

**Version 3**

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**A proposal to create Legislation.**

**Ontario's Fair Hydro Plan Act, 2017, if enacted**

## A proposal to create Legislation.

### Ontario's Fair Hydro Plan Act, 2017, if enacted

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

[Insert explanatory note.]

[Notes re this draft:

- all numbering of provisions may 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)
- need to check consistency of various phrases (e.g. *during/for/in respect of* reference period; *owner of RA/IA vs. RA/IA owner; etc.*)]

#### **Preamble**

The Government of Ontario is committed to fostering the development of a clean, modern and reliable electricity system with a diverse supply mix. The Government is also committed to removing barriers to and promoting opportunities for renewable and clean energy projects.<sup>1</sup>

The Government of Ontario has established a regulatory framework related to the generation and sale of electricity, which has promoted and continues to promote significant investment to enable phasing out of coal fired generation, modernizing sites and facilities in the Province for the generation of electrical energy and the production therefrom,<sup>2</sup> and conservation and demand management.

The Government of Ontario is committed to ensuring that the costs of these investments, and the raising of money to fund the investments,<sup>3</sup> are allocated fairly among present and future generations of consumers.

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

<sup>1</sup> Note: please see the preamble of the *Green Energy Act, 2009*.

<sup>2</sup> Note: please see clause 92A (4) (b) of the Constitution, 1867: "des emplacements et des installations de la province destinés à la production d'énergie électrique, ainsi que de cette production meme".

<sup>3</sup> Note: please see opening flush of s. 92A (4) of the Constitution Act, 1867

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## PART I GENERAL

### Interpretation

#### Definitions

**1xx.** (1) In this Act,

“Board” means the Ontario Energy Board; (“French”)

“clean energy adjustment” means the amount determined under section 10xx; (“French”)  
[Note - will need to check throughout the draft that references to CEA are clear as to whether it's the total CEA in respect of a reference period vs. the portion payable by a specified consumer. ]

“clean energy benefits” means, in respect of a reference period, the value of the benefits determined to be derived by the specified consumers during the reference period as a result of the clean energy initiative, including as a result of past, present and expected future incurrences of clean energy costs; (“French”)

“clean energy costs” means, in respect of a reference period, the value of the costs allocated to specified consumers during the reference period as a result of the clean energy initiative, including as a result of past, present and expected costs incurred in respect of,

- (a) the estimated costs to be incurred by the IESO under section 25.33 of the *Electricity Act, 1998* or any provision that is the successor to that provision, which relate to contracts for,
  - (i) renewable energy generation or capacity,
  - (ii) conservation and demand management, including storage,
  - (iii) energy efficiency,
  - (iv) natural gas generation and capacity, excluding contracts relating to amounts payable by the IESO under section 78.2 of the *Ontario Energy Board Act, 1998* and excluding such other contracts as may be prescribed, or
  - (v) payments made or expected to be made under section 78.5 of the *Ontario Energy Board Act, 1998*, and

(b) such other estimated costs as may be prescribed; (“French”)

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

- (a) fostering the growth of and investment in clean and renewable energy sources and technologies,
- (b) removing barriers to and promoting opportunities for clean and renewable energy sources and technologies, and
- (c) promoting conservation and demand management; (“French”)

“electricity vendor”<sup>4</sup> means the IESO, a licensed distributor, a licensed retailer or such other person as may be prescribed; (“French”)

“fair adjustment” means the determination of the rate payable for electricity in accordance with Part II; (“French”)

“Financial Services Manager” means Ontario Power Generation Inc. [or such other person or entity as may be appointed as the Financial Services Manager by the Minister under section \*\*]; (“French”)

**Commented [LAP1]:** Is it problematic that the Minister controls who is the Financial Services Manager?

“Financing Plan” means the plan prepared under section X, as amended from time to time in accordance with this Act; (“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”)

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

“IESO funding shortfall” means, in respect of a reference period, the amount determined under section 20xx for the reference period; (“French”)

“investment asset” means the investment asset created as described in section 22xx; (“French”)

“investment asset owner” means a financing entity that acquires an investment interest in the investment asset; (“French”)

<sup>4</sup> Note - this is similar to the definition of “electricity vendor” in the Ontario Rebate for Electricity Consumers Act, 2016

“investment interest” means an ownership interest in the investment asset, which entitles an investment asset owner to the rights and benefits specified in the agreement under which the ownership interest is transferred;

“invoice amount” means the amount, determined in accordance with subsections (2.1) and (2.2) and the regulations, that is payable by a specified consumer for the provision of electricity in Ontario during a period of time specified on an invoice issued by an electricity vendor; (“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”)

“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 the Fair Allocation Plan; (“French”)

“refinancing” means a repayment or repurchase of a funding obligation for cancellation by or on behalf of an investment asset owner 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 right established under section X to recover the IESO funding shortfall; (“French”)

“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”)

### **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**

(2.1) Subject to subsection (2.2) and the regulations, the invoice amount for a specified consumer includes the following amounts:

1. In circumstances where the electricity is provided by a licensed distributor or a licensed retailer, the following:
  - i. The commodity price of the electricity used during the invoice period.
  - ii. The rates and charges set out in the applicable rate order issued by the Board under subsection 78 (3) of the *Ontario Energy Board Act, 1998*.
  - iii. Any adjustment on the invoice required under section 25.33 of the *Electricity Act, 1998*.
  - iv. The amount of any harmonized sales tax payable [by the consumer?] under Part IX of the *Excise Tax Act* (Canada);
  - v. Any other amounts as may be prescribed.
2. In circumstances where the electricity is provided by the IESO, such amounts as may be prescribed. (“French”)

**Same, exclusions**

(2.2) Except as otherwise prescribed by the regulations, the 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 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.

