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A proposal to create Legislation.

Intergenerational Fairness in Hydro Rates Act, 2017, if enacted

EXPLANATORY NOTE TO BE ADDED BY LEGISLATIVE COUNSEL TO ANY
FINAL BILL PRIOR TO INTRODUCTION.

[Notes re this draft:

- all numbering of provisions will need to be re-done
- will need to check all definitions to ensure (1) that they are needed; and (2) that they work properly wherever the term is used in the Bill.
- additional consequential amendments likely required still
- overall organization of provisions still TBC (for now just trying to get all of the elements drafted and will reconsider architecture later)]

Preamble

The Government of Ontario is committed to fostering the development of a clean, modern and reliable electricity system with a diverse supply mix including renewable energy, and to removing barriers to and promoting opportunities for renewable energy projects.

The Government of Ontario has established a regulatory and contractual framework related to the generation and sale of electricity to ensure significant investment in decarbonizing and modernizing the generation of electrical energy and the production therefrom.

Given the long-term benefits that future generations of Ontarians will receive from many of these investments, it is appropriate and fair to raise money in respect of these generating facilities in a manner that allocates the costs of and benefits from these investments fairly among present and future consumers.

Therefore, Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

CONTENTS

PART I GENERAL

- 1. Interpretation
- 2. Purpose
- 3. Crown bound
- 4. Protection and guarantee of scheme

PART II FAIR ADJUSTMENT PERIOD

- 5. Application of Part
- 6. Determination of rates, first twelve months
- 7. Determination of rates, on and after May 1, 2018

PART III CLEAN ENERGY ADJUSTMENT PERIOD

- 8. Application of Part
- 9. Specified consumers to pay clean energy adjustment
- 10. Irrevocability of clean energy adjustment
- 11. Determination of clean energy adjustment
- 12. IESO to invoice electricity vendors
- 13. Electricity vendor to apply rate
- 14. Pro rating of payments
- 15. Electricity vendor, account

PART IV FAIR ALLOCATION PLAN AND FINANCING PLAN FAIR ALLOCATION PLAN

- 8. Minister to prepare plan
- 8.0.1 Amounts to be allocated
- 8.2 Compliance

FINANCING PLAN

- 11. Financial Services Manager to prepare plan
- 11.1 Compliance with Plan
- 12. Contents of plan

PART V THE REGULATORY ASSET [AND INVESTMENT ASSET]

22.	Regulatory asset established
22.1	Recording of IESO funding shortfall in books
22.2	IESO funding shortfall
23.	Transfer of regulatory asset
23.1	Investment asset
24.	Transfer of investment asset
26.	Administration of investment asset
27.	Investment asset owner may grant pledge
28.	Collective action required
29.	Exercise of rights

PART VI

MISCELLANEOUS

34.	Appointment of agent, invoicing or collection
35.1	Not Crown agent
35.2	Sequestration
37.	Successors
37.1	Choice of law
38.	Conflict
39.	No further approvals, etc.
97.	Immunity
98.	References in marketing materials and offering documents
99.	Non-application, Financial Administration Act, s. 28
100.	Regulations

PART VII

AMENDMENTS TO OTHER ACTS

ELECTRICITY ACT, 1998

AMENDMENTS TO ONTARIO ENERGY BOARD ACT, 1998

PART VII

COMMENCEMENT AND SHORT TITLE

103.	Commencement
104.	Short title
Schedule 1	Method for determining amount of clean energy adjustment for reference period

PART I GENERAL

Interpretation

Definitions

1. (1) In this Act,

“clean energy adjustment” means...

“clean energy initiative” means the policies of the Government of Ontario related to,

- (a) fostering the growth of and investment in renewable energy projects [which use cleaner sources of energy],
- (b) removing barriers to and promoting opportunities for renewable energy projects, and
- (c) promoting a green economy [including conservation and demand management]; (“French”)

“electricity vendor”¹ means the IESO, a licensed distributor, a licensed retailer or such other person as may be prescribed; (“French”)

“Fair Allocation Plan” means a plan prepared under section X; (“French”)

“Financial Services Manager” means Ontario Power Generation Inc. or such other entity as may be prescribed; (“French”)

“Financing Plan” means a plan prepared under section X; (“French”)

“funding obligation” means a payment obligation incurred by or on behalf of the regulatory asset owner or an investment asset owner under section x; (“French”)

“holiday” means [O. Reg. 95/05 definition]; (“French”)

“IESO” means the Independent Electricity System Operator continued under Part II of the *Electricity Act, 1998*; (“SIERE”)

“investment asset” means all or part of the regulatory asset that is deemed to be an investment asset under section x; (“French”)

“invoice amount” means the sum of the following amounts:

1. The commodity price of the electricity used during the invoice period.
2. The rates and charges set out in the applicable rate order issued by the Ontario Energy Board under subsection 78 (3) of the *Ontario Energy Board Act, 1998*.
3. Any adjustment required under section 25.33 of the *Electricity Act, 1998*.
4. The amount of any harmonized sales tax payable under Part IX of the *Excise Tax Act* (Canada); (“French”)

“licensed distributor” means a person licensed under Part V of the *Ontario Energy Board Act, 1998* to own or operate a distribution system; (“French”)

“licensed retailer” means a person who is licensed under Part V of the *Ontario Energy Board Act, 1998* to retail electricity; (“French”)

¹ FLS - this is similar to the definition of “electricity vendor” in the Ontario Rebate for Electricity Consumers Act, 2016

“Minister” means the Minister of Energy or such other member of the Executive Council as may be assigned the administration of this Act under the *Executive Council Act*; (“ministre”)

“prescribed” means prescribed by the regulations; (“prescrit”)

“reference period” means,

- (a) the period beginning on May 1, 2017 and ending on October 31, 2017,
- (b) every six-month period following the period mentioned in clause (a), or such shorter period as may be set out in a Fair Allocation Plan; (“French”)

“refinancing” means a repayment or repurchase of a funding obligation for cancellation by or on behalf of the owner of an investment asset by applying the net proceeds obtained by the owner incurring one or more other funding obligations; (“French”)

“regulation” means a regulation made under this Act; (“règlement”)

“regulatory asset” means the regulatory asset established under section X or, if any part of that regulatory asset has been transferred under this Act, the portion of the regulatory asset that is not deemed to be an investment asset; (“French”)

[NOTE: CURRENT PROPOSAL IS THAT THE REGULATORY ASSET WILL REPRESENT THE RIGHT OF RECOVERY. UPON A TRANSFER OF AN INVESTMENT INTEREST, THE QUANTUM OF THE RIGHT OF RECOVERY FOR THE REGULATORY ASSET WILL BE REDUCED. THE TRANSFER OF AN INVESTMENT INTEREST WILL RESULT IN IESO RELINQUISHING ANY INTEREST IN THE TRANSFERRED INVESTMENT INTEREST, AND WILL RESULT IN THE TRANSFEREE ACQUIRING THE RIGHT OF RECOVERY OF AN INTEREST IN THE CLEAN ENERGY ADJUSTMENTS DETERMINED BY REFERENCE TO FINANCE AMOUNTS INCURRED BY OR ON BEHALF OF THE TRANSFEREE.]

