This confidential draft document is provided for discussion purposes only. It should not be construed as representing the position adopted by the Government of Ontario on any of the topics included or not included in this document. Any notes included in this document are intended only to help facilitate a discussion of the topics to which they relate.

NOTICE: THESE ARE INSTRUCTIONS FOR A DRAFT.

THE LANGUAGE USED IS SUBJECT TO CHANGE BASED ON DRAFTING REQUIREMENTS

PLEASE DO NOT FORWARD OR DISTRIBUTE ANY FURTHER.

Confidential Draft

A PROPOSAL TO CREATE REGULATION

MADE UNDER THE

ONTARIO FAIR HYDRO PLAN ACT, 2017

Amending O. Reg. 206/17

(GENERAL)

Background:

In order to ensure that Government can create a regulatory approach which ensures that the IESO is obligated to pay the carrying charges incurred by the FSM and financing entities, we must first obligate the IESO to pay those amounts. This requirement aligns with EA s.25.33(1)(c) and (2)(c).

These amounts would then be recorded in the IESO's variance account but not have been collected through Clean Energy Adjustments. Instead, the amounts would be collected from GA ratepayers under the auspices of EA s.25.33(1)(c) and (2)(c). Since these amounts are not being recovered from specified consumers via CEAs by the IESO, the limitation in s.25(3) of OFHPA should not be triggered or offended.

These instructions for a proposed amending regulation would add to the OFHPA General Regulation the following things:

- The legal authority and requirement for the IESO to make payments in respect of carrying charges to the FSM and financing entities;
- Definition or means of determining "carrying charges" - to be defined in relation to "finance amounts" excluding principle;
- The amounts to be added to the IESO's variance account (not for the purpose of collecting the amount from specified consumers but instead to ensure that specified consumers receive the

full amount of their Fair Adjustment pursuant to the Part II Regulation (O. Reg. 195/17 (Fair Adjustment Under Part II of the [OFHPA]).

Note: The regulation-making authority for this amending regulation is located in paragraph 1 of s.42(1) as well as the catch-all in subsection 42(9) of the OFHPA. The approach depends, in part, on the amounts being paid or incurred by the IESO, included in the IESO monthly deferral (s.23), included in the IESO's variance account under s.24(1) then to transfer the amount as part of a specified portion of the regulatory asset to a financing entity along with all other relevant amounts in respect of a reference period per s.26 of the Act.

9.1 (1) During the period commencing January 1, 2018 and ending on or before April 30, 2021 ***[ntd-jpr: alternative adapted from a suggestion from Torys / OPG:*** **"In respect of all reference periods during which invoices from electricity vendors do not include an amount in respect of the clean energy adjustment/,** the IESO shall be required to pay and remit the amounts provided for under subsection (2) to the Financial Services Manager or one or more financing entities, where such amounts are charged to the IESO by the Financial Services Manager or a financing entity in respect of the period commencing June 1, 2017 and ending on or before April 30, 2021.

(2) For the purposes of sections 10.1 to 10.3 of Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made pursuant to the *Electricity Act, 1998*, the IESO shall pay, on behalf of specified consumers, amounts in respect of services provided by the Financial Services Manager and any financing entities during a month which are charged to the IESO by the Financial Services Manager or a financing entity and which relate to the following, without duplication:

1. Carrying costs incurred by a financing entity during the month.

2. Financing entity expenses incurred by the Financial Services Manager on behalf of financing entities and not otherwise recovered from those entities by the Financial Services Manager during the month.

3. Financing entity expenses charged or incurred by a financing entity during the month.

4. Fees charged by the Financial Services Manager to financing entities during the month in accordance with subsection 19(3) of the Act and section 2 of Ontario Regulation **<insert Regulation Number/Title of FSM Fees Regulation>]** in respect of its services provided to those entities during the month.

Confidential Unofficial Draft for discussion purposes only – Not For Forwarding

IESO-N-0013339

5. Fees payable to the Financial Services Manager during the month in accordance with subsection 19(3) of the Act and section 2 of Ontario Regulation **<insert Regulation Number/Title of FSM Fees Regulation>]** in respect of its services provided on behalf of financing entities during the month and which have not been recovered from financing entities.

6. Any amounts incurred by the Financial Services Manager or a financing entity which relate to paragraphs 1 through 5 and which occur on or after June 1, 2017 and which have not already been captured in those paragraphs.

Retrospective to June 1, 2017

(3) For the purposes of recovering the costs mentioned in paragraphs 1 through 6 of subsection (2), the Financial Services Manager or a financing entity may charge to the IESO any amounts which relate to those items that have been paid or incurred on or after June 1, 2017.

Electricity vendors, remit to IESO, etc.

(4) For the purposes of subsection (2) and in accordance with this Regulation, electricity vendors shall remit to the IESO the amounts received *[ntd: that have been remitted from]* from specified consumers pursuant to section 10.7 of Ontario Regulation 429/04 (Adjustments Under Section 25.33 of the Act) made pursuant to the *Electricity Act, 1998.*

IESO Monthly deferral

Next, we need to amend s.16 by adding a new paragraph 3, as follows:

3. Any amounts paid or incurred by the IESO under section 9.1.

Confidential Draft