5. Any other prescribed amounts.

### **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 *Ontario Energy Board Act, 1998*;
- (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.

### **Transfer**

(4) For greater certainty, a transfer of the regulatory asset or a portion of the regulatory asset includes any act of the IESO by which the IESO purports to dispose of its interest in the regulatory asset with the result of a named person becoming the owner of an investment interest.

### **Effect of invalidity, etc.<sup>5</sup>**

**2xx.** (1) 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, funding obligation**

(2) 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.

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<sup>5</sup> Note: this is from the *Climate Change Mitigation and Low-carbon Economy Act, 2016*

**Purpose**

**3xx.** (1) The purposes of this Act are,<sup>6</sup>

- (a) to ensure that clean energy costs are fairly allocated among specified consumers over time and that the process by which the Province raises money to fund the costs reflects the fair allocation; and
- (b) to recognize that clean energy benefits that have accrued and that will accrue over time will continue to benefit present and future electricity consumers in the Province.

**Crown bound**

**4xx.** This Act binds the Crown.

**Protection and assurances****Prohibition**

**5xx.** (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, with the approval of the Lieutenant Governor in Council, enter into agreements on behalf of the Province of Ontario with any person in respect of this Act, including agreements regarding financial commitments, financial arrangements, indemnities or similar transactions.

## **PART II**

### **FAIR ADJUSTMENT**

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<sup>6</sup> Note: Please see the *Electricity Act, 1998* for much of the wording proposed in this section.

## Fair adjustment, May 1, 2017 to April 30, 2018

### Definition

**6xx.** (1) In this section,

“average baseline invoice amount” means the average monthly invoice amount that would be payable by a representative consumer under the average baseline rate; (“French”)

“average baseline rate” means the average rate that would be payable effective May 1, 2017 by the class of consumers prescribed by the regulations under the *Ontario Energy Board Act, 1998* for the purposes of subsection 79.16 (1) of that Act, as determined by the Board by applying the method prescribed by the regulations under clause 79.16 (1) (b) of that Act; (“French”)

**Commented [LAP2]:** Does this rate assume this Act doesn't exist at all (i.e., rate based on GA full cost recovery)?

“sub-meter customer” means a person who is supplied electricity by a specified consumer, if an invoice for the electricity is issued to the person by the specified consumer, by an agent of the specified consumer or by a unit sub-meter provider providing unit sub-metering for the specified consumer; (“French”)

### Rate determination

(2) Subject to subsection (3), [to more fairly measure and allocate the clean energy costs and clean energy benefits among present and future generations of specified consumers,] the rate for electricity payable by a specified consumer for the period beginning on May 1, 2017 and ending on April 30, 2018 is the average rate that would be payable by a representative consumer in order for the representative consumer to receive a monthly invoice amount that is 25 per cent less than the average baseline invoice amount.

**Commented [LAP3]:** Could this further support the AG argument that the government is controlling/influencing the rate setting of OEB which I believe Nadine mentioned has been part of their reason for the AG not liking RRA in the past. Is this how the regulations are usually created with OEB?

**Commented [LAP4]:** What exactly is this? Does it include clean energy adjustment? If it does, then I think some of the discussion later on (regarding what cash financing payments can be made in the first five years) becomes circular. If not, then overall reduction on invoice would be less than 25% (net of interest).

**Commented [LAP5]:** Is it correct that this amount is somewhat arbitrary? For example...cost = 100, fair allocation = 90 and government has decided only to charge 75. In other words, the rate is not required to be reflective of fair allocation.

**Commented [LAP6]:** Is it correct that the 25% reduction will be potentially be comprised of a >25% reduction relating to the deferral of clean energy costs, offset by a clean energy adjustment financing charge?

### Sub-meter customers

(3) A specified consumer who provides electricity to a sub-meter customer and any unit sub-meter provider who provides unit sub-metering for the specified consumer shall ensure that the rate payable by each sub-meter customer is the rate determined under subsection (2).

### Determining rate

(4) The rate mentioned in subsection (2) shall be,

- (a) determined by the Board within seven business days after this section receives Royal Assent; and
- (b) effective as of the first day of the calendar month immediately following the determination.