“representative consumer” means a consumer who meets the criteria set out in subsection (3); (“French”)

“specified consumer” means,

- (a) a person who has an account with an electricity vendor for the supply of electricity, receives an invoice in respect of the account and meets the criteria set out in subsection (2); or

(b) such other person as may be prescribed (“French”)

“Toronto Hydro” means Toronto Hydro-Electric System Limited; (“French”)

“transfer” means an assignment, conveyance, disposition or sale; (“French”)

“weekday means [O. Reg. 95/05 definition]; (“French”)

Specified consumers

(2) For the purposes of clause (a) of the definition of “specified consumer” in subsection (1), the person must meet any one of the following criteria:

1. The person has a demand for electricity of 50 kilowatts or less, or such other amount as may be prescribed.
2. The person annually uses not more than 250,000 kilowatt hours of electricity, or such other amount as may be prescribed.
3. The person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993* and either holds a valid registration number assigned under that Act or the has had the obligation to file a farming business registration form waived pursuant to an order made under subsection 22 (6) of that Act.
4. The person’s account with the electricity vendor relates to,
 - i. a dwelling,
 - ii. a property within the meaning of the *Condominium Act, 1998*,
 - iii. a residential complex within the meaning of subsection 2 (1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that Act, or
 - iv. a property that includes one or more housing units and that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*.
5. The person satisfies such criteria as may be prescribed.

Invoice amount, exclusions

(2) For the purposes of the definition of “invoice amount” in subsection (1), an invoice amount does not include any of the following amounts:

1. The balance of any amounts carried forward from previous invoices.
2. Penalties or interest.
3. Charges that do not relate to the use of electricity.
4. Any of the following charges that may be set out in an order issued by the Ontario Energy Board under subsection 78 (3) of the *Ontario Energy Board Act, 1998*:
 - i. A fixed monthly service charge payable by a generation facility within the meaning of section 56 of the *Ontario Energy Board Act, 1998* and classified as “microFIT”.
 - ii. A charge labelled as a “specific service charge” or “retail service charge”.
 - iii. A rate rider.

Representative consumer

(3) For the purposes of the definition of “representative consumer” in subsection (1), the consumer,

- (a) purchases electricity directly from Toronto Hydro;
- (b) has an account with Toronto Hydro that falls within a residential-rate classification as specified in a rate order made by the Board under section 78 of the Act;
- (c) is invoiced by Toronto Hydro on a monthly basis;
- (d) is not invoiced by Toronto Hydro for electricity on an equal monthly payment plan or an equal billing plan; and
- (e) uses, on average, 750 kilowatt hours of electricity each month.

Intention of the Legislature²

(5) For greater certainty, all of the provisions of this Act remain in full force and effect, even if some provisions are held to be invalid, the intention of the Legislature being to give separate and independent effect to the extent of its powers to every provision contained in this Act.

Same

(6) The fact that any provision of this Act is held to be invalid or ceases to be in effect for any reason does not affect a funding obligation that was incurred under this Act before the day that the provision was held to be invalid or ceased to be in effect.

Purpose

2. (1) The purposes of this Act are,³

- (a) to ensure that the costs of the clean energy initiative are fairly distributed among specified customers over time;
- (b) to recognize the long-term benefits of the clean energy initiative that accrue over time and will continue to benefit present and future electricity consumers in the Province;
- (c) to promote the use of clean energy sources and technologies, including low carbon, alternative energy sources and renewable energy sources, in a manner consistent with the policies of the Government of Ontario;
- (d) to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity;
- (e) to facilitate the maintenance of a financially viable electricity industry, including by raising money in respect of sites and facilities in the Province for the generation of electrical energy and the production therefrom;⁴ and
- (f) to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

Crown bound

3. This Act binds the Crown.

² FLS: this is from the *Climate Change Mitigation and Low-carbon Economy Act, 2016*

³ FLS: Please see the *Electricity Act, 1998* for much of the wording proposed in this section.

⁴ FLS - as per the note in the Preamble on this language, please see 92A (4) of the *Constitution Act, 1867*.

Protection and guarantee of scheme

Prohibition

4. (1) The Crown shall not do anything that would,
- (a) hinder, delay, impair or prejudice the charging, collection or remittance of the clean energy adjustment;
 - (b) except as expressly permitted by this Act, reduce the amount of the clean energy adjustment or lower the priority of the clean energy adjustment over other debts; or
 - (c) adversely affect an investment asset or a funding obligation.

Clarification with respect to regulations

(2) For greater certainty, the things prohibited under subsection (1) include the making or approving of a regulation under this Act.

Agreements for compensation

(3) The Minister may enter into agreements for the purposes of guaranteeing that compensation will be paid to an investment asset owner for losses suffered as a result of,

- (a) a contravention of subsection (1);
- (b) a change in law that would adversely affect the rights under this Act of an owner of an investment asset;
- (c) approval by the Lieutenant Governor in Council of a Fair Allocation Plan, or an amendment to a Fair Allocation Plan, that fails to recognize the principles set out in section x, or
- (d) a final determination by a court of final jurisdiction rendering invalid or ineffective all or any of the provisions of this Act.⁵

IESO obligations

(5) If the IESO fails to carry out its obligations under this Act for any reason, including because the IESO is dissolved or restructured or because it becomes insolvent, the Government of Ontario shall carry out those obligations or ensure they are carried out by another appropriate entity.

⁵ Note to translator: See s. 9 of the Public Authorities Protection Act.

PART II FAIR ADJUSTMENT PERIOD

Application of Part

5. This Part applies in respect of the five year period beginning on May 1, 2017 and ending on April 30, 2022.

[NOTE: THIS IS A ROUGH ADAPTATION OF THE “FAIR ADJUSTMENT” CONCEPT. FOR YEARS 2 TO 5, THE LGIC WILL PASS A REGULATION TO LIMIT THE INCREASE TO REDUCED HYDRO BILLS TO REFLECT A FURTHER “FAIR ADJUSTMENT”. THE SUM OF ALL FAIR ADJUSTMENTS WILL CORRESPOND TO THE SUM (TIME VALUE ADJUSTED) OF THE PAYMENTS BY PAST RATEPAYERS OF MORE THAN THEIR FAIR SHARE OF THE GREEN COSTS (I.E., AS A RESULT OF THE EXISTING AMORTIZATION RATE OF GREEN COSTS THROUGH THE GA CALCULATION). THE VALUE OF THOSE PAST OVER-PAYMENTS WILL BE A LIMIT ON THE TOTAL AMOUNT OF FAIR ADJUSTMENTS. THE CONCEPT IS MORE FLEXIBLE THAN THE SUGGESTION HERE, WHICH RELATES ONLY TO THE FIRST 5 YEARS – ALTHOUGH THAT IS CERTAINLY THE CURRENT FOCUS. THE IDEA FOR NOW IS THAT THE ACT WILL REDUCE HYDRO BILLS FOR THE FIRST YEAR, AND EACH OF THE FOLLOWING 4 YEARS BY REGULATION – IN AGGREGATE EQUAL TO THE PAST OVER-CHARGES. TO ENSURE THAT THE INCURRENCE OF FUNDING OBLIGATIONS AND CORRESPONDING FINANCE AMOUNTS DO NOT CONFLICT WITH THE FAIR ADJUSTMENT (AND REDUCED HYDRO RATES), THERE WILL BE A MORATORIUM ON CLEAN ENERGY ADJUSTMENTS DURING THE FIRST 5 YEARS (ON BOTH IESO CHARGE THROUGH RECOVERIES AND IN RESPECT OF FINANCE AMOUNTS PAYABLE DURING THESE FIRST 5 YEARS – PROVIDED THAT IF THE LGIC DOES NOT ULTIMATELY DETERMINE THAT A FAIR ADJUSTMENT WILL APPLY IN A YEAR, THE BALANCE, UNDER THE FAP, WILL BE RECOVERABLE BY WAY OF A PASS-THROUGH OF FINANCE AMOUNTS /IESO RECOVERIES. THE IDEA WILL BE THAT THE LGIC WILL DETERMINE THE AMOUNT OF A FAIR ADJUSTMENT PRIOR TO THE RELEVANT PERIOD TO WHICH IT APPLIES. NOTE THAT THE PAST-OVERPAYMENTS WILL BE FACTORED INTO THE FAP ON A GO FORWARD BASIS, IN ADDITION TO THE CONTINUING GREEN COSTS – AND AMORTIZED OVER THE LONGER PERIOD. THE FOLLOWING PROVISION ADDRESSES ONLY THE FIRST YEAR OF THE FAIR ADJUSTMENT.]

