Ontario

LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

LRC Tracking #: OICNA-12805
EVista Tracking #: SUB-NAOIC-2015-01982

Ministry of Energy

Proclamation OIC to support the Hydro One IPO

Order in Council

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Low
New Costs/Burdens: No for Stakeholders; No for Government
New Savings/Opportunities: No

Proposed Items for Review

1. The proclamation OIC would proclaim August 31, 2015 as the date upon which certain amendments to s. 48.1, s. 48.2, s. 49(1), s. 50.2.1, and s. 53 of the *Electricity Act, 1998* (EA) would come into force.
2. The OIC would also proclaim October 15, 2015 as the in force date for certain amendments to the *Electricity Act, 1998*, the *Broader Public Sector Accountability Act, 2010* the *Financial Administration Act*, the *Lobbyists Registration Act, 1998* and the *Trillium Trust Act, 2014*.

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC		

Serge Imbrogno
Deputy Minister

August 17, 2015
Date

Minister

Date

Ontario

LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

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Ministry of Energy

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Profile at a Glance

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Public Interest: Low
Key Stakeholder Interest: Low
New Costs/Burdens: No for Stakeholders; No for Government
New Savings/Opportunities: No

Proposed Items for Review

1. The proclamation OIC would proclaim August 31, 2015 as the date upon which certain amendments to s. 48.1, s. 48.2, s. 49(1), s. 50.2.1, and s. 53 of the *Electricity Act, 1998* (EA) would come into force.
2. The OIC would also proclaim October 15, 2015 as the in force date for certain amendments to the *Electricity Act, 1998*, the *Broader Public Sector Accountability Act, 2010* the *Financial Administration Act*, the *Lobbyists Registration Act, 1998* and the *Trillium Trust Act, 2014.*

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC		

Deputy Minister — Date

Minister — Date

s. 1 Proposal and Context

As announced in the 2015 Ontario Budget, the Province is moving forward with the Premier's Advisory Council on Government Assets' recommendations to broaden the ownership of Hydro One Inc. (Hydro One) through an initial public offering (IPO) and merge Hydro One Brampton Networks Inc. (HOBNI) with three other large electricity distributors – PowerStream, Enersource and Horizon.

As part of the 2015 Ontario Budget, legislative amendments were made to the *Electricity Act, 1998 (*EA) in order to maintain oversight and prepare for the IPO. These legislative changes, once proclaimed, would require that Hydro One to maintain its head office for itself and its subsidiaries, its strategic decision making for itself and its subsidiaries, and grid control centres in Ontario, to prevent it from selling substantially all of its assets, to prevent ownership over 10% (other than by the Province), to provide for repeals of and amendments to of various clauses and subsections, etc. The proclamation OIC would proclaim August 31, 2015 as the date upon which these legislative amendments to s. 48.1, s. 48.2, s. 49(1), s. 50.2.1, and s. 53 of the EA come into force.

October 15, 2015 would be proclaimed as the date upon which certain related legislative amendments to other statutes would come into force. These changes include changes to the EA, *Broader Public Sector Accountability Act, 2010* (BPSAA) (the *Financial Administration Act* (FAA) the *Lobbyists Registration Act, 1998* (LRA) and the *Trillium Trust Act, 2014* (TTA), as further outlined in section 2 of this Form.

s. 2 Approach and Intended Outcomes

The proposed proclamation Order in Council (OIC) would name August 31, 2015 as the date upon which the following amendments to the EA would come into force:

Electricity Act, 1998

- Relating to s.48.1 of the *Electricity Act, 1998*
  - S. 48.1(2)- Requirement for Hydro One maintaining head office in Ontario for itself and its subsidiaries
  - S. 48.1(3) - Specifies what "maintains its head office" in Ontario means.
  - S. 48(4) and (5) - Would require that Hydro One at all times, directly or through its subsidiaries, maintain its grid operation and control centres in Ontario