### Transition

(5) If, for technical or operational reasons, an electricity vendor, specified consumer or unit sub-meter provider is unable to adapt its invoices to comply with this section by the time it issues its first invoice for electricity consumed on or after May 1, 2017,

- (a) the electricity vendor, specified consumer or unit sub-meter provider shall adapt its invoices as soon as possible and, in any event, no later than **August 1, 2017**; and
- (b) the electricity vendor, specified consumer or unit sub-meter provider shall ensure that any specified consumer or sub-meter customer invoiced at a rate higher than the applicable rate receives the difference between the rate shown on their invoice and the applicable rate as a lump sum credit on the first invoice issued after the invoices have been adapted or by such other means as may be prescribed by the regulations.

### Fair adjustment, May 1, 2018 to April 30, 2022

7xx. The Lieutenant Governor in Council may, **to more fairly measure and allocate the clean energy costs and clean energy benefits among present and future generations of specified consumers,** make regulations prescribing the rate for electricity payable by specified consumers and sub-meter customers during the period beginning on May 1, 2018 and ending on April 30, 2022.

## PART III CLEAN ENERGY ADJUSTMENT

### Specified consumers to pay clean energy adjustment

8xx. (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, as agent of the investment asset owners, 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.

Same

- (2) For greater certainty, subsection (1) applies regardless of,
  - (a) whether the clean energy adjustment is inconsistent with the fair allocation calculation applicable at the time when the payment is due; and
  - (b) whether the clean energy adjustment relates to funding obligations that were incurred in a manner that was inconsistent with the Financing Plan.

**Commented [LAP7]:** I thought rates were frozen for five years (except for CPI increases). This appears to give the government free reign to give more or less in years 2-5.

If absent this Act, the OEB sets rates based on costs incurred, is it correct that the only way to reallocate costs is for the government to make a fair adjustment. In other words, even if the reduction in a given period is meant to result in a rate that matches fair allocation, the reduction must be achieved by a fair adjustment. If this is the case, and the fair adjustment only exists until April 30, 2022, doesn't that mean the base rate (excluding clean energy adjustment) will go back up to cost after that without regard to fair allocation?

**Commented [LAP8]:** Fundamentals question – what is the nuance between when it is “the Minister” and when it is the “Lieutenant Governor”? Would this impact whether the government is considered to have control?

**Commented [LAP9]:** As per comment above, could this further support the AG argument that the government is controlling/influencing the rate setting of OEB. Is this how the regulations are usually created with OEB?

**Commented [LAP10]:** Going back to comments on the IESO rate regulated memo – when they address meeting the definition of an asset, we noted that they need to review the control and past transaction parts of the definition. When reading this act, it would imply to me that to have a clean energy adjustment, there has to be a specified consumer who used electricity during a future period and was therefore invoiced, implying that there may be an argument supporting that the transaction that gives rise to the asset is the use of electricity by the consumer in the future which then gives the IESO control of an asset that they can collect based on this act/the regulations; rather than, the payment by the IESO to the LDCs and the subsequent right to collect that back from consumers based on their future use and the related regulations.

The IESO/Province needs to be able to refute this point.

**Commented [LAP11]:** Are these events that are expected to occur if the program is executed as planned? Or just protection in case things get changed?

### **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 each investment asset owner in respect of each owner's respective interest 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.

### **Irrevocability of clean energy adjustment**

**9xx.** (1) The amount of the clean energy adjustment shown on an invoice issued to a specified consumer under this Act is determinative of the amount of the consumer's 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 a calculation error by the electricity vendor.

### **Determination of clean energy adjustment**

**10xx.** (1) The clean energy adjustment payable by all specified consumers in respect of a reference period shall be determined as follows:

1. Calculate the estimated finance amount for the reference period in accordance with Schedule 1 and such additional rules as may be prescribed.
2. Add the true up amount for the reference period, as determined in accordance with the prescribed method, to the estimated finance amount calculated under paragraph 1.

### **True up amount**

(2) For the purposes of paragraph 2 of subsection (1), the Lieutenant Governor in Council may make regulations prescribing the method for determining the true up amount, having regard to the following principles:

1. The true up amount should serve to ensure that the collection of the clean energy adjustment is sufficient to pay the estimated finance amount when it is due.
2. The method for determining the true up amount should take into account historical and reasonably foreseeable,

**Commented [LAP12]:** As per comment above, could this further support the AG argument that the government is controlling/influencing the rate setting of OEB. Is this how the regulations are usually created with OEB?

- i. differences between amounts billed and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs, and
- ii. variations in billings due to variations in electricity consumption.

#### **IESO to issue remittance notice to electricity vendors**

**11xx.** (1) The IESO shall, in accordance with the regulations, issue a remittance notice to each electricity vendor for the electricity vendor's portion, as determined in accordance with the regulations, of the clean energy adjustment in respect of a reference period.

#### **IESO to collect**

(2) The IESO shall, as an agent of the investment asset owners, collect the clean energy adjustment from electricity vendors [in accordance with the monthly settlement process set out in the market rules made under section 32 of the *Electricity Act, 1998*].