Determination of rates, first twelve months

6. (1) The Ontario Energy Board shall determine the rate for electricity payable by a specified consumer for the period beginning on May 1, 2017 and ending on April 30, 2018 in the following manner:

1. Determine the average rate payable by a representative consumer by applying the method set out in subsection (2).
2. Determine the average monthly invoice amount that would be payable by a representative consumer under the rate determined under paragraph 1.
3. Determine the amount that is [# tbc] per cent less than the monthly invoice amount determined under paragraph 2.
4. Determine the average rate payable by a representative consumer that would result in the monthly invoice amount mentioned in paragraph 3 for a representative consumer.

[Note: Query whether 79.16 of the OEBA should be replaced to clearly state that the price-setting work that the OEB does under the RPP is authorized and that the work it must do to accommodate the Fair Adjustments is also authorized going forward.]

Determination of baseline, average rate

(2) For the purposes of paragraph 1 of subsection (1), the follow method applies:⁶

1. The Board shall determine rates in a manner that is consistent with the Standard Supply Service Code issued by the Board.
2. In determining the rates, the Board shall forecast the cost of electricity to be consumed by the consumers to whom the rates apply, taking into consideration adjustments required under section 25.33 of the *Electricity Act, 1998* and shall ensure that the rates reflect those costs.
3. The Board shall set an off-peak period associated with the regulated price referred to as RPEMOFF in section 3.4 of the “Standard Supply Service Code for Electricity Distributors” issued by the Board,
 - i. that begins no later than 7 p.m. on every weekday and ends,
 - A. no earlier than 7 a.m. on the next day if the next day is a weekday, or
 - B. no earlier than 12 a.m. on the next day if the next day is Saturday, Sunday or a holiday, and

⁶ FLS: Please see section 6 of O. Reg. 95/05 (a bilingual reg).

- ii. that begins no later than 12 a.m. on every Saturday, Sunday and holiday and ends no earlier than,
 - A. 12 a.m. on the next day, if the next day is Saturday, Sunday or a holiday, or
 - B. 7 a.m. on the next day if the next day is a weekday.

Determination of rates, on and after May 1, 2018

7. On and after May 1, 2018, the Board shall determine the rate for electricity payable by a specified consumer in the following manner:

1. Determine the rate by applying the steps set out in section 6.
2. Adjust the rate determined under paragraph 1 for inflation in accordance with the regulations.

PART III CLEAN ENERGY ADJUSTMENT PERIOD

Application of Part

8x. This Part applies in respect of the period beginning on May 1, 2022 and ending on April 30, 2047.

[NOTE: CONSISTENT WITH THE EARLIER NOTE, THE MORATORIUM IS LIFTED IF THE LGIC DETERMINES THAT NO FAIR ADJUSTMENT WILL APPLY, IN WHICH CASE CEAs WILL APPLY DURING THE FIRST 5 YEARS. THE DIVISION OF TIME CONTEMPLATED IN THIS DRAFT IS MORE INFLEXIBLE THAN WE HAVE ENVISIONED]

Specified consumers to pay clean energy adjustment

9x. (1) Subject to subsection (1.1), upon receipt of an invoice that includes a clean energy adjustment, a specified consumer shall pay the clean energy adjustment to the electricity vendor in accordance with such terms of payment as may be specified in the invoice, which may include terms relating to late payment fees and interest charges.

[NOTE: MODIFY TO REFLECT THAT THE PAYMENT IS MADE TO AN EV, AS AGENT FOR THE INVESTMENT ASSET OWNERS]

Limitation

(1.1) No clean energy adjustment is payable by a specified consumer on a day before May 1, 2022. [NOTE: MODIFY TO REFLECT EARLIER NOTES]

Same

- (2) For greater certainty, subsection (1) applies regardless of,
- (a) whether payment of the amounts is inconsistent with the Fair Allocation Plan applicable at the time when the payment is due;
 - (b) whether the payments relate to funding obligations that were incurred in a manner that did not comply with the Financing Plan; and **[NOTE: UNDER CONSIDERATION. SEEMS OVERBROAD]**

Indebtedness of specified consumer

(4) An unpaid clean energy adjustment that is required to be paid by a specified consumer under this section constitutes indebtedness of the consumer to the investment asset owners in respect of their respective interests in the investment asset.

Same

(5) The indebtedness mentioned in subsection (4) is a single and separate debt obligation owed by the specified consumer and may be enforced independently from any other payment obligation or indebtedness owing by the specified consumer under the invoice or otherwise. **[NOTE: ENFORCEMENT WILL BE LIMITED UNDER THE ACT, SO THAT INVESTMENT ASSET OWNERS CAN'T SERVE NOTICES ON RATEPAYERS DIRECTLY, OTHER THAN THROUGH A SPECIFIED AGENT AND PROCESS – SEE BELOW]**

Irrevocability of clean energy adjustment

10x. (1) Any clean energy adjustment shown on an invoice issued to a specified consumer under this Act is determinative of the amount of indebtedness created by the adjustment and is irrevocable upon invoicing the consumer and may not be set off or by passed.

Exception

(2) Subsection (1) does not apply to the extent that there is an error in calculations made by the electricity vendor.

Determination of clean energy adjustment

11x. (1) The Ontario Energy Board shall apply the method set out in Schedule 1 to determine the amount of the clean energy adjustment payable on a monthly basis by each electricity vendor on behalf of the electricity vendor's specified consumers. **[NOTE: THE AMOUNTS WILL BE CALCULATED AS FOLLOWS: (1) FSM (FOR ALL IAOS) WILL INFORM OEB OF PERIOD FINANCE AMOUNTS FOR THE REFERENCE PERIOD (IE ESTIMATE OF FAs PLUS PAST TRUE UP ALLOCATION) (2) OEB WILL ATTRIBUTE THAT AGGREGATE AMOUNT**

BASED ON RPP-LIKE RATE DETERMINATION FOR CUSTOMERS OF THE RELEVANT CLASSES (3) OEB WILL TELL EVs THE RATES APPLICABLE TO THEIR CUSTOMERS, SO THAT THE FULL AMOUNT IN (1) IS RECOVERED (BASED ON EXPECTED COLLECTION RATES AND NONE PAYMENTS))

True up amount

(2) The Ontario Energy Board may adjust the amount determined under Schedule 1 from time to time to address the any difference between the amount of the clean energy adjustment payable in respect of the reference period and the amount of the clean energy adjustment collected as of the date of the determination. [NOTE: THIS IS ONLY A PARTIAL DESCRIPTION OF THE TRUE UP. SEE EARLIER DRAFTING INSTRUCTION FOR SUGGESTED APPROACH – I.E., DESCRIBE BROADLY THE NATURE OF THE CALCULATION AND THEN SPECIFY THE CALCULATION IN A DETAILED CALCULATION TO BE INCLUDED IN A REGULATION]

Same, regulations

(3) The Lieutenant Governor in Council may make regulations governing the calculation under subsection (2) and how the amount is to be applied to the clean energy adjustment.

Communication to electricity vendors

(4) The Ontario Energy Board shall communicate to each electricity vendor information relating to the clean energy adjustment to be allocated by the electricity vendor to each specified consumer in respect of a reference period. [NOTE: WE ARE NOT SURE THERE IS A ROLE FOR IESO. WE THOUGHT THE PERIOD FINANCE AMOUNTS WOULD BE FORWARDED BY FSM TO OEB DIRECTLY]

IESO to invoice electricity vendors

12x. (2) The IESO shall issue an invoice to each electricity vendor for the clean energy adjustments in accordance with the regulations.