  - S. 48(6) and (7) - Hydro One would be prohibited from disposing of all or substantially all of the business, property or assets related to its transmission and distribution systems.
  - S. 48(8) - Clarifies that the prohibition against hydro One of disposing its transmission or distribution systems, business or assets regulated by the OEB would not apply to transfers between Hydro One's related corporations.
- s. 48.2 (repeal and replacement) – provides that no person (other than the Minister) is legally able to own more than 10 per cent of any class or series of voting securities of Hydro One
- s. 49(1) –adds "subject to the restrictions set out in section 48.2" to end of s. 49(1) to clarify that the Minister's authority acquire, hold, dispose of and otherwise deal with the shares, etc. of Hydro One is subject to the new restrictions provided for in s.48.2.
- new EA s.50.2.1 Provides that where the Government establishes a holding company under s.50.1 of the EA and, while it is the holder of all of Hydro One's shares, it transfers all of its shares to the new holding company, then references in the EA, the regulations and other statutes to Hydro One will either mean or include the holdco.
- s. 53 (repeal of various clauses and subsections) – relates to regulation making authority over Hydro One.

The proposed proclamation OIC would also name October 15, 2015 as the date upon which related amendments to the following pieces of legislation would come into force.

Electricity Act, 1998

- s.50.4 (repeal of) - relates to the repeal of the requirements for Hydro One to submit annual reports to the Minister of Energy for tabling in the Legislature as well as such other reports as the Minister of Energy or Minister of Finance require.

Financial Administration Act

- Amendments to s. 1(6) of the FAA, which name corporations and entities that are deemed not to be "public entities" for the purposes of that Act. New paragraph 2, once proclaimed, would remove Hydro One Inc. and its subsidiaries from the application of the definition of "public entity" for the purposes of that Act ;)
- Amendments to s. 1.0.10 of the FAA. This legislation currently authorizes Treasury Board, subject to the approval of the LGIC, to make regulations respecting accounting policies and practices of entities whose financial statements are included in the Public Accounts. The new provision would prevent the making of such a regulation for Hydro One.
- Relating to s. 1.0.25 of the FAA -The amendments specify that the consolidated financial statement requirements apply to Hydro One and the

administrator of any pension plan sponsored by it solely for the purpose of preparing the consolidated financial statements of the Province. Further, those entities would not be required to provide information in respect of a period for which Hydro One Inc. has not yet publicly disclosed its audited or unaudited financial statements.

Broader Public Sector Accountability Act, 2010

- Clause 4(2) (c) and s.4 (7) of the BPSAA. Amendments would remove reference to Hydro One and its subsidiaries such that they would not be prohibited from engaging a lobbyist to provide lobbying services.

Lobbyists Registration Act, 1998

- Amendments to sub-clause (f) (i) of the definition of "public office holder" in s.1 of the *Lobbyists Registration Act, 1998* would remove Hydro One Inc. from the definition of "public office holder" such that lobbyists would no longer have to register in order to lobby an officer, director or employee of any of those entities.

Trillium Trust Act, 2014 (TTA)

- Amendments to s.1 (2) of the TTA would deem Hydro One Inc. and its subsidiaries not to be public entities for the purposes of that Act.

These amendments have already been passed by the Legislature in the *Building Ontario Up Act (Budget Measures), 2015.* Approval of the proclamation OIC at this time is consistent with the Government's plan to enable and facilitate the Hydro One IPO.

s. 3 **Direction and Urgency**

In order to implement this Budget initiative, the proclamations regarding the *Electricity Act, 1998* need to come into force on August 31, 2015 prior to the filing of the preliminary prospectus which is expected to be filed in early September. For business purposes, it is better that the proclamation comes into force at month end. For legal purposes, it is appropriate for certain of the provisions to come into force as soon as possible to ensure that the required legal authorities are in place to facilitate Hydro One Inc's new governance structure and to ensure that a holding company established to hold the shares of Hydro One Inc. can benefit from the new EA s.50.2.1 which authorizes transfers to a holding company established under EA s. 50.1 without breaching the Government's minimum ownership threshold otherwise specified.

The remaining provisions (those that relate to the EA, BPSAA, FAA and the TTA) need to come into force on October 15, 2015 to help prepare the company for the IPO.

s. 4 Impact Assessment and Costs

Stakeholders may show concern that Hydro One is no longer subject to the same oversight as a Crown corporation. However, the legislative amendments have already been passed by the Legislature and are now awaiting proclamation. Further, Hydro One would become a publicly-traded company, which has different oversight and disclosure requirements than a Crown corporation. Hydro One will continue to be regulated under the Ontario *Business Corporations Act* (OBCA) and the Ontario *Securities Act.* It will continue to file financial information with the Ontario Securities Commission. Hydro One would no longer be overseen by Officers of the Legislature. Instead, it would have a dedicated corporate Ombudsperson to receive and investigate customer complaints.