**Commented [LAP13]:** Doesn't contemplate the (hopefully unlikely) scenario in which the IESO finds funding in a manner different than selling the RA to the OPG Trust (e.g., IESO takes on debt). In such circumstance the IESO would not be collecting the full amount of the clean energy adjustment as an agent of the investment asset owners.

#### **Collection account**

(3) All of the following amounts received by the IESO shall, until paid to or for the benefit of the investment asset owner in accordance with subsection (5), be deposited promptly into an account established for the purposes of collecting those accounts:

1. Amounts described in subsection 12 (4).
2. Payments made by specified consumers directly to the IESO as electricity vendor under subsection 8 (1).

#### **Same, held in trust**

(4) All amounts received by the IESO in respect of the clean energy adjustment shall, until paid to or for the benefit of the investment asset owner in accordance with subsection (6), be held in trust for the investment asset owners or a secured party to whom a security interest in an investment interest is granted under this Act.

#### **IESO to remit**

(5) The IESO shall remit amounts received by it in respect of the clean energy adjustment to or for the benefit of the investment asset owners in accordance with the regulations.

#### **Collection of outstanding amounts, regulatory asset**

(6) 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 calculation made by the Financial Services Manager under Part IV, the IESO may collect the difference from specified consumers.

**Commented [LAP14]:** Isn't this the True up amount discussed above? If so, is this necessary. If not, what is this referring to?

#### **Electricity vendor to invoice specified consumers**

**12xx.** (1) The electricity vendor shall issue an invoice to each specified consumer for the consumer's amount of the clean energy adjustment in accordance with the regulations.

#### **Electricity vendor to collect**

(2) Each electricity vendor shall, as an agent of the IESO and the investment asset owners, collect the clean energy adjustment from specified consumers in accordance with the monthly settlement process set out in the market rules made under section 32 of the *Electricity Act, 1998*.

#### **Pro rating of payments**

(3) If 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 the amount paid is less than the total amount payable, 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 in respect of electricity charges for the same invoice period.

#### **Held in trust**

(4) All of the following amounts received by an electricity vendor shall, until paid to or for the benefit of the investment asset owner in accordance with subsection (5), be held in trust for the investment asset owners or a secured party to whom a security interest in an investment interest is granted under this Act:

1. Payments received from or on behalf of specified consumers under subsection 8 (1).
2. Portions of payments received from or on behalf of specified consumers under subsection 8 (1) that are allocated to the clean energy adjustment under subsection (3).
3. Any proceeds arising from the exercise and enforcement of any rights and interests under or in respect of the investment asset.

#### **Remittance to IESO**

(5) Each electricity vendor other than the IESO shall remit amounts described in subsection (5) to the IESO for the benefit of the investment asset owners or secured parties in accordance with the regulations.

**Regulations**

(6) If an electricity vendor fails, in the manner described in the regulations, to comply with the requirements of this section, the electricity vendor shall take such steps as the regulations may prescribe.

## PART IV IMPLEMENTATION

### FINANCIAL SERVICES MANAGER

**Appointment**

13xx. (1) [Note: To be elaborated.]

**Termination**

(2) The Minister may by written order terminate the appointment of an appointee as the Financial Services Manager if,

- (a) the Minister has advised the appointee that the Financing Plan is either inconsistent with or is being implemented in a manner that is inconsistent with the principles set out in section x;
- (b) the appointee has been afforded a reasonable opportunity to consider and address the inconsistency; and
- (c) the appointee is unwilling or unable to address the inconsistency to the satisfaction of the Minister.

**Replacement**

(3) Upon terminating an appointment, the Minister may, in accordance with the regulations, appoint a new person or entity as the Financial Services Manager.

**Duties and powers**

14xx. (1) The Financial Services Manager shall perform the duties assigned to it under this Act and may administer the investment asset on behalf of the investment asset owner.

**Same**

(2) The administration of the investment asset may include the following:

1. Providing information, in accordance with the regulations, to the Board in respect of funding obligations and the determination of the clean energy adjustment in accordance with section XX.

**Commented [LAP15]:** Does this suggest government has control? Particularly if the government determines the principles against which the Financing Plan is being assessed.

How limited is the Ministers ability based on 2a,b,c of this clause? Appears to give direct control to the Minister as to who will manage this. The Minister seems to be influencing/making decisions which are supposed to be controlled by OPG.

PS1300.14; PS1300.18/.19

**Commented [LAP16]:** Control issue?

2. Providing information to electricity vendors, including the IESO, in respect of obligations under Part III.
3. Such other matters as may be prescribed.

#### Review of costs

(3) The Board shall review the administrative costs of the Financial Services Manager in accordance with the regulations.

#### FAIR ALLOCATION AMOUNT

#### Financial Services Manager to calculate fair allocation amount

**15xx.** (1) The Financial Services Manager shall calculate the fair allocation amount for the purposes of,

- (a) fairly measuring and allocating the estimated clean energy costs and estimated clean energy benefits among the specified consumers in respect of each reference period; and
- (b) aligning funding obligations that may be incurred during each reference period with the allocation of the estimated clean energy costs and estimated clean energy benefits across present and future generations of specified consumers.