IESO to collect

(3) The IESO shall, as an agent of the investment asset owner, make reasonably diligent efforts to collect clean energy adjustments from electricity vendors.

Collection account

(3.1) The IESO shall establish an account in which to record its collection of the following:

1. Amounts remitted from accounts established under section 31.
2. Payments made by specified consumers directly to the IESO as electricity vendor, in respect of clean energy adjustments.

Deposit

(4) The IESO shall promptly deposit all amounts received in respect of clean energy adjustments into the account established under subsection (3.1). [NOTE: CONSIDER FEASIBILITY OF DAILY SEGREGATION/ REMITTANCES]

Same, held in trust

(2) The amounts collected are deemed to be held in trust for the investment asset owner.

IESO to remit

(5) The IESO shall remit amounts received in respect of clean energy adjustments to or for the benefit of the regulatory asset owner in accordance with the regulations.

Electricity vendor to apply rate

13x. (1) Each electricity vendor shall [in accordance with the regulations?] determine the proportionate share of clean energy adjustments payable on a monthly basis by each of its specified consumers.

Electricity vendor to invoice specified consumers

(2) The electricity vendor shall issue an invoice to each specified consumer for the applicable amount of clean energy adjustments in accordance with the regulations.

Electricity vendor to collect

(3) Each electricity vendor shall, as an agent of the IESO, make reasonably diligent efforts to collect clean energy adjustments from specified consumers.

Pro rating of payments

14x. (1) This section applies if,

- (a) an electricity vendor receives a payment made by or on behalf of a specified consumer in respect of amounts payable under one or more invoices; and
- (b) the amount paid is less than the total amount payable.

Same

(2) The electricity vendor shall allocate the payment on a pro rata basis to the clean energy adjustment and other amounts payable under the relevant invoices.

Deposit

(3) The electricity vendor shall deposit the portion of the payment allocated to clean energy adjustments into the account established under X.

Electricity vendor, account

15x. (1) Each electricity vendor shall establish and maintain an account into which the electricity vendor deposits or receives only the following:

1. Payments by specified consumers in respect of clean energy adjustments.
2. Portions of payments by specified consumers that are allocated to clean energy adjustments under subsection 30 (2).
3. Any proceeds arising from the exercise and enforcement of any rights and interests under or in respect of the investment asset.

Held in trust

(2) The amounts required to be deposited or received into the account are deemed to be held in trust for the investment asset owner.

Remittance to IESO

(5) The electricity vendor shall remit amounts received in respect of clean energy adjustments to the IESO for the benefit of the investment asset owner in accordance with the regulations.

Payment re regulatory asset

(x) If the total clean energy adjustment payable by specified consumers in respect of a reference period is less than the amount contemplated to be payable under the applicable Fair Allocation Plan, the difference is payable to the IESO by the specified consumers.

[NOTE: REQUIRES FURTHER CONSIDERATION.]

PART IV FAIR ALLOCATION PLAN AND FINANCING PLAN

FAIR ALLOCATION PLAN

Minister to prepare plan

8. (1) In order to fairly measure and allocate amounts described in section 8.0.1 as of a specified day among specified consumers for the purposes of this Act, the Minister shall prepare and provide to the Lieutenant Governor in Council a written plan entitled the Fair Allocation Plan to take effect on the specified day.

Amendments to the plan

(2) Subject to the approval of the Lieutenant Governor in Council, the Minister may amend the Fair Allocation Plan from time to time, as the Minister considers appropriate, having regard to the requirements of this Act.

Effective date

(3) The Fair Allocation Plan or an amendment to the plan takes effect on the day that the plan or the amendment, as the case may be, is approved by the Lieutenant Governor in Council.

Publication

(4) The Minister shall ensure that the Fair Allocation Plan and any amendments to the plan are made available to the public in a manner that the Minister considers appropriate.

Amounts to be allocated

8.0.1 The amounts referred to in subsection 8 (1) are, in relation to a specified day,

[NOTE: THE IDEA IS THAT THE EXPECTED FUTURE GREEN COSTS WILL BE INCLUDED AS COSTS, AND RATHER THAN AMORTIZING THEM BASED ON THE TERMS OF THE POWER CONTRACTS, THE COSTS WILL BE AMORTIZED AND PASSED THROUGH BASED ON A MORE ACCURATE AMORTIZATION SCHEDULE TIED MORE TO THE COSTS AND BENEFITS OF THE GREEN PLAN OVER THE NEXT 30 YEARS. IN ADDITION, TO THE EXTENT THAT THERE HAVE BEEN OVER-CHARGES (BASED ON THE SHORT AMORTIZATION OF GREEN COSTS) SINCE 2005, THOSE OVERAGES WILL BE ADDED TO THE AMOUNT OF THE FAP COSTS TO BE AMORTIZED OVER THE FUTURE – I.E., THE FUTURE GENERATIONS WOULD HAVE BENEFITED FROM AN ARTIFICIALLY LOW SHARE OF THE COSTS SINCE THE RATEPAYERS FOR 2005 – 2017 PAID TOO MUCH, SO WE SHOULD BE ABLE TO ADD THOSE TO THE FUTURE GROUPS AND RECOGNIZE A FAIR ADJUSTMENT FOR CURRENT RATEPAYERS]

- (a) the costs incurred by the IESO before that day or expected to be incurred by the IESO on or after that day in relation to,
 - (i) payments made or expected to be made under section 78.1 of the *Ontario Energy Board Act, 1998*, other than payments made under contracts with Bruce Power L.P or Bruce Power A. L.P. or their successors or assigns, and
 - (ii) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*; and
- (b) such other costs, benefits or amounts as may be prescribed, in respect of the clean energy initiative, made or received before that day or expected to be incurred on or after that day. (“French”)

Principles

8.1 In preparing the Fair Allocation Plan or any amendments to the plan, the Minister shall have regard to the following principles:

1. The amounts should not be allocated in respect of any period of time after April 30, 2047.
- 1.1 At no time should the Fair Allocation Plan impair any investment asset, outstanding funding obligation or clean energy adjustment.
2. The share of the amounts allocated to specified consumers who receive an invoice in respect of a reference period should be proportionate to a reasonable assessment of the benefits derived by those consumers during that reference period.
3. The specified consumers to whom an invoice is issued during a reference period should not bear an unreasonably disproportionate share of the amounts allocated.
4. Adjustments should be made over time if the Minister is of the opinion that specified consumers have paid more than is reasonably proportionate.
5. Allocation of amounts should be determined for each reference period.
6. A reasonable estimate of the rate of inflation should be applied [in accordance with the regulations?].

Compliance

8.2 The IESO and the Financial Services Manager shall not, at any time, exceed the limits set out in the applicable Fair Allocation Plan.