If the proclamations did not come into force on the requested dates, it may affect timing for the IPO. Since the IPO has been included in the fiscal plan, it is important that the provisions covered by the proclamation OIC come into effect on the dates specified in order to allow the IPO to proceed in the manner contemplated.

No compliance costs for business/residents are foreseen.

No negative impacts on the economy, competitiveness and innovation, competition, consumers, and trade have been foreseen.

Broadening Hydro One's ownership is expected to generate an important source of funds to be put towards infrastructure investments. This is part of the government's plan to unlock the value of certain public assets to help support unprecedented investments in transit, transportation and other priority infrastructure projects through the Moving Ontario Forward plan.

Moving Ontario Forward investments would be made across Ontario, with a split of about $16 billion for the Greater Toronto and Hamilton Area and about $15 billion for the rest of the province. This plan is expected to support more than 20,000 jobs per year on average, over 10 years, in construction and related industries, boost productivity and revitalize communities.

s. 5 Implementation

The proclamation OIC would name August 31, 2015 as the date upon which the above-noted EA amendments would come into force. The proclamation OIC would name October 15, 2015 as the date upon which the amendments to the other above mentioned pieces of legislation would come into force.

s. 6 Delivery and Results Tracking

No delivery and results tracking is required.

s.7 Stakeholder Consultations

No stakeholder consultations are required.

s.8 Other Jurisdictions and Harmonization

No comparison to other jurisdictions is required.

s. 9 Communications

No communications plan required

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Scott Nelms	416-212-6469
Ministry Legal	James Rehob	416-325-6676
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	Michael Reid	416-325-6544
Cabinet Office Policy	Oliver Jerschow	416-325-4764

Ontario

Executive Council
Conseil exécutif

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

A proclamation in respect of the *Building Ontario Up Act (Budget Measures), 2015* be issued in the form set out in the Schedule.

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure, sur l'avis et avec le consentement du Conseil exécutif, décrète ce qui suit :

Est prise une proclamation à l'égard de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, rédigée selon la formule figurant à l'annexe.

Recommandé par : Le ministre de l'Énergie,

Appuyé par : Le président du Conseil des ministres,

Recommended ____________________________
Minister of Energy

Concurred ____________________________
Chair of Cabinet

Approuvé et décrété le

La lieutenante-gouverneure,

Approved and Ordered ____________________
Date

____
Lieutenant Governor

O.C./Décret

Authority Verified
Compétence vérifiée James P. [illegible]

Please print name
Nom en lettres
moulées s.v.p. James P. [illegible]

Telephone
Téléphone (416) 325-6676

Recommended by the
Management Board of Cabinet on
Recommandé par le Conseil de
gestion du gouvernement le ____________________

Secretary
Secrétaire ____________________

SCHEDULE

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, Canada and her other Realms and Territories, Queen, Head of the Commonwealth, Defender of the Faith.

PROCLAMATION

Building Ontario Up Act (Budget Measures), 2015

We, by and with the advice of the Executive Council of Ontario, name,

(a) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Broader Public Sector Accountability Act, 2010* comes into force:

Schedule 4, s. 2.

(b) August 31, 2015 as the day on which the following provisions of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amend the *Electricity Act, 1998*, come into force:

Schedule 9, s. 2, 3, 5, 6, 9.

(c) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Electricity Act, 1998*, comes into force:

Schedule 9, s. 8.

ANNEXE

ELIZABETH DEUX, par la grâce de Dieu, Reine du Royaume-Uni, du Canada et de ses autres royaumes et territoires, Chef du Commonwealth, Défenseur de la Foi.