#### Amount

(1.1) The fair allocation amount in respect of a reference period is the sum of the following amounts:

1. The amount, if any, by which the estimated [clean energy costs] [clean energy benefits] to be allocated to specified consumers in respect of the reference period exceeds the estimated amount of [the global adjustment] that would be borne by the specified consumers in respect of clean energy costs [in the absence of this Act].
2. An allocable portion of the value of any fair adjustment, determined in accordance with subsection (3).

**Commented [LAP17]:** If fair allocation is less than actual costs, is it correct that the only mechanism for the customer to pay an amount lower than cost is through a fair adjustment? If true, then what happens after 2022 when fair adjustment doesn't seem to be available?

**Commented [LAP18]:** Since amount collected from customer (Clean Energy Adjustment) is based on finance plan, and finance plan is based on fair allocation, the fair allocation must include an adjustment when the fair allocation was unable to be collected in full in prior periods because government reduced rates through fair adjustment to a lower amount. Correct?

#### Principles

(2) In calculating the fair allocation amount [or in developing the fair allocation calculation?], subject to subsection (3), the Financial Services Manager shall have regard to the following principles:

1. Clean energy costs allocated to the specified consumers in respect of a reference period should be allocated in proportion to the clean energy benefits attributed to the specified consumers in respect of the reference period.
2. The clean energy benefits attributed to the specified consumers in respect of a reference period should be determined based on *[Insert principles]*.
3. The fair allocation calculation should include reasonable assumptions regarding the following:
  - i. The time value of money or the rate of inflation, for the purpose of equating nominal amounts over time.
  - ii. The expected number of specified consumers for each reference period.
  - iii. The expected electricity consumption rates for each reference period.

**Commented [LAP19]:** This seems to be significant. It sets out what is considered to be the fair way to recover costs from customers. Who is deciding what the principles are going to be? I imagine there will be a significant amount of judgment involved. Who will control this – OPG or the government?

#### **Allocation of fair adjustment**

(3) If, before the Financial Services Manager has calculated the fair allocation amount in respect of a reference period, a fair adjustment has been made under Part II in respect of the reference period, the calculation shall include a portion of the value of the fair adjustment in the fair allocation calculation for each future reference period.

**Commented [LAP20]:** For example...In RP#1, there will be nothing to include in the fair allocation calculation. In RP#2, some portion of the 25% discount from RP#1 needs to be included in the fair allocation calculation. Correct?

#### **Amendments to the fair allocation calculation**

(4) The Financial Services Manager may amend the fair allocation calculation from time to time, as the Financial Services Manager considers appropriate, having regard to the requirements of this Act.

#### **Submission of fair allocation to Minister**

(5) The Financial Services Manager shall provide to the Minister the fair allocation calculation and any amendments to the fair allocation calculation.

#### **Effective date**

(6) The fair allocation calculation or an amendment to the fair allocation calculation takes effect on the day that is 30 days after the fair allocation calculation or the amendment, as the case may be, is provided to the Minister in writing.

#### **Publication**

(7) The Minister shall ensure that the fair allocation calculation and any amendments to it are made available to the public in a manner that the Minister considers appropriate.

**Commented [LAP21]:** Does this constitute Minister approval? Is that problematic from a control perspective?

## FINANCING PLAN

**Financial Services Manager to prepare Financing Plan**

**16xx.** (1) The Financial Services Manager shall prepare and provide to the Minister a written plan entitled the Financing Plan to be used by the Financial Services Manager to evaluate whether potential funding obligations should be incurred or potential transfers should be made for the purposes of this Act.

**Principles**

(2) In preparing the Financing Plan, the Financial Services Manager shall have regard to the following principles:

1. Any incurrence of a funding obligation should reasonably align the expected finance amount determined under Schedule 1 that would become due and payable during a reference period with the fair allocation amount determined for the reference period under this Part as of the time of the incurrence, in each case after reducing the fair allocation calculation by the amount of any fair adjustment for the reference period.
2. Incurrences and transfers should be implemented in a manner that, as the Financial Services Manager considers to be reasonable, is cost effective and reflects prevailing market terms and conditions.
3. Reasonable assumptions should be made regarding such matters as may be prescribed.

[Note for reference: List of items for consideration in regulation: (a) anticipated IESO funding shortfalls and related transfer amounts; (b) the maturities of funding obligations; (c) the availability of refinancings, redemption opportunities and liquidity terms and conditions in order to achieve the objective contemplated in section X(1)(a); (d) the availability of currency and interest rate hedging facilities for the purpose of mitigating any differences between the expected finance amounts becoming due and payable during a reference period and the fair allocation amount for the reference period; (d) the amount and potential variability of interest rates and related financing costs; (e) available capital markets in which funding obligations may be incurred.]

**Amendments to approved plan**

(3) The Financial Services Manager may amend the Financing Plan at any time, without the approval of the Minister, subject to the requirements set out in this section.