[NOTE: THIS IS TOO STRONG. THE IDEA IS THAT IESO'S RIGHT OF RECOVERY WILL BE LIMITED IN A REFERENCE PERIOD BY THE FAP AMOUNT FOR THE PERIOD, MINUS THE FINANCE AMOUNTS FOR THE PERIOD. IN THIS WAY, THE IESO WILL BE ENTITLED TO PASS-THROUGH RECOVERIES IN A WAY THAT AFFECTS THE HYDRO BILLS OF EACH REFERENCE PERIOD RATEPAYERS IN A WAY THAT TRACKS THE FAP. SIMILARLY, IF IESO HAS TRANSFERRED ITS RECOVERY RIGHTS TO A IAO, THEN THE RELATED CEAs FOR THAT IAO WILL BE INSIDE THE FAP – AGAIN, SO THAT THE RATEPAYERS OF THAT PERIOD DO NOT BEAR A DISPROPORTIONATE BURDEN FOR THOSE COSTS. THESE CONCEPTS ARE REFLECTED IN THE MECHANICS DEALING WITH IESO RECOVERIES AND PASSING THROUGH CEAs, AND SO THIS SECTION CAN PROBABLY BE REMOVED]

FINANCING PLAN

Financial Services Manager to prepare plan

11. (1) The Financial Services Manager shall prepare and provide to the Minister a plan entitled the Financing Plan for the purpose of ensuring that decisions made under this Act are cost-effective and consistent with the Fair Allocation Plan.

Amendments to approved plan

(2) The financial services manager may propose amendments to the Financing Plan at any time.

[NOTE: THE FINANCING PLAN IS SUPPOSED TO BE FLEXIBLE, UNLIKE THE FAP. FORMAL AMENDMENTS WOULD MAKE THIS TOO RIGID. THE FSM SHOULD KEEP RECORDS OF THE FP OVERTIME, SO THAT FUNDING DECISIONS CAN BE DETERMINED BASED ON THE PRINCIPLES AND THERE IS A MEASURE OF ACCOUNTABILITY FOR THE FSM, INsofar AS THE RECORD-KEEPING WILL ALLOW THE MINISTER TO DO A PERIODIC CHECK TO MAKE SURE THAT FUNDING OBLIGATIONS WERE INCURRED IN MATERIAL CONFORMITY WITH THE FSM'S EVOLVING FP. THE CONCEPT OF THE FP IS TO CREATE DISCIPLINE, THOUGHFULNESS AND SOME MEASURE OF ACCOUNTABILITY FOR FSM IN MAKING FINDING DECISIONS.]

Compliance with Plan

11.1 The Financial Services Manager shall comply with the Financing Plan.

[NOTE: PROBABLY TOO RIGID A STATEMENT – SEE ABOVE. ALSO, OPG SEEMS TO HAVE ACCOUNTING ISSUES WITH THIS SORT OF MANDATORY DIRECTION – NEED TO CONFIRM]

Contents of plan

12. (1) The Financing Plan shall be prepared in accordance with the regulations and shall include such matters as may be prescribed, which may include the following:

1. A description of one or more transfers that may be made in respect of the regulatory asset established under Part **.
2. A description of the basis upon which funding obligations may be incurred in a manner that is consistent with the applicable Fair Allocation Plan.
3. A description of the funding obligations mentioned in paragraph 2, which may include the following:
 - i. Indebtedness.

- ii. Payment obligations arising under or in respect of derivatives.
- iii. Payment obligations owing to service providers, administrative agents, finance entity intermediaries, capital markets intermediaries, advisors, lenders, credit enhancement providers, liquidity providers, disbursement counterparties, regulatory agencies and rating agencies.
- iv. Refinancing an existing funding obligation by applying the net proceeds obtained by incurring other funding obligations.

[NOTE: PRINCIPLES AND PARAMETERS ARE UNDER CONSIDERATION AND WILL BE INCLUDED IN THE REGULATION.]

Limitation

(1.1) The Financing Plan shall not provide for the payment of the clean energy adjustment by specified consumers before May 1, 2022. [NOTE: WOULD PREFER TO SAY (1) NO CEAs IN THE FIRST 5 YEARS UNTIL, FOR A YEAR, THE LGIC CONFIRMS THAT THERE WILL NOT BE A FAIR ADJUSTMENT FOR THAT YEAR. SEE MECHANICS, ABOVE.]

Special purpose financing entities

(2) If the Financial Services Manager is a prescribed entity, the Financing Plan may, in accordance with the regulations, provide for the establishment by that entity of one or more special purpose financing entities that may incur funding obligations.

[Note: I understand that OPG doesn't need authority to establish a SPV beyond existing OPG authority under the EA, but do you still want something like subs. (2) for an entity other than OPG? It almost makes it look like OPG is not authorized to do so, since the provision singles out prescribed entities. Need to consider further]

[NOTE: THIS CONCEPT SHOULD BE MOVED TO THE REGULATION]

Limit on liquidation, etc. of [special purpose funding entities]

(3) The Financing Plan shall not provide for a [special purpose funding entity] to be liquidated, dissolved or voluntarily wound-up until at least one year after all of the funding obligations the entity has incurred have been satisfied. [NOTE: MOVE TO THE REGULATION]

Prohibition

(3) The Financing Plan shall not provide for funding obligations to be incurred with any recourse to any assets of the electricity vendors, the IESO, the Ontario Energy Board, the Province or the Lieutenant Governor in Council, except to the extent that any of these persons or entities may be liable to perform obligations or duties arising under this Act or under the express terms of a funding obligation.

Funding obligations unaffected by amendment to Fair Allocation Plan

(4) No change to a funding obligation shall result from an amendment to the Fair Allocation Plan that is made after the funding obligation has been incurred.

[Note: Consider Article 8 (9) entitled “incurrences are binding” -- I believe we have already stated in the Part dealing with the regulatory asset that the rights are enforceable etc. even if charges have been imposed in a manner that does not follow the Financing Plan. Is more drafting required?]

PART V THE REGULATORY ASSET [AND INVESTMENT ASSET]

Regulatory asset established

22. (1) The IESO has property rights and interests, which together constitute a regulatory asset, in the recovery of the IESO funding shortfall.

[Note to draft - Is it sufficient to say “*property rights and interests in the recovery of the IESO funding shortfall*”? Does that convey the right to enforce other parties’ obligations that would allow for the shortfall to be recovered by the IESO?]

Limitation

(1.1) The right to recover the IESO funding shortfall under subsection (1) is subject to the following limits:

1. The amount recovered in respect of a reference period may not exceed the amount by which the [fair allocation] in respect of a reference period exceeds the amount of the clean energy adjustment for the reference period.

[NOTE: CONSIDER IF THIS SHOULD BE A MAXIMUM OR A MANDATORY FLOW-THROUGH. IF THE IESO RECOVERIES PLUS CEAs FOR A PERIOD ARE LESS THAN THE FAIR ALLOCATION FOR A PERIOD, THEN THE RATEPAYERS OF THE PERIOD WILL BENEFIT FROM A LESSER SHARE OF THE COSTS THAN WOULD BE INDICATED BY THE FAP]

2. No part of the funding shortfall shall be recovered before May 1, 2022.

[NOTE: TOO RIGID. SEE CONCEPT OF FAIR ADJUSTMENT, ABOVE]

Same

(2) The establishment of the regulatory asset is not affected by any failure to impose, attribute, invoice, accrue or collect the clean energy adjustment.

Recording of IESO funding shortfall in books

22.1 (1) Subject to the approval by order of the Ontario Energy Board, the IESO shall record the IESO funding shortfall from time to time in its books. [NOTE: THIS SHOULD ALSO INCLUDE ADJUSTMENTS WHEN THERE IS A TRANSFER OR RECOVERY – I.E., THE REGULATORY ASSET AMOUNT RECORDED SHOULD BE REDUCED]

Order

(2) The Ontario Energy Board may, in accordance with the regulations, by order specify how the IESO funding shortfall must be recorded.

Recording in books determinative

(3) A recording in its books is determinative of the amount of IESO funding shortfall at the time of the recording.

IESO funding shortfall

22.2 (1) The IESO shall determine the IESO funding shortfall for each month in a reference period by calculating the difference between the following amounts:

1. The sum of all invoice amounts issued to specified consumers for the month.
2. The sum of all invoice amounts that would have been issued to specified consumers for the month if paragraphs 1 and 2 of section 7.2 did not apply.