PROCLAMATION

Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)

Sur l'avis du Conseil exécutif de l'Ontario, nous fixons :

a) le 15 octobre 2015 comme jour d'entrée en vigueur de la disposition suivante de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifie la *Loi de 2010 sur la responsabilisation du secteur parapublic* :

Annexe 4, art. 2.

b) le 31 août 2015 comme jour d'entrée en vigueur des dispositions suivantes de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifient la *Loi de 1998 sur l'électricité* :

Annexe 9, art. 2, 3, 5, 6, 9.

c) le 15 octobre 2015 comme jour d'entrée en vigueur de la disposition suivante de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifie la *Loi de 1998 sur l'électricité* :

Annexe 9, art. 8.

(d) October 15, 2015 as the day on which the following provisions of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amend the *Financial Administration Act*, come into force:

Schedule 11, s. 1 (3), 3, 5.

(e) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Lobbyists Registration Act, 1998*, comes into force:

Schedule 22, s. 1.

(f) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Trillium Trust Act, 2014*, comes into force:

Schedule 44, s. 1.

d) le 15 octobre 2015 comme jour d'entrée en vigueur des dispositions suivantes de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifient la *Loi sur l'administration financière* :

Annexe 11, art. 1 (3), 3, 5.

e) le 15 octobre 2015 comme jour d'entrée en vigueur de la disposition suivante de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifie la *Loi de 1998 sur l'enregistrement des lobbyistes* :

Annexe 22, art. 1.

f) le 15 octobre 2015 comme jour d'entrée en vigueur de la disposition suivante de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifie la *Loi de 2014 sur le Fonds Trillium* :

Annexe 44, art. 1.

Ontario

Executive Council
Conseil exécutif

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

A proclamation in respect of the *Building Ontario Up Act (Budget Measures), 2015* be issued in the form set out in the Schedule.

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure, sur l'avis et avec le consentement du Conseil exécutif, décrète ce qui suit :

Est prise une proclamation à l'égard de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, rédigée selon la formule figurant à l'annexe.

Recommandé par : Le ministre de l'Énergie,

Recommended ______________________
Minister of Energy

Appuyé par : Le président du Conseil des ministres,

Concurred ______________________
Chair of Cabinet

Approuvé et décrété le

Approved and Ordered ________________
Date

La lieutenante-gouverneure,

____
Lieutenant Governor

O.C./Décret

Authority Verified
Compétence vérifiée [illegible signature]

Please print name
Nom en lettres
moulées s.v.p. James P.A. Rehob

Telephone
Téléphone (416) 325-6676

Recommended by the
Management Board of Cabinet on
Recommandé par le Conseil de
gestion du gouvernement le ____________________

Secretary
Secrétaire ____________________

SCHEDULE

ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, Canada and her other Realms and Territories, Queen, Head of the Commonwealth, Defender of the Faith.

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Building Ontario Up Act (Budget Measures), 2015

We, by and with the advice of the Executive Council of Ontario, name,

(a) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Broader Public Sector Accountability Act, 2010* comes into force:

Schedule 4, s. 2.

(b) August 31, 2015 as the day on which the following provisions of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amend the *Electricity Act, 1998*, come into force:

Schedule 9, s. 2, 3, 5, 6, 9.

(c) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Electricity Act, 1998*, comes into force:

Schedule 9, s. 8.

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ELIZABETH DEUX, par la grâce de Dieu, Reine du Royaume-Uni, du Canada et de ses autres royaumes et territoires, Chef du Commonwealth, Défenseur de la Foi.

PROCLAMATION

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a) le 15 octobre 2015 comme jour d'entrée en vigueur de la disposition suivante de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifie la *Loi de 2010 sur la responsabilisation du secteur parapublic* :

Annexe 4, art. 2.

b) le 31 août 2015 comme jour d'entrée en vigueur des dispositions suivantes de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifient la *Loi de 1998 sur l'électricité* :

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Annexe 9, art. 8.

(d) October 15, 2015 as the day on which the following provisions of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amend the *Financial Administration Act*, come into force:

d) le 15 octobre 2015 comme jour d'entrée en vigueur des dispositions suivantes de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifient la *Loi sur l'administration financière* :

Schedule 11, s. 1 (3), 3, 5.

Annexe 11, art. 1 (3), 3, 5.

(e) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Lobbyists Registration Act, 1998*, comes into force:

e) le 15 octobre 2015 comme jour d'entrée en vigueur de la disposition suivante de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifie la *Loi de 1998 sur l'enregistrement des lobbyistes* :

Schedule 22, s. 1.