**Limitation, first five year period**

(4) In respect of each reference period from May 1, 2017 to April 30, 2022, no funding obligation shall be incurred that would become payable during the reference period and result in a clean energy adjustment for the reference period unless,

**Commented [LAP22]:** Isn't this difficult/restrictive? Every time money is borrowed, terms must be negotiated with the lender to ensure cash flows match the cash flows that are considered to be fair from the customers' perspective? At the time the borrowing is entered into, the resulting funding obligation will impact reference periods in years to come. How do they know what the future fair adjustments will be (is the issue limited to the first five years b/c no fair adjustment after that)?

Can we discuss this paragraph. It is difficult to understand how the last part is executed.

**Commented [LAP23]:** But if it has to align with fair allocation and fair adjustment, and Minister approves the both of those, what latitude for change does OPG really have?

- (a) no fair adjustment has been made under Part II in respect of the reference period; or
- (b) if a fair adjustment has been made under Part II in respect of the reference period, the funding obligations incurred would not be payable during the reference period in an amount that exceeds the [difference between the fair allocation amount for the reference period and the amount of the fair adjustment for the reference period].

**Commented [LAP24]:** Is this saying that if the government chooses to have rates based on cost, with no fair adjustment, cash financing costs (relating to fair adjustments in prior periods) can be incurred during that period and recovered through a clean energy adjustment. If so, how would you ever know this at the time the debt is incurred and terms negotiated?

**Commented [LAP25]:** Let's assume cost=100, fair allocation=90, fair adjustment=75. Is this saying you can incur cash financing costs (relating to fair adjustments in prior periods) up to  $90-75=15$ ? Again, how would you know this at time debt is negotiated?

### Confidentiality of plan

(4) The Financing Plan is deemed to be a record subject to section 17 of the *Freedom of Information and Protection of Privacy Act*.

### Implementation of Financing Plan

**17xx.** (1) The Financial Services Manager shall incur funding obligations and make transfers in material conformity with the applicable Financing Plan.

### Same

(2) For greater certainty, section [paramountcy of funding obligations] applies despite the failure of the Financial Services Manager to comply with subsection (1).

### Financing entities

(3) In accordance with the Financing Plan, the Financial Services Manager may establish one or more financing entities that may incur funding obligations and make transfers.

### Prohibition

(3) The Financial Services Manager shall not provide for funding obligations to be incurred with any recourse to any assets of an electricity vendor, the 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.

### Effect of amendment to Fair Allocation Plan

(4) No funding obligation incurred and no transfer made by the Financial Services Manager shall be affected by any inconsistency with the Financing Plan, including any inconsistency with the principles set out in section X.

## PART V THE REGULATORY ASSET

### Interpretation, portion of regulatory asset

**18xx.** If a transfer under this Part provides for the transfer of a portion of the regulatory asset, any references in this Part to the regulatory asset are deemed to be references to the portion of the regulatory asset transferred.

[Note: This is meant to assist with clarity in the subsequent provisions.]

### Variance account

**19xx.** (1) The Board shall issue an accounting order to authorize the IESO to do the following:

1. Create a variance account for the purposes of this Act.
2. Record the IESO funding shortfall in the variance account from time to time.
3. Recover the IESO funding shortfall in accordance with section X and the regulations.

### No hearing

(2) The order of the Board shall be made in writing and without holding a hearing.

### No appeals, etc.

(3) No appeal lies from the order of the Board.

### IESO funding shortfall

**20xx.** (1) The IESO shall determine the IESO funding shortfall for each month in the following manner:

1. Calculate the sum of all invoice amounts issued to specified consumers for the month if Part II of this Act did not apply.
2. Calculate the sum of all invoice amounts issued to specified consumers for the month.
3. Subtract the amount calculated under paragraph 2 from the amount calculated under paragraph 1, and make any other adjustments as may be prescribed.

**Commented [LAP26]:** This makes sense if absent Part II (Fair Adjustment) the rate is reflective of actual costs (i.e., there is no mechanism for rates to be reduced to reflect fair allocation other than through Fair Adjustment). If this is correct, why does Fair Adjustment section only go to April 30, 2022?

### Same

(2) To the extent that the IESO funding shortfall for any month is based on an estimate of the electricity used by specified consumers, the IESO shall record an

adjustment in the variance account in the following month to reflect the difference between the estimate and the electricity actually used by specified consumers.

### **Recording of IESO funding shortfall**

(3) IESO shall record the IESO funding shortfall from time to time, including adjustments resulting from the exercise of the right of recovery under section 21 and any transfer under section 22, in the variance account.

### **Recording determinative**

(4) A recording of the IESO funding shortfall in the variance account is determinative of the amount of IESO funding shortfall at the time of the recording.

### **Regulatory asset established**

**21xx.** (1) The IESO has the right, exercisable in accordance with this Act and the regulations, to recover the IESO funding shortfall.

