RE: OFHP LRC Reg Amendments

From: "Strang, James (TBS)" <james.strang@ontario.ca>
To: "Hindmarch-Watson, Tim (CAB)" <tim.hindmarch-watson2@ontario.ca>
Cc: "Malekzadeh, Afshin (TBS)" <afshin.malekzadeh@ontario.ca>, "Skubel, Chris (TBS)" <chris.skubel@ontario.ca>

Date: Mon, 13 Nov 2017 08:57:25 -0500
Attachments: LRC_Committee_Note-Draft V1- 2017 11 10 - AL.DOCX.DOCX (179.96 kB)

Tim,

A comment and edit in the attached note.

- Hesitating to question reference to net debt since don't really have an alternative wording, and assuming OFA is ok. The province is increasing debt to be able to provide the equity injection to OPG, the province is gaining an asset from the equity investment. From a balance sheet perspective the increase in liability is offset by an increase in asset, it just not clear to me how it goes from gross to net debt.

  (I'll call over to OFA for a quick chat as this framing is consistent with other submissions).

- One suggested edit on page 5 related to decision to forego showing clean energy adjustments on customer's bills during the inflationary cap period. No issues if edit is not taken.

Afshin/Chris (if you get asked about this item):

- It supports implementation of Ontario's Fair Hydro Plan
- Proposed amendments would come into effect after the inflationary cap period (i.e. post May 1, 2021) but are required now before OPG goes to market to market to fund the Global Adjustment deferrals.
- Credit rating agencies are not able to complete their analysis to issue a rating of the debt until the proposed regulations are in place.
- Amendments would:
  - Set out an approach to appropriately managing a potential acceleration of debt repayment in the event of a financing entity default.
  - Recovery of financing entity carrying costs during the period after May 1, 2021, in which the Fair Allocation Amount is less than the amount of such carrying costs.
  - Establishes a mechanism to enable IESO to recover both carrying costs and any default costs associated with the security arrangement, including carrying costs and any default costs. In order for OPG to market the debt, a security arrangement is required to backstop smaller Local Distribution Companies (LDCs) without any or a sufficiently sound credit ratings during the years in which CEAs are collected from consumers (i.e., currently 51 of 66 LDCs are market participants not rated by credit rating agencies).

From: Hindmarch-Watson, Tim (CAB)
Sent: November 11, 2017 3:09 PM
To: Strang, James (TBS)
Cc: Malekzadeh, Afshin (TBS); Skubel, Chris (TBS)
Subject: Fw: OFHP LRC Reg Amendments

Hi James. Apologies for the weekend email. Attached is the note for the Fair Hydro Plan regs including track change edits from Energy. We are looking to publish the lrc binder on Tuesday, so comments on the note by 9am would be greatly appreciated.

Thanks for you help.

Sent from my mobile.

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Friday, November 10, 2017 7:15 PM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB)
Subject: RE: OFHP LRC Reg Amendments

Hi Tim,

Attached are comments/edits on the note. These are with our MO for review so we may have further changes.

Thanks,
Martin

From: Hindmarch-Watson, Tim (CAB)
Sent: November 10, 2017 12:26 PM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>
Subject: RE: OFHP LRC Reg Amendments

Please find attached a draft note. Please provide comments and answers to questions by 3pm.

I'd like to talk through one of the elements of the regs so I can better understand how it operates. Specifically, the amendments to 206/17 re carrying costs and interaction with the FAA.

Thanks

Tim Hindmarch-Watson
416-325-4618

From: Hindmarch-Watson, Tim (CAB)
Sent: November-10-17 10:35 AM
To: Schlaepfer, Martin (ENERGY)
Cc: Moore, Karen (CAB)
Subject: RE: OFHP LRC Reg Amendments

How many LDCs don't have any or sufficiently sound credit ratings that require backstops? What is the current number of LDCs in the province?

Tim Hindmarch-Watson
416-325-4618

From: Hindmarch-Watson, Tim (CAB)

Sent: November-10-17 9:54 AM
To: Schlaepfer, Martin (ENERGY)
Cc: Moore, Karen (CAB)
Subject: RE: OFHP LRC Reg Amendments

Hi Martin:

Given the timing I am going to be sending you questions as they come up rather than waiting for a consolidated set:

What is the expected cost and associated rate impact of the security arrangement the IESO will have in order to underwrite the risk of LDC default?

Tim Hindmarch-Watson
416-325-4618

From: Schlaepfer, Martin (ENERGY)
Sent: November-09-17 5:38 PM
To: Hindmarch-Watson, Tim (CAB)
Subject: OFHP LRC Reg Amendments

Hi Tim,

Attached are the materials for the OFHP reg amendments (including final sealed regs) that we would like to have track to the November 20th LRC.

Apologies that the timing has changed.

We are planning to have the Minister signed copies submitted first thing on Tuesday.

Thanks,
Martin

List of LRC Items

1) Ministry Approval Form
2) LRC – PRIAF
3) Sealed – Reg 206/17
4) Sealed – Reg. 429/04
5) Regulation Comparison Tables
6) Twice Annual Filing Memo (Appendix A)