Annexe 22, art. 1.

(f) October 15, 2015 as the day on which the following provision of the *Building Ontario Up Act (Budget Measures), 2015*, c. 20, which amends the *Trillium Trust Act, 2014*, comes into force:

f) le 15 octobre 2015 comme jour d'entrée en vigueur de la disposition suivante de la *Loi de 2015 pour favoriser l'essor de l'Ontario (mesures budgétaires)*, chap. 20, qui modifie la *Loi de 2014 sur le Fonds Trillium* :

Schedule 44, s. 1.

Annexe 44, art. 1.

Ontario

LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

LRC Tracking #: REG-10765
EVista Tracking #: SUB-REG-2015-01981

Ministry of Energy

Regulation to facilitate transfer of Hydro One Brampton to the Province, and if relevant, transfer of Hydro One Inc. shares to the Crown or to a holding company established under EA Part IV.

Regulation

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Low
New Costs/Burdens: No for Stakeholders; No for Government
New Savings/Opportunities: No

Proposed Items for Review

1. Amendment to regulation under the *Ontario Energy Board Act, 1998*, (O. Reg. 161/99) titled "Regulation to facilitate transfer of Hydro One Brampton to the Province, and if relevant, transfer of Hydro One Inc. shares to the Crown or to a holding company established under EA Part IV."

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC	Cabinet	April 15, 2015

Serge Imbrogno
Deputy Minister

August 17, 2015
Date

Minister

Date

CONFIDENTIAL CABINET DOCUMENT
LRC Ministry Approval Form – version 10.03

Ontario

LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

LRC Tracking #: REG-10765
EVista Tracking #: SUB-REG-2015-01981

Ministry of Energy

Regulation to facilitate transfer of Hydro One Brampton to the Province, and if relevant, transfer of Hydro One Inc. shares to the Crown or to a holding company established under EA Part IV.

Regulation

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
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New Costs/Burdens: No for Stakeholders; No for Government
New Savings/Opportunities: No

Proposed Items for Review

1. Amendment to regulation under the *Ontario Energy Board Act, 1998*, (O. Reg. 161/99) titled "Regulation to facilitate transfer of Hydro One Brampton to the Province, and if relevant, transfer of Hydro One Inc. shares to the Crown or to a holding company established under EA Part IV."

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC	Cabinet	April 15, 2015

Deputy Minister ______________________ Date ________

Minister ______________________ Date ________

s. 1 Proposal and Context

As announced in the 2015 Ontario Budget, the Province is moving forward with the Premier's Advisory Council on Government Assets' recommendations to broaden the ownership of Hydro One Inc. (Hydro One) through an initial public offering (IPO) and merge Hydro One Brampton Networks Inc. (HOBNI) with three other large electricity distributors -- PowerStream, Enersource and Horizon.

In order to implement the IPO, HOBNI will need to be transferred as a dividend-in-kind (shares) prior to the IPO until such time as the Brampton merger transaction closes. Since HOBNI is itself a distributor which is wholly-owned by Hydro One Inc. (itself a holding company), the action of transferring the shares of HOBNI to a holding company established by the Crown would technically trigger the requirement under section 81 of the *Ontario Energy Board Act, 1998* (OEBA). The OEBA section 81 requires that any entity that is an affiliate of a generator provide notice to the Ontario Energy Board (OEB or the Board) of its intention to acquire an interest in a transmitter or distributor. OEB's authority ensures that the electricity market does not become overly concentrated and remains competitive.

An exemption regulation is being sought to relieve against having to comply with the notice requirements and process requirements related to the OEB's review and approval authority.

The proposed exemption would capture all transfers authorized under Part IV of the Electricity Act, 1998 (EA) including, if relevant, any transfer of Hydro One Inc. shares to the Crown or to a holding company established under EA Part IV.

s. 2 Approach and Intended Outcomes

Ontario Regulation 161/99 (Definitions and Exemptions) made under the OEBA would be amended by adding an exemption to ensure that section 81 of the OEBA does not apply to transactions that are contemplated under section 49, 50, 50.1 or 50.2 of the *EA*.