### **Same, restrictions**

(2) The IESO's right to recover the IESO funding shortfall under subsection (1) is subject to the following:

1. The IESO shall not be entitled to collect the IESO funding shortfall from specified consumers before May 1, 2022.
2. The process by which the IESO may recover the IESO funding shortfall shall be established by the Board, having regard to the amount of the IESO funding shortfall from time to time and the [fair allocation calculation].
3. Such other restrictions as may be prescribed.

### **Transfer of regulatory asset**

**22xx.** (1) The IESO may transfer all or a portion of the regulatory asset to any financing entity under the Financing Plan, which transfer creates the investment asset.

### **Same**

- (2) Upon receipt of any payment in consideration for the transfer,
- (a) the IESO shall record the payment as a reduction of the IESO funding shortfall in the variance account; and
  - (b) unless otherwise provided for in this Act, the IESO shall have no further right, title or interest in, or any obligations in respect of, the regulatory asset or in the investment asset created by the transfer.

**Same**

(3) Upon transfer, the financing entity becomes an investment asset owner and acquires an investment interest.

**Validity of transfer**

**23xx.** (1) A transfer of a regulatory asset under this Act is a valid and enforceable sale and absolute transfer to the investment asset owner of the regulatory asset, and the investment asset created by the transfer shall be immediately vested in the transferee.

**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, and not merely as a security interest, and upon the absolute transfer the transferor shall retain no right, title or interest in the regulatory asset, including all rights to recover the IESO funding shortfall.

**Deemed perfection, etc.**

(3) At the time a transfer of a regulatory 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**

(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 transferee shall have priority over any liens in favour of those persons.

## **PART VI**

### **THE INVESTMENT ASSET**

**Interpretation, investment asset**

**24xx.** If a transfer under this Part provides for the transfer of an investment asset, any references in this Part to the investment interest are deemed to be references to the specific investment interest transferred.

**Investment asset established**

**25xx.** (1) The 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.

**No set off, etc.**

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

- (a) by a consumer, an electricity vendor, an agent of the investment asset owner or an owner of distribution system assets in the Province;
- (b) in connection with any default, bankruptcy, reorganization or other insolvency proceeding of a person mentioned in clause (a); or
- (c) by any affiliate or successor of a person mentioned in clause (a).

### **Exercise of rights**

(3) The rights of the investment asset owner to collect and enforce its rights and interests in, to and in respect of the investment asset against a specified consumer shall be exercised in accordance with section [xx] of the *Personal Property Security Act*.

### **Collective action required**

(4) 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: Successors may need to be addressed here.]

### **Transfer of investment interest**

**26xx.** An investment asset owner may transfer all or a portion of its rights and interests in an investment interest 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**

**27xx.** (1) A transfer of an investment interest under this Act is a valid and enforceable sale and absolute transfer of the investment interest and confers upon the owner of the investment interest acquired a valid property right and interest in, to and under the applicable investment interest in accordance with the terms of the transfer.

### **Same**

(2) Without limiting subsection (1), a 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 an investment asset owner's right, title and interest in, to and under an investment interest, and not merely as a security interest, and upon such absolute transfer the transferor shall retain no right, title or interest in the investment interest, subject to the transfer, including all rights to the investment interest arising after the transfer.

### **Deemed perfection, etc.**

(3) At the time a transfer of an investment interest 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 investment asset owner shall have priority over any liens in favour of such other persons.

### **Investment asset owner may grant security interest**

**28xx.** (1) An investment asset owner may grant a security interest over all or a specified portion of its right, title and interest in, to and under the investment interest to or in favour of any person to secure a funding obligation.

### **Validity**

(2) A security interest granted under this Act shall be valid and enforceable in accordance with its terms.

### **Perfection and priority of security interests**

(3) All provisions of the *Personal Property Security Act* shall apply to the investment asset and each investment interest on the basis that it is intangible personal property, except as otherwise provided for in this section, and any granting of a security interest by the owner of an investment interest to secure 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.

### **Proceeds**

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

### **Perfection**

(5) The security interest 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 interest subject to the security interest, subject to the written consent of the person to whom the security interest has been granted.

### **Same**

(6) The person to whom the security interest 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.

## PART VI MISCELLANEOUS

### **Appointment of agent, invoicing or collection**

**29xx.** 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**

**30xx.** For greater certainty, no agent appointed under this Act is an agent of the Crown for any purpose, despite the *Crown Agency Act*.

### **Sequestration**

**31xx.** (1) A court in the Province may, upon application by an investment asset owner or a secured party, order the sequestration and payment of the clean energy adjustment, collections and remittances, as applicable, for the benefit of the investment asset owner or secured party by any person or entity authorized to collect the clean energy adjustment, defaults on any required remittance of the clean energy adjustment, collections or remittances.

### **Same**

(2) An order under subsection (1) does not limit any other remedies available to the applicant.

### **Same**

(3) An order under subsection (1) shall remain in full force and effect despite any bankruptcy, reorganization or other insolvency proceedings with respect to the person or entity who is subject to the order.

### **Choice of law**

**32xx.** 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 investment asset, the clean energy adjustment or the undertaking of the Crown under section x shall be the laws of the Province.

