Message

Sent: 2017-11-21 9:25:57 AM
To: LADAK Lubna -TREASURY [lubna.ladak@opg.com]
Subject: RE: EXTERNAL – RE: "In Ontario, hydro's future gets murkier as costs of leaving the grid decline"

In the Globe and Mail article titled, "In Ontario, hydro's future gets murkier as costs of leaving the grid decline", Leonard Kula COO noted the challenges expected by the system operator because the future is likely to be more complicated than in the past due to technology changes. He did not address the impact or likelihood for ratepayer demand loss due to rapid technological changes.

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
Independent Electricity System Operator (IESO)| T: 905-855-6364 | C: 416-997-6364
Station A, Box 4474, Toronto, ON, M5W 4E5
Web: www.ieso.ca | Twitter: IESO_Tweets | LinkedIn: IESO
Conservation: www.saveONenergy.ca | Twitter: saveONenergyOnt | LinkedIn: saveONenergy

Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals

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From: LADAK Lubna -TREASURY [mailto:lubna.ladak@opg.com]
Sent: November 20, 2017 5:48 PM
To: Jeannette Briggs
Subject: FW: EXTERNAL – RE: "In Ontario, hydro's future gets murkier as costs of leaving the grid decline"

Jeanette,
Can you provide a short write-up tomorrow explaining how Leonard's quotes/comments in the attached article should be interpreted. Thanks.

Lubna Ladak | VP Treasury | Ontario Power Generation
700 University Avenue, Toronto, Ontario M5G 1X6 | 416-592-5984 | Cell 416-578-0219 |
lubna.ladak@opg.com

From: LEE John -TREASURY
Sent: Thursday, November 16, 2017 10:32 AM
To: LADAK Lubna -TREASURY <lubna.ladak@opg.com>
Cc: GO Matthew -TREASURY <matthew.go@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Subject: FW: EXTERNAL – RE: "In Ontario, hydro's future gets murkier as costs of leaving the grid decline"

Lubna:

Can you work with IESO to try to craft a response for DBRS.

Thanks

John

From: Tim O'Neil [mailto:toneil@dbrs.com]
Sent: Thursday, November 16, 2017 10:15 AM
To: Benaiah, Ian <ian.benaiah@rbccm.com>; Khan, Nur <nur.khan@rbccm.com>; Taylor, Brent R <brent.r.taylor@rbccm.com>; Malhi, Harman <harman.malhi@rbccm.com>; Katrina Niehaus (Katrina.Niehaus@gs.com) <Katrina.Niehaus@gs.com>; Brian Delaney (brian.delaney@gs.com) <brian.delaney@gs.com>; Donnie Persaud (Donnie.Persaud@cibc.com) <Donnie.Persaud@cibc.com>; Adalja, Sunil (Sunil.Adalja@cibc.com) <Sunil.Adalja@cibc.com>; Maciel, Andrew (Andrew.Maciel@cibc.com) <Andrew.Maciel@cibc.com>; LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; LADAK Lubna -TREASURY <lubna.ladak@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>; Chen, Zhidang <Zhidang.Chen@rbccm.com>; Papp, David <david.papp@rbccm.com>; Green, Lesley <lesley.green@rbccm.com>; Jamie Feehely <jfeehely@dbrs.com>; King Lam <KLam@dbrs.com>; Justin Tsang <JTsang@dbrs.com>; Arthi Sambasivan <ASambasivan@dbrs.com>; Dal Bello, David <david.dalbello@rbccm.com>
Cc: WONG Leslie -LAWDIV <leslie.wong@opg.com>; Anthony Martinello <Anthony.Martinello@ieso.ca>; Michael Boll <Michael.Boll@ieso.ca>; Jeannette Briggs <jeannette.briggs@ieso.ca>; Antonios, Paul <Paul.Antonios@gs.com>; Sabri, Salina <Salina.Sabri@gs.com>
Subject: EXTERNAL – RE: "In Ontario, hydro's future gets murkier as costs of leaving the grid decline"

Good morning,

Once again, thank you to IESO representatives for the opportunity to understand your role in the Ontario Hydro market and specifically as it relates to the Fair Hydro Act. Prior to the meeting I mentioned to some of you an article that was published (attached) earlier Tuesday morning discussing the future of hydro in Ontario.