The changes would facilitate the transfer of the shares of HOBNI from Hydro One Inc. to a holding corporation of the Province which is established by order of the Lieutenant Governor in Council pursuant to section 50.1 of the EA (a matter which requires its own Order-in-Council) as a dividend prior to the IPO until the Brampton merger transaction closes. The changes would also facilitate the transfer of Hydro One Inc. shares to Hydro One Limited.

If not exempted, the Province would have to ensure it complied with the OEBA's section 81 notice requirements and await the outcome of the Board's section 81 determination (e.g. the board could a) decide not to issue a notice of review within the 60-day time period and not review the transaction, b) conduct a review and approve the transaction or c) conduct a review and not approve the transaction). Such review and approval could involve a proceeding before the Board since the Board may not be in a position to grant approval without a hearing.

Seeking an exemption at this time is the most appropriate approach, as it is the only way the Province can eliminate the risk related to the transaction triggering the requirements under section 81 of the OEBA. The outcome could not be met through a policy/guideline.

This proposal will have little impact on Ontarians. If the OEB decided to hold a hearing to determine whether or not it should grant approval under s. 81, stakeholders may miss the opportunity to weigh in and provide comment at any OEB hearing.

s. 3 Direction and Urgency

In order to implement this Budget initiative, and given the IPO will close prior to the Hydro One Brampton transaction, HOBNI will need to be transferred from Hydro One to the Province as a dividend in kind (e.g. shares) prior to the IPO and held by the Crown in a separate holding company until the Brampton merger transaction closes.

This will help facilitate the Cabinet policy minutes dated April 15, 2015 that agreed to the Hydro One IPO and merger of Hydro One Brampton.

If not exempted, the Province would have to ensure that it complied with the OEBA's section 81 notice requirements and await the outcome of the Board's section 81 determination as discussed in Section 2.

This proposal should be in place prior to the receipt by the Crown of the HOBNI transfer of shares as well as the Hydro One IPO, in case the transfer of Hydro One Inc. shares to the Crown or to a holding company established under EA Part IV also triggers this requirement. The IPO is on track for fall 2015.

s. 4 Impact Assessment and Costs

If the OEB decided to hold a hearing to determine whether or not it should grant approval under s. 81, stakeholders may miss the opportunity to weigh in and provide comment at this hearing. However, it is not anticipated that stakeholders would otherwise be affected by this regulatory proposal.

If not exempted, the Province would have to ensure that it complied with the OEBA's section 81 notice requirements and await the outcome of the Board's section 81 determination. Seeking an exemption from this part of the Board's regulatory processes is recommended at this time as the potential risk of delay could negatively affect the timing for the IPO and / or the Brampton transaction which might have material value implications.

No compliance costs for business/residents are foreseen.

No negative impacts on the economy, competitiveness and innovation, competition, consumers, and trade have been foreseen.

s. 5 Implementation

The proposal would be implemented by the approval, prior to the IPO and the transfer of HOBNI shares to the Province, of the requested regulation amendment to Ontario Regulation 161/99 (made under the OEBA designed to ensure that section 81 of the OEBA would not apply to any transaction described in or authorized by section 49, 50, 50.1 or 50.2 of the EA).

The regulation is expected to come into force on the day it is filed.

s. 6 Delivery and Results Tracking

No delivery and results tracking is required.

s.7 Stakeholder Consultations

No stakeholder consultations are required.

s.8 Other Jurisdictions and Harmonization

No comparison to other jurisdictions is required.

s. 9 Communications

No communications plan required

s. 10 Contacts and Appendices

Appendix A: Regulation Comparison Chart

Contacts

	Name	Phone Number
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Ontario

Amendments to O. Reg. 161/99 (Definitions and Exemptions) made under the *Ontario Energy Board Act, 1998*

Current Regulation	Proposed Amendment	Rationale for Change
Ontario Regulation 161/99 (Definitions and Exemptions)	**6.0.4** Section 81 of the Act does not apply with respect to a transaction described in or authorized by section 49, 50, 50.1 or 50.2 of the *Electricity Act, 1998*.	Under section 81 of the *Ontario Energy Board Act, 1998* (OEBA), the acquisition of an interest in a transmitter or distributor gives rise to notice and possible Ontario Energy Board review and approval requirements. This proposed amendment would exempt the Government's exercise of its authority to acquire, hold, dispose of or otherwise deal with the shares of Hydro One Inc. or a subsidiary of Hydro One Inc. (including Hydro One Brampton Networks Inc) as provided for under Part IV of the *Electricity Act, 1998*. from the requirements under OEBA s.81. This amendment is designed to ensure that the acquisition, holding, disposal of or other dealing with such shares by the Minister is exempt from s.81 and OEB's review and approval thereunder (including when done so using a corporation established under s.50.1 of the EA).