### **Conflict**

**33xx.** 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 security interest.

### No further approvals, etc.

**34xx.** 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

**35xx.** (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

**36xx.** 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. 28<sup>7</sup>

**37xx.** 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

**38xx.** The Lieutenant Governor in Council may make regulations,

- (a) defining any term used in this Act....
- (b) prescribing types of payment obligations that constitute funding obligations;
- (a) governing the calculation [true-up amount] and how the amount is to be applied to the clean energy adjustment.
- (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.

**Commented [LAP27]:** What powers/control indicators might this give to the government, if any?

<sup>7</sup> Note - see s. 51 of the Electricity Act, 1998

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

## PART VII 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.0.1) to exercise the powers and rights and to perform the duties and obligations assigned to it under the *Ontario Fair Hydro Plan Act, 2017* and to engage in activities to facilitate the implementation of the *Ontario Fair Hydro Plan Act, 2017*, including,
  - (i) entering into agreements or arrangements with any person for the purposes of the *Ontario Fair Hydro Plan Act, 2017*;
  - (ii) engaging in activities related to making payments to and receiving payments as contemplated under the *Ontario Fair Hydro Plan Act, 2017* and to engage in related settlement activities;
  - (iii) engaging in activities related to the creation, transfer and administration of the regulatory asset created under the *Ontario Fair Hydro Plan Act, 2017*, which activities may include,
  - (iv) incurring liabilities in relation to the regulatory asset
  - (v) transferring the regulatory asset for consideration;
  - (vi) acting as a recovery agent under the *Ontario Fair Hydro Plan Act, 2017*;

**201x. Section 53.1 of the Act would be amended by adding the following subsections:**

#### **Same, *Ontario Fair Hydro Plan Act, 2017***

**53.1 (1.1)** In addition to the objects mentioned in subsection (1), the objects of Ontario Power Generation Inc. include exercising the powers and rights and performing the duties and obligations assigned to it under that Act and engaging in activities to facilitate the implementation of the *Ontario Fair Hydro Plan Act, 2017*, including the following:

1. Entering into contracts and undertakings on behalf of special purpose financing entities, including pre-formation contracts and undertakings and as principal in relation to matters permitted by the *Ontario Fair Hydro Plan Act, 2017* subject to the right of reimbursement from amounts available to the financing entity.
2. Preparing reports on behalf of the financing entity.
3. Enforcing the rights of the financing entity.
4. Signing offering documents as sponsor or otherwise on behalf of the financing entity.
5. Exercising the powers and performing the duties of the Financial Services Manager under the *Ontario Fair Hydro Plan Act, 2017*.
6. Issuing non-equity securities in Ontario Power Generation Inc. or on if its subsidiaries, for the purpose of raising funds to acquire debt or equity interests in a financing entity whose activities are limited to the incurrence of funding obligations pursuant to the *Ontario Fair Hydro Plan Act, 2017*.

#### **Subsidiaries, etc.**

(1.2) Ontario Power Generation Inc. may create one or more subsidiaries, trusts or special purpose entities 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 the *Ontario Fair Hydro Plan Act, 2017*.

**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 the *Ontario Fair Hydro Plan Act, 2017*.

**Commented [LAP28]:** I think a separate entity may increase the risk that the activity of the entity separated out from OPG is seen to be controlled by the government directly at the consolidated level and, if that separate entity is not a GBE, there may be an argument to fully consolidated (even though the structure would roll it up through OPG).

[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.*]

Commented [LAP29]: Is there any risk or reward to OPG?

#### 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 70 of the Act would be amended by adding the following subsection**

[Note - still need to draft new subs. 70 (2.1)]

**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  
ESTIMATED FINANCE AMOUNT

**Estimated finance amount**

1. The estimated finance amount for a reference period shall be determined by estimating, prior to the start of a reference period, the sum of the following:

1. The sum of all amounts that are payable during the reference period by or on behalf of the investment asset owners 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.
2. The sum of all funding costs for the reference period, determined as follows:
  - i. Calculate the aggregate of all interest, scheduled principal and other periodic finance charges accruing, due and becoming payable or paid by or on behalf of investment assets owners during the reference period in respect of all funding obligations, including such amounts as may be prescribed.
  - ii. Calculate the sum of the aggregate of all amounts received by or on behalf of investment asset owners during the reference period in respect of all funding obligations and such other amounts as may be prescribed.
  - iii. Subtract the amount calculated under paragraph 2 from the amount calculated under paragraph 1.
3. The sum of all amounts payable during the reference period by or on behalf of investment asset owners 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.
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 during the reference period by or on behalf of investment asset owners 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.

**Commented [LAP30]:** Isn't this circular? An amount is charged to the customer (through the CEA), but the calculation of the amount charged to the customer is net of what has been charged to the customer.

**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:

**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:

1. Calculate the sum of all amounts deposited by or on behalf of investment asset owners 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 by or on behalf of investment asset owners during the reference period from deposits previously made as described in paragraph 1.
3. Subtract the amount calculated under paragraph 2 from the amount calculated under paragraph 1.