Follow up question for IESO and OPG:

While we recognize that the semi-annual true-up is a significant mitigant to demand forecast error our sensitivity and stress analysis needs to incorporate the potential for a loss of ratepayers which will potentially over-burden any remaining ratepayers. Of particular interest is the rapid technological changes that are anticipated (including by Leonard Kula, Chief Operating Officer of IESO) and the potential for a significant loss of ratepayers as the article's title suggests "costs of leaving the grid decline".

Given the timing of the transaction which contemplates all of the borrowing up front, our stress needs to incorporate the potential changes to the market as the bonds are issued. This results in a significant exposure to technological change (and consequently rate payers leaving the grid) given the very long repayment horizon which needs to be considered as part of our initial rating analysis.

Request: Please provide additional information on IESO and OPG strategies to manage the technological changes with respect to maintaining an acceptable scale of ratepayers over the repayment period and how these risks are incorporated into the repayment (demand) forecast in the financial modeling. And the impact on the LDC's.

https://www.theglobeandmail.com/news/national/in-ontario-hydros-future-gets-murkier-as-costs-of-leaving-the-grid-decline/article36962354/

Once an idea limited to isolated cottages and the environmentally zealous, making your own electricity and storing it in your garage could be cheaper than the traditional way of buying power within a decade. Benoit Laclau, Ernst and Young's adviser on power and utilities, has guidance for politicians and utility leaders around the world who employ the accounting firm: Exercise caution on any big projects that will require more than a decade to pay off.

On a piece of paper, he can draw a graph with two lines. One starts low and represents the slowly increasing cost of electricity provided by a traditional electricity company; the second starts higher but is going down "really rapidly" and reflects the cost of people producing power on their own roof. "Those two lines cross, and they are going to cross soon, a lot sooner than we had expected," he said.

Tim O'Neil
Senior Vice President, CDN ABS
Global Structured Finance

DBRS Limited
DBRS Tower 181 University Avenue, Suite 700
Toronto, ON M5H 3M7 Canada
TEL +1 (416) 597 7477
FAX +1 (416) 593 8432
toneil@dbrs.com
http://www.dbrs.com

-----Original Appointment-----
From: Benaiah, Ian [mailto:ian.benaiah@rbccm.com]
Sent: Friday, November 10, 2017 4:30 PM
To: Benaiah, Ian; Khan, Nur; Taylor, Brent R; Malhi, Harman; Katrina Niehaus (Katrina.Niehaus@gs.com); Brian Delaney (brian.delaney@gs.com); Donnie Persaud (Donnie.Persaud@cibc.com); Adalja, Sunil (Sunil.Adalja@cibc.com); Maciel, Andrew (Andrew.Maciel@cibc.com); John Lee (john.s.lee@opg.com); Ken Ryfa (ken.ryfa@opg.com); 'LADAK Lubna - TREASURY'; GO Matthew -TREASURY; Chen, Zhidang; Papp, David; Green, Lesley; Tim O'Neil; Jamie Feehely; King Lam; Justin Tsang; Arthi Sambasivan; Dal Bello, David
Cc: WONG Leslie -LAWDIV; Anthony Martinello; Michael Boll; Jeannette Briggs; Antonios, Paul; Sabri, Salina
Subject: OPG/IESO Servicing Review (DBRS) *** Presentation Attached, Dial-in Available ***
When: Tuesday, November 14, 2017 1:00 PM-4:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Royal Bank Plaza (200 Bay Street), South Tower, 2nd Floor, Room S1

When you arrive on the 2nd Floor, please contact Lesley Green at [redacted] Lesley will take you through the security doors and to the meeting room.
Conference Call Details:
Dial-in: [redacted]
Access Code: [redacted]
BB Friendly: [redacted]