Amendments to O. Reg. 161/99 (Definitions and Exemptions) made under the *Ontario Energy Board Act, 1998*

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Ministry of Attorney General

Ministries of Energy, Economic Development, Employment and Infrastructure (MEDEI), and Research and Innovation

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Ministère du Procureur Général

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PRIVILEGED AND CONFIDENTIAL

Memorandum To: The Honourable Glen Murray
Chair of the Legislation and Regulations Committee

From: Carolyn Calwell
Director, Legal Services Branch
Ministry of Energy / Ministry of Economic Development, Employment and Infrastructure/ Ministry of Research and Innovation

Date: August 14, 2015

Re: Proposed Amending Regulation, O. Reg. 161/99 (Definitions and Exemptions) made under the *Ontario Energy Board Act, 1998* – Exempting Transactions, etc. Re: Hydro One Inc, Hydro One Brampton Networks Inc.

Please be advised that the draft of the above-referenced item being submitted for consideration of the Legislation and Regulations Committee on August 24, 2015 is consistent with Policy approval received by Cabinet on April 15, 2015.

Carolyn Calwell

Carolyn Calwell
Director

Ontario

LEGISLATION AND REGULATIONS COMMITTEE: PRELIMINARY REGULATORY IMPACT ASSESSMENT FORM

Date:	August 12, 2015
Ministry:	Ministry of Energy
Name of Act:	Ontario Energy Board Act, 1998
Name of Regulation:	161/99

Section 1: Proposal and Context

As announced in the 2015 Ontario Budget, the Province is moving forward with the Premier's Advisory Council on Government Assets' recommendations to broaden the ownership of Hydro One Inc. (Hydro One) through an initial public offering (IPO) and merge Hydro One Brampton Networks Inc. (HOBNI) with three other large electricity distributors – PowerStream, Enersource and Horizon.

In order to implement the IPO, HOBNI will need to be transferred as a dividend-in-kind (shares) prior to the IPO until such time as the Brampton merger transaction closes. Since HOBNI is itself a distributor which is wholly-owned by Hydro One Inc. (itself a holding company), the action of transferring the shares of HOBNI to a holding company established by the Crown would technically trigger the requirement under section 81 of the Ontario Energy Board Act, 1998 (OEBA). The OEBA section 81 requires that any entity that is an affiliate of a generator provide notice to the Ontario Energy Board (OEB or the Board) of its intention to acquire an interest in a transmitter or distributor. OEB's authority ensures that the electricity market does not become overly concentrated and remains competitive.

An exemption regulation is being sought to relieve against having to comply with the notice requirements and process requirements related to the OEB's review and approval authority.

The Proposed exemptions would capture all transfers authorized under Part IV of the Electricity Act, 1998 (EA) including, if relevant, any transfer involving Hydro One Inc. shares to the Crown or to a holding company established under EA Part IV.

Section 2: Approach and Intended Outcomes

Ontario Regulation 161/99 (Definitions and Exemptions) made under the OEBA would be amended by adding an exemption to ensure that section 81 of the OEBA does not apply to transactions that are contemplated under section 49, 50, 50.1 or 50.2 of the EA.