[Note: Should the value of any consideration received as part of a transfer be reflected in this section?]

Same

(2) The determination under subsection (1) shall be made based on the amount of electricity actually used by specified consumers during the reference period.

[NOTE: FUNDING SHORTFALL DESCRIPTION MAY ALSO REFLECT ADJUSTMENT BASED ON ESTIMATE TO ACTUAL FROM EARLIER MONTH]

Transfer of regulatory asset

23. (1) The IESO may transfer the regulatory asset in accordance with the Financing Plan.

Consideration

(2) The IESO may receive consideration for the transfer of the regulatory asset, subject to the following rules:

1. The prospective owner of the investment asset to be acquired through the transfer shall pay to the IESO an amount equal to all or part of the IESO funding shortfall. [NOTE: INVESTMENT ASSET TO BE BASED ON FACE VALUE SO THAT THE IESO RECOVERY IS DOLLAR-FOR-DOLLAR. THIS MEANS THAT ACCRUALS WILL BE NEEDED FOR INITIAL PERIOD, RATHER THAN THE TRUST BUYING INVESTMENT INTERESTS AT A DISCOUNT AND HOLDING BACK ISSUE PROCEEDS TO FUND THOSE AMOUNTS.]

2. Upon receipt of the payment, the IESO shall record the payment as a reduction of the **AGGREGATE IESO funding shortfall** in its books.
3. Upon receipt of the payment, the IESO shall have no continuing right or interest in, or maintain any right to recover all or any part of the transferred regulatory asset.

Investment asset

Regulatory asset deemed to be investment asset upon transfer

23.1 Upon transfer of the regulatory asset or a portion of the regulatory asset, the regulatory asset or portion is deemed to be an investment asset and is vested in the investment asset owner.

[NOTE: DEEMING LANGUAGE TO ADDRESS TRANSFER AND CONVEYANCE IS UNDER CONSIDERATION.]

[NOTE: THE ASSET TRANSFERRED BY IESO WILL BE A RIGHT OF RECOVERY, BY REFERENCE TO CEAs. THE ASSET ACQUIRED WILL BE AN “INVESTMENT INTEREST”, BEING A SHARE (THE TERMS AND ENTITLEMENTS OF WHICH WILL BE DETERMINED UNDER A COLLECTIVE RIGHTS AGREEMENT) OF THE RIGHTS AND RELATED PROCEEDS FROM THE RIGHT TO BILL, ETC., CEAs. THE SUM OF ALL INVESTMENT INTERESTS WILL BE THE “INVESTMENT ASSET”.]

Same

(2) An investment asset constitutes a current and irrevocable property right and interest consisting, collectively, of the following rights and interests without duplication:

1. The right to impose, bill, invoice, collect and receive the clean energy adjustment from specified consumers, including the right to determine the amount of the clean energy adjustment in accordance with this Act.
2. The right to receive and collect all amounts in respect of the clean energy adjustment that are imposed, billed and invoiced under this Act, including any amounts that all amounts in respect of the clean energy adjustment that are held by electricity vendors or other prescribed parties.
3. All rights and entitlements under such accounts as may be prescribed by regulation and all amounts on deposit in such accounts.
4. The right to enforce the duties and obligations under this Act of each electricity vendor to impose, attribute, charge, bill and invoice the clean energy adjustment.

5. The right to enforce the duties and obligations under this Act of each electricity vendor to collect, receive and remit amounts received by it in respect of the clean energy adjustment, including all collections and the proceeds of any enforcement action undertaken by an electricity vendor to recover payment of the clean energy adjustment.
6. All rights of any kind (whether in tort, contract or otherwise) that attach or are attendant or incidental to any of the other property rights or interests that comprise the regulatory asset owner's regulatory asset.
7. All revenue, collections, claims, payments, money and proceeds of or derived from the rights described in paragraphs 1 to 6, regardless of whether such revenue, collections, claims, payments and proceeds are imposed, invoiced, collected and maintained together with or commingled with other revenue, collections, claims, payments, money and proceeds.

Same

(3) An investment asset is not affected by failure to impose, attribute, invoice, accrue or collect the clean energy adjustment.

No set off, etc.

(4) The investment asset shall not be set off or reduced by any person in any circumstance, including,

- (a) by a consumer, an electricity vendor, the IESO, an agent of the investment asset owner or an owner of distribution system assets in the Province; [NOTE: IF THE MECHANICS FOR CASH FLOWS ADOPT THE PRE-EXISTING METHODS AND TERMS AMONG IESO, LDCs AND RATEPAYERS, THIS PROVISION WILL NEED TO RECOGNIZE THAT THOSE TERMS WILL PREVAIL AND NOT BE AFFECTED BY THE NEUTERING OF SET-OFF, ETC.]
- (b) in connection with any default, bankruptcy, reorganization or other insolvency proceeding of a person mentioned in clause (a); [NOTE: CONSIDER IN CONTEXT OF FEDERAL BANKRUPTCY POWERS]
- (c) by any affiliate or successor of a person mentioned in clause (a).

Transfer of investment asset

24. The investment asset owner may transfer all or a portion of its rights and interests in an investment asset to **any other investment asset owner**, including by way of a transfer of a divided or an undivided interest, in accordance with the Financing Plan.

Validity of transfer

25. (1) A transfer of a regulatory asset or an investment asset under this Act that is expressed to be a sale or an absolute assignment is a valid and enforceable sale and absolute assignment of the regulatory asset or investment asset, as the case may be, and confers upon the owner of the investment asset acquired a valid property right and interest in, to and under the applicable investment asset in accordance with the terms of the transfer.

Same

(2) Without limiting subsection (1), any transfer that by its terms is intended to constitute a sale or absolute transfer shall be treated for all purposes as an absolute transfer of IESO's right to recover the IESO funding shortfall or an investment asset owner's right, title and interest in, to and under an investment asset, as applicable (or relevant portion thereof), and not merely as a pledge thereof, and upon such absolute transfer the transferor shall retain no right, title or interest in regulatory asset or the investment asset (or relevant portion thereof) subject to the transfer, including all rights to recover the IESO funding shortfall or the investment asset arising after such transfer.

[NOTE: ADDRESSES POSSIBLE RECHARACTERIZATION CONSIDERATIONS. MARKET WILL EXPECT TO SEE THIS GIVEN SECURITIZATION CONCEPTS IN PLAY.]

Deemed perfection, etc.

(3) At the time a transfer of a regulatory asset or an investment asset is made, the transfer shall be deemed to have been and shall be perfected, vested, valid and binding as against the transferor and all other persons who have claims of any kind against the transferor.

Priority of transfer, assignment, etc.

(4) Subsection (3) applies regardless of whether the persons who have claims have received notice of the transfer and the property rights and interests acquired by the owner of the investment asset shall have priority over any liens in favour of such other persons.

Administration of investment asset

26. (1) The Financial Services Manager shall administer an investment asset on behalf of the owner of the investment asset. [NOTE: TO BE ELABORATED]

Review of costs

(2) The Ontario Energy Board shall review the administrative costs of the Financial Services Manager. [NOTE: TO BE ELABORATED]

Investment asset owner may grant pledge

27. (1) The owner of an investment asset may grant a pledge to or in favour of a person in, to and over all or a specified portion of its right, title and interest in, to and under the investment asset in connection with any funding obligation.

Types of pledge

(2) A pledge may be a lien, mortgage, charge, right of set-off or security interest.

Validity

(3) The pledge may be made to secure a funding obligation and when granted shall be valid and enforceable in accordance with its terms and shall be effective to confer upon the person to whom the pledge is granted a valid security interest in, to and in respect of the investment asset in accordance with the terms of the pledge.

