**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.**

**A PROPOSAL TO CREATE REGULATION**

made under the

**ONTARIO FAIR HYDRO PLAN ACT, 2017**

Amending O. Reg. 206/17

(GENERAL)

**1. The Regulation would be amended by adding the following section:**

**IESO to pay, remit amounts re carrying costs of financing entity**

**9.1** (1) During the period beginning on December 1, 2017 and ending on June 30, 2021, the IESO shall pay and remit to a financing entity any amounts charged to the IESO by the financing entity in respect of carrying costs of the financing entity during the period beginning on June 1, 2017 and ending on June 30, 2021.

(2) For the purposes of subsection (1), a financing entity may accrue amounts charged to the IESO in respect first month during which funding obligations are incurred by the financing entity and any subsequent month if the financing entity charges the IESO for the amounts during the period beginning on December 1, 2017 and ending on June 30, 2021.
[Note: The previous version of subs (2) was not quite clear (references to the period referred to in subsection (1) were confusing). We have attempted to clarify but please confirm that we are understanding the intention correctly.]

(2.1) No financing entity shall charge an amount to the IESO or recover an amount from the IESO more than once.
[Note: We do not understand why subs. (2.1) is needed… why would anyone assume that an amount could be charged/recovered twice? Also we are concerned that including this could lead to problems... for example one might question whether under other sections someone may be able to charge/recover more than once because no such provision is included.]

(3) For the purposes of determining the amounts to be paid and remitted under subsection (1), the IESO may rely on information provided by a financing entity with respect to the amounts.

(4) The carrying costs of a financing entity for a period of time shall be determined as follows:

1. After eliminating any duplication in the following amounts, calculate the sum of the following amounts:

   i. Funding costs paid or payable during the period, excluding any amounts paid or payable on account of the principal of a funding obligation.

   ii. Derivative payments required to be made during the period.

   iii. Amounts deposited, as required under the governing documents of funding obligations, into accounts other than capital accounts during the period.

   iv. Financing entity expenses paid or payable during the period.

   v. Tax liabilities payable during the period.

2. After eliminating any duplication in the following amounts, calculate the sum of the following amounts:

   i. Amounts withdrawn, as permitted under the governing documents of funding obligations, from accounts other than capital accounts during the period.

   ii. Any payments received in connection with a derivative agreement, including ordinary course receipts, payments received on termination and payments received in connection with margining or collateral arrangements.

   iii. Tax refunds received during the period.

3. Subtract the sum calculated under paragraph 2 from the sum calculated under paragraph 1.

(5) The determination of the carrying costs of a financing entity for a period of time shall be made on an accrual basis accounting method.

(6) The IESO may grant security to a financing entity in order to secure~~meet~~ its obligations to pay and remit present and future~~an~~ amounts due under this section.

**2. Section 16 of the Regulation would be amended by adding the following paragraph:**

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

**Commencement – [NOTE: Please let us know if you have any concerns with the proposal coming into force (if approved) on the date that it is filed (at some point in late October or early November)? Does the timing by which this proposal come into force need to be managed in any specific manner beyond through the provisions set out above?**

**3. This Regulation would come into force on a date established by Government.**