The changes would facilitate the transfer of the shares of HOBNI from Hydro One Inc. to a holding corporation of the Province which is established by order of the Lieutenant Governor in Council pursuant to section 50.1 of the EA (a matter which requires its own Order-in-Council) as a dividend prior to the IPO until the Brampton merger transaction closes. The changes would also facilitate the transfer of Hydro One Inc. shares to Hydro One Limited. If not exempted, the Province would have to ensure it complied with the OEBA's section 81 notice requirements and await the outcome of the Board's section 81 determination (e.g. the board could a) decide not to issue a notice of review within the 60-day time period and not review the transaction, b) conduct a review and approve the transaction or c) conduct a review and not approve the transaction). Such review and approval could involve a proceeding before the Board since the Board may not be in a position to grant approval without a hearing. Seeking an exemption at this time is the most appropriate approach, as it is the only way the Province can eliminate the risk related to the transaction triggering the requirements under section 81 of the OEBA. The outcome could not be met through a policy/guideline.

Section 3: Affected Stakeholders	Yes	No
Individuals (specific groups or consumers)	❑	❑X
Individuals would be minimally affected. If the OEB decided to hold a hearing to determine whether or not it should grant approval under s. 81, stakeholders may miss the opportunity to weigh in and provide comment at this hearing.		
Businesses	❑	❑X
Businesses would not be affected. Service agreements between Hydro One Brampton and Hydro One Inc. will continue so that Hydro One Inc. can continue to provide legal, administrative and general corporate support to Hydro One Brampton.		
Non-profit Groups	❑	❑X
Non-profit groups would not be affected.		
Communities	❑	❑X
Communities would not be affected		
Governments	❑X	❑
The municipal governments in the service territory of the proposed merged entity (Brampton, Hamilton, Mississauga, Vaughan,		

Markham, Richmond Hill, Barrie, etc.) would be more certain that the merger would occur in a timely manner. The Province would be able to proceed with the Hydro One IPO and be able to provide funds for its Moving Ontario Forward investments.		

Section 4: Type of Impact	Yes	No
Health and Safety	❑	❑X
No negative health and safety impacts anticipated.		
Environment	❑	❑X
No negative environmental impacts anticipated.		
Social Impacts	❑	❑X
No negative social impacts anticipated.		
Trade	❑	❑X
No negative trade impacts anticipated.		
Economy	❑	❑X
No negative economic impacts anticipated.		
Other	❑	❑X
No other impacts anticipated.		

Section 5: Costs	Yes	No
Are direct compliance costs likely to exceed $2 million per year?	❑	❑X
Is a full RIA required?	❑	❑X

Contacts

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Ontario

Date : August 6, 2015

Re : ENE
Proposed regulation under the Ontario Energy Board Act, 1998
Amending - O. Reg. 161/99
DEFINITIONS AND EXEMPTIONS
reg2015.0274.e02

This proposed regulation has been sealed under the authority of the Registrar of Regulations.

REGISTRAR OF REGULATIONS

Ontario

Executive Council
Conseil exécutif

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure, sur l'avis et avec le consentement du Conseil exécutif, décrète ce qui suit :

the appended Regulation be made under the *Ontario Energy Board Act, 1998*.

Recommended ______________________________
Minister of Energy

Concurred ______________________________
Chair of Cabinet

Approved and Ordered ______________________
Date

____
Lieutenant Governor

R.O.C./Décret (R)

Date : August 6, 2015

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REGISTRAR OF REGULATIONS

Authority Verified
Compétence vérifiée James P.H. Rehob

Recommended by the Management Board of Cabinet on
Recommandé par le Conseil de gestion du gouvernement le ____________________

Please print name
Nom en lettres moulées s.v.p. James P. H. Rehob

Secretary
Secrétaire ____________________

Telephone
Téléphone (416) 325-6676

CONFIDENTIAL
Until filed with the
Registrar of Regulations

REG2015.0274.e
2-RA

ONTARIO REGULATION

made under the

ONTARIO ENERGY BOARD ACT, 1998

Amending O. Reg. 161/99

(DEFINITIONS AND EXEMPTIONS)

1. Ontario Regulation 161/99 is amended by adding the following section:

6.0.4 Section 81 of the Act does not apply with respect to a transaction described in or authorized by section 49, 50, 50.1 or 50.2 of the *Electricity Act, 1998*.

Commencement

2. This Regulation comes into force on the day it is filed.

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Concurred ______________________________
Chair of Cabinet

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Recommended by the Management Board of Cabinet on
Recommandé par le Conseil de gestion du gouvernement le ____________

Please print name
Nom en lettres moulées s.v.p. James P.H. Rehob

Secretary
Secrétaire ____________

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