[Note: Additional content relating to the PPSA has not yet been addressed in any detail. Please review all subsections that contain the (x) below and advise what is needed. Some of this content was already covered by some of the numbered subsections in this draft.]

Perfection and priority of pledges

(x) For purposes of the *Personal Property Security Act*, the regulatory asset shall be intangible personal property and any pledge made by the owner of an investment asset in respect of a funding obligation shall, subject to the terms of the funding obligation, give rise to a security interest in respect of which that Act applies and may be perfected by filing a financing statement under that Act on that basis.

Same

(x) All provisions of the *Personal Property Security Act* shall apply to the regulatory asset on the basis that it is intangible personal property, except to the extent otherwise provided in this section.

Same

(x) All proceeds of a related [Investment Interest?] that are subject to the pledge that are received by the owner of the investment asset shall immediately be subject to the pledge, and the security interest in the proceeds shall be perfected pursuant to the *Personal Property Security Act*.

Same

(x) A pledge perfected under the *Personal Property Security Act* shall be a continuously perfected security interest and shall have priority over any other lien or security interest, created by operation of law or otherwise, that may attach to the property rights and interests in the [Investment Interest?] subject to the pledge unless the pledgee has otherwise agreed in writing.

Same

(x) A pledgee shall have a perfected security interest in a related investment interest, including the owner of the investment asset's rights and interests in and to [the clean energy adjustment?] or other related proceeds in respect of the investment interest and that are deposited in any [which account?] or other account of any [Electricity Distributor, IESO, Alternative Servicer or other person who may have commingled such Transition Charge Collections or such other proceeds with other funds].

Proceeds

(8) All proceeds of the investment asset that are subject to the pledge and that are received by the investment asset owner shall immediately be subject to the pledge and shall be perfected without any physical delivery of the proceeds, registration of any financing statement or any further act.

Perfection

(9) The pledge shall be a continuously perfected security interest and shall have priority over any other lien, created by operation of law or otherwise, that may subsequently attach to the property rights and interests in the investment asset subject to the Pledge, subject to the written consent of the person to whom the pledge has been granted.

Same

(10) The person to whom the pledge has been granted shall have a perfected security interest in revenues or other proceeds that are deposited in any [investment asset account] or other account of any electricity vendor, the IESO, an agent of an electricity vendor or the IESO or other person who may have commingled such revenues or other proceeds with other funds.

Collective action required

28. If the investment asset owner owns a right or interest in the investment asset that comprises less than the entire property right and interest constituted by the investment asset, the right or interest shall only be enforced by the investment asset owner collectively and in coordination with all other investment asset owners, and any agreement among that collective in furtherance of the collective action shall be valid and binding on the investment asset owner as a collective in accordance with its terms.

[Note: It seems that successors may need to be addressed here. Also Pledgees have not yet been addressed in this draft.]

Exercise of rights

29. The rights of the investment asset owner to collect and enforce its rights and interests in, to and in respect of the investment asset shall be exercised in accordance with section [xx].

PART VI MISCELLANEOUS

Appointment of agent, invoicing or collection

34. If a prescribed circumstance applies, the Lieutenant Governor in Council may by regulation appoint a person to carry out some or all of the obligations of an electricity vendor under this Act in the place of an electricity vendor with respect to invoicing or collection.

Not Crown agent

35.1 For greater certainty, no agent appointed under this Act is an agent of the Crown for any purpose, despite the *Crown Agency Act*.

Sequestration

35.2 [Note: Still to be drafted:

If any Electricity Distributor, IESO, Alternative Collection Agent or any owner of distribution system assets in the Province or any other person or entity authorized to collect clean energy adjustments, defaults on any required remittance of Clean energy adjustment Collections, Electricity Distribution Remittances or IESO Remittances under Article 5, any court in the Province, upon application by a Regulatory Asset Owner or Pledgee and without limiting any other remedies available to the applying party, shall order the sequestration and payment of the Clean energy adjustment Collections, Electricity Distribution Remittances and IESO Remittances, as applicable, for the benefit of the Regulatory Asset Owner or Pledgee.] [Such order shall remain in full force and effect notwithstanding any bankruptcy, reorganization, or other insolvency proceedings with respect to any Electricity Distributor, IESO, Alternative Collection Agent or any owner of distribution system assets in the Province or other person or entity authorized to collect Clean energy adjustments, as applicable.]

Successors

37. [Note: Articles 4 (6) and (7) and Articles 5 (7) and (8) are rules about successors to distributors and the IESO being bound by specific requirements. Still to be drafted.]

Choice of law

37.1 The law governing, as applicable, the validity, enforceability, attachment, perfection, priority and exercise of remedies with respect to the transfer of an interest or right or creation of a security interest in the regulatory asset, the clean energy adjustment or the undertaking of the Crown under section x shall be the laws of the Province.

Conflict

38. The provisions of this Act [and the regulations?] apply despite any provision of any other Act regarding the attachment, assignment or perfection, or the effect of perfection or priority of any transfer or PLEDGE,

No further approvals, etc.

39. Despite any requirement under any Act, no approvals, notices or authorizations other than those specified in this Act are required with respect to the actions to be taken in compliance with this Act, including actions to be taken under the Financing Plan or in relation to the establishment of the Fair Allocation Plan.

Immunity

97x. (1) No action or other proceeding for damages shall be instituted against any employee of the Province, IESO, OPG or OEB for any act done in good faith in the execution or intended execution of any duty or authority under this Act or for any alleged neglect or default in the execution in good faith of any duty or authority under this Act.

Same

(2) Despite subsections 5 (2) and (4) of the *Proceedings Against the Crown Act*, subsection (1) does not relieve the Crown of liability in respect of a tort committed by a person mentioned in subsection (1) to which it would otherwise be subject.

References in marketing materials and offering documents

98x. No person shall include, in marketing materials or offering documents relating to the financing of funding obligations, references to any rights, obligations, guarantees or undertakings arising under this section unless the prescribed requirements, if any, are satisfied.

Non-application, Financial Administration Act, s. 28⁷

99x. Section 28 of the *Financial Administration Act* does not apply with respect to any transaction or agreement or undertaking required, permitted, contemplated or authorized, directly or indirectly, under this Act.

Regulations

100x. The Lieutenant Governor in Council may make regulations,

- (b) governing the inclusion of adjustments under this Act on invoices, which may include requiring notice to be provided by electricity vendors to specified persons regarding the adjustments.

[Note: reg-making powers to be dealt with in subsequent draft]

⁷ FLS - see s. 51 of the Electricity Act, 1998

PART VII⁸
AMENDMENTS TO OTHER ACTS

ELECTRICITY ACT, 1998

200x. (1) Subsection 6 (1) of the *Electricity Act, 1998* would be amended by adding the following clauses:

- (q.1) to enter into agreements or arrangements with [any special purpose financing entities established under (name of new Fair Hydro Act?)];
- (q.2) to engage in activities related to making payments to and receiving payments from [any special purpose financing entities established under (name of new Fair Hydro Act?)], as required under that Act, and to engage in related settlement activities;
- (q.3) to engage in activities related to the transfer of the regulatory asset created under [(name of new Fair Hydro Act?)], which activities may include,
 - (i) incurring liabilities in relation to the regulatory asset
 - (ii) transferring the regulatory asset to [any special purpose financing entities established under (name of new Fair Hydro Act?)];
 - (iii) transferring the regulatory asset to third parties;
- (q.4) acting as a recovery agent under the [(name of new Fair Hydro Act?)];

201x. Subsection 53.1 (1) of the Act would be repealed and the following substituted:

Objects of Ontario Power Generation Inc.

