ENERGY will continue to track the performance of the OESP program with a focus on collecting metrics related to program uptake.

The Ministry and the OEB have engaged with the Behavioral Insights Office at the TBS to consider ways to increase program participation. Discussions are ongoing.

12.0 RECOMMENDATION

1) The Ministry of Energy is reporting back to the Treasury Board/Management Board of Cabinet (TB/MBC) on the following:

   i. Implementation of Global Adjustment (GA) Refinancing; and

   ii. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP).