electricity price mitigation

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Attachments: BN Rate Mitigation Accounting and Fiscal Analysis Jan 2017 v8hg_BP.docx (54.59 kB)

Hi Cindy

We just got off the call with the ofa. They share our view that there are reasons to be concerned about the proposals in the deck – we were mostly focussed on items 3, 4 and 5 and 8. We asked about the other expensive ones (RRRP eg) and they said the main consideration they saw there is the policy decision about whether to take it out of taxpayers – they see that as raising a question at high level of policy consistency, if we are nearly out of the business of putting costs on taxpayers, including with hydro sale, etc, isnt this a significant backward step.

On Initiative 3 (which is looking to lengthen recovery of costs from GA, either through synthetically achieving amortization profile via debt finance or doing it through “legislating” that IESO adopts some aspects of rate-regulated accounting), OFA pointed out a couple of fundamental problems. One is looking to match a future recovery that wont take place until decades after the end of the life of the benefit.

We also read slide 17 carefully together, from which it would appear Energy may have already gotten some views from IESO about rate-regulated approach – not yet in the BN, but you might want to flag that we’d need to see a lot of analysis from them as to whether the impacts of that approach are truly confined “just” to this issue, or whether there could be other unintended consequences if govt went down that route.

They noted also the extra costs here are very large (interest charges in the billions) and not clear how those would survive a VFM analysis, whether by the OEB (which we understand has rejected some of the proposed energy infrastructure projects, on the basis that the cost-benefit is too negative), by the AG or by the FAO.

On the Trillium-related ones, they agreed with our points (see attached). Also, along with #8, there is the stranded debt issue that keeps arising. And in addition they agreed there is a potential Eurig problem that needs careful thought, regarding both ratepayer vs taxpayer, as well as intergenerational incidence of the spend mismatched with the benefits.

Attached redraft of note is still quite rough – we are still refining and Nadine hasn’t had a chance to review it yet.

Helen