53.1 (1) The objects of Ontario Power Generation Inc. include, in addition to any other objects, the following:

1. Owning and operating generation facilities.
2. Establishing, operating and supervising the activities of [any special purpose financing entities established under (name of new Fair Hydro Act?)].

⁸ FLS: These amendments are drawn from previous drafting contained in gov2016.146.e05 (which was drafted as amendments to the EA, 1998).

3. Providing financial and other support to the IESO in its activities under the [name of new Fair Hydro Act?].
4. Engaging in such financing, borrowing, lending and related activities and transactions to support the IESO with short-term or long-term financing.
5. Providing equity, not exceeding the prescribed amount, to support the financing capacity [any special purpose financing entities established under (name of new Fair Hydro Act?)].

[Note: Still to draft:

-for the new Fair Hydro Bill: *if OPG is the Financial Services Manager, it shall be required to provide an accounting of the amounts it charges the trust for the financing entity to the OEB 60 days in advance of the commencement of the fiscal year for the OPG trust/special purpose vehicle]*

Subsidiaries

(1.1) Ontario Power Generation Inc. may create one or more subsidiaries in order to more efficiently conduct its activities or achieve its objects.

202x. Section 89 of the Act would be amended by adding the following subsection:

Exception

(4) The requirement in subsection (1) to pay an amount to the Financial Corporation does not apply in respect of amounts payable to Ontario Power Generation Inc. or a subsidiary of Ontario Power Generation Inc. as a result of its functions as the Financial Services Manager under [new Act].

203x. Section 90 of the Act would be amended by adding the following subsection:

Exception

(4) The requirement in subsection (1) to pay an amount to the Financial Corporation does not apply in respect of amounts payable to Ontario Power Generation Inc. or a subsidiary of Ontario Power Generation Inc. as a result of its functions as the Financial Services Manager under [new Act].

[Note: Drafting still to be added to the EA consequential amendments: *All fees charged by OPG as the FSM shall be approved by the OEB before they are included in the calculation of clean energy adjustments.]*

AMENDMENTS TO ONTARIO ENERGY BOARD ACT, 1998

204x. Subsection 1 (1) of the *Ontario Energy Board Act, 1998* would be amended by adding the following paragraph:

6. To facilitate the implementation of the [TBD - language should link up with language from new Act.]

205x. Section 71 of the Act would be amended by adding the following subsection

[Note - still need to draft new subs. 70 (2.1) - instructions on pp. 8-9 of Rider instructions rec'd April 14th]

Short Title - this proposal for legislation would, if approved by the Legislature, have a short title to be determined by Government.

Timing – this proposal for legislation would, if approved by the Legislature, come into force on a date to be established by Government.

SCHEDULE 1
METHOD FOR DETERMINING AMOUNT OF CLEAN ENERGY ADJUSTMENT
FOR REFERENCE PERIOD

[NOTE: CEAs WILL BE DETERMINED BASED ON AN ESTIMATE OF COSTS AND REPAYMENTS FOR AN UPCOMING PERIOD, AND BE TRUED UP TO ACTUAL COSTS AND REPAYMENTS IN THE NEXT FOLLOWING PERIOD. THESE MECHANICS CAN BE SEEN IN THE SUMMARY DOCUMENT – “PERIOD FINANCE AMOUNTS” AND SECONDARY DEFINITIONS. THIS FORMULAIC APPROACH IS PREFERRED TO ESTABLISH A SUM CERTAIN OF THE DEBT REPRESENTED BY THE CEAs, ONCE BILLED. IT MAY BE USEFUL TO CREATE A DEFINITION TO ENCOMPASS ALL CEAs FOR A PERIOD, SINCE A CEA IS THE AMOUNT BILLED TO A PARTICULAR CUSTOMER]

1. The amount of the clean energy adjustment for a reference period shall be determined by calculating the sum of the following:

1. The sum of all payments made by owners of an investment asset [during the reference period?] to satisfy an obligation to repay, redeem or repurchase, or to provide for the repayment, redemption or repurchase, of all or a portion of the amount advanced to the owners under a funding obligation, excluding any payment made by applying the proceeds of a refinancing.

[Note: Para. 1 is the definition of “repayment” from the Blakes doc. However, that definition include bracketed text that says: *(including making Finance Reserve Deposits)*. I don’t understand this because (1) Finance Reserve Deposit is listed as a separate line item in the definition of “finance amount” (see para. 4 below). In order to avoid duplication, can we exclude “finance reserve deposits” from para. 1?]

[NOTE THAT SHOULD LIMIT CONCEPT OF RESERVE DEPOSITS AS INCURRENCES IF IT WOULD MEAN THAT THE PROCEEDS FROM A TRANSFER WOULD BE REDUCED FROM FACE VALUE WITH THE RESULT THAT IESO WOULD BE TRANSFERRING IAs AT A DISCOUNT]

2. The sum of all funding costs for the reference period, as determined under section 2 to this Schedule.
3. The sum of all amounts payable by or on behalf of owners of investment assets to redeem, prepay or repurchase a funding obligation, including any premium, make-whole or other amount becoming payable under a funding obligation to give effect to the redemption, prepayment or repurchase.

[Note: Para. 3 is the definition of “redemption amount” from the Blakes doc.]

[Note: What is meant by “make-whole” -- need some assistance in order to translate this term accurately. Do you have any examples of bilingual legislation where this term has been used?]

4. The balance of the finance reserve at the end of the reference period, as determined under section 3 to this Schedule.
5. The sum of any other amounts payable by owners of investment assets for the reference period that were incurred or committed to directly or indirectly in connection with the incurrence of funding obligations under the Financing Plan during the reference period, which may include such amounts as may be prescribed.

[Note: Para. 5 is based on the definition of “additional funding charges”.]

Funding costs

2. For the purposes of paragraph 2 of section 1 to this Schedule, the funding costs for a reference period are determined by taking the following steps:

1. Calculate the aggregate of all interest and other periodic finance charges accruing, due and becoming payable or paid by or on behalf of owners of investment assets during the reference period in respect of all funding obligations, including the following:
 - i. Standby commitment fees or charges paid to any lender.
 - ii. Credit enhancement fees or charges paid to any credit enhancer.
 - iii. Liquidity fees or charges paid to any liquidity provider.
 - iv. Payments, including termination payments, made under derivatives.
 - v. Deposits made or required to fund or replenish a debt service reserve account or other account established under any indenture, ancillary agreement or other financing document relating to a funding obligation.
2. Calculate the aggregate of all amounts received by or on behalf of the owners of investment assets during the reference period in respect of a funding obligation, including reimbursement of any amounts referred to in subparagraphs 1 i to v.

[Note: Para. 2 is the definition of “finance receipts” in the Blakes doc.]

3. Subtract the amount calculated under paragraph 2 from the amount calculated under paragraph 1.

Finance reserve balance

3. (1) For the purposes of paragraph 4 of section 1 to this Schedule, the balance of the finance reserve at the end of the reference period is determined by taking the following steps:

[Note: This section is a modification of the definitions provided in the Blakes document for “Finance Reserve Deposits” and “Finance Reserve Withdrawals”. The proposed definition of “FR deposit” involved a subtraction of the “FR withdrawal” so the term ‘deposit’ was not really descriptive of a pure deposit but rather the balance.]

1. Calculate the sum of all amounts deposited [to what account?] during the reference period in order to pre-fund, collateralize, over-collateralize or establish reserves for the ultimate payment of funding obligations or for related contingencies specified in the Financing Plan.
2. Calculate the sum of all amounts withdrawn from the account during the reference period from deposits previously made [e.g. during a previous reference period?] as described in paragraph 1.
3. Subtract the amount calculated under paragraph 2 from the amount calculated under paragraph 1.