PART C REGULATIONS

Draft regulations are expected to be provided after the Act has been substantially finalized and submitted for first reading. We expect that the regulations will address the following issues and have regard for the OPG interests articulated below.

A. OPG as Financial Services Manager:

We expect that the regulations will address the following matters:

- **OPG Administrative Fees:** establish the process and parameters applicable to the OEB's review of the administrative costs of OPG, in its capacity as the Financial Services Manager.
    - OPG Issue Commentary: OPG is reviewing various alternatives for structuring the Financial Services Manager fees. It is understood that these fees will need to include some profit component and be based on market comparables, with limited opportunity for OEB approval.
- **Preparation of the Financing Plan:** preparation of the financing plan will require OPG, as Financial Services Manager to make reasonable assumptions in preparing the Financing Plan in accordance with the parameters established in the regulations. These are expected to include: anticipated IESO funding shortfalls, maturities of funding obligations, availability of refinancing opportunities, availability of currency and interest rate hedging facilities, amounts and variability of interest rates and financing costs, and available capital markets in which funding obligations may be incurred.
    - OPG Issue Commentary: The Province will establish the initial fair allocation during the first year, after which it will be calculated by OPG pursuant to the methodology contained in the regulations. The fair allocation methodology should be clear but also permit flexibility for OPG to put together a Financing Plan.
- **Windup of the Financing Entity:** Without approval of the Minister, no Financing Entity may be voluntarily wound-up, liquidated or dissolved until one year after all of its funding obligations have been repaid.

B. The Investment Asset and Recovery of Costs by the Financing Entity

We expect that the regulations will address the following matters:

- **Defining the Funding Obligations:** the regulations will establish the types of payment obligations that constitute "funding obligations" for the purposes of the Act.
- **Defining the Finance Amount:** the regulations will establish the rules for calculating the

estimated finance amount under the Act (for example: principle, interest, administrative costs and potentially, unrecoverable HST payments).

- **Rights Regarding Investment Asset:** the regulations will add greater detail regarding the various rights and entitlements associated with the investment asset that are in addition to those set out in the legislation.

- **Recovery of Tax Costs:** the regulations will include tax provisions to: (i) shelter OPG against income and commodity tax costs arising from the structure; and (ii) make income and commodity taxes incurred by the Financing Entity recoverable under the Investment Asset.

OPG General Commentary: OPG expects that all significant costs of the trust, including principal and interest, administrative and transaction costs will be recoverable by the Financing Entity with limited OEB oversight.

C. Electricity Rates and Rate Reduction/ Fair Allocation Amounts

We expect that the regulations will address the following matters:

- **Reduced Electricity Rate:** the regulations will specify the rate of electricity, or the methodology for establishing such rate, payable by the "specified consumers" (discussed below) between May 1, 2018 and April 30, 2021.

- **Definition of "Specified Consumer":** the reduced electricity rates are established in reference to a "specified consumer" which we expect the regulation to define.

- **Changes to the Fair Allocation Amount:** the regulations will state the persons who may change the calculation of fair allocation amounts and the conditions governing such changes, as well as for the provision of information needed to facilitate such a change.

OPG General Commentary: OPG expects that the regulations that address these issues will be clear and establish effective mechanisms for implementing the deferrals as well as the repayment of the deferred amounts plus all financing costs associated with the deferral. We also expect that the regulations will mandate the information that OPG requires to establish and update the fair allocation after the first year.

D. General Mechanics and Processes for Implementation

We expect that the regulations will address the following matters:

- **Definitions:** many of the concepts from the legislation will need to be defined more specifically in the regulations.

- **Calculating Reductions on Customers Bills:** the regulations will need to establish the aspects of consumer bills that are/are not to be considered in calculating reductions.

- **Invoice and Billings Process:** the regulations will set out the processes and requirements for issuance of invoices and remittance of payments as between consumers, distributors, retailers, the IESO and financing entities.

- **Information Dissemination:** the regulations will include the various requirements for provision of information by the Financial Services Manager to the OEB in respect of funding obligations and clean energy adjustments.

- **Calculation of IESO Shortfall:** the regulations will need to include sufficient detail regarding the adjustments to be used in calculation of, and conditions for the recovery by the IESO of, the funding shortfall it records in a variance account.

- **Obligations of a Distributor/ Retailer, etc:** The regulations will include the process and circumstances in which the Lieutenant Governor in Council may by regulation appoint a person to carry out the obligations of a distributor, retailer or similar party.

- **Invoice Matters:** the regulations will set out the processes for the inclusion of adjustments on invoices and any notices that must be provided to consumers in connection therewith;

OPG General Commentary: OPG expects that the regulations will establish clear mechanisms and build on the existing regulatory regimes (where possible) to promote the most efficient process possible.