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Ontario to Review Existing Generation Contracts

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The Ontario government recently issued an [Order in Council](#) approving the issuance of a directive to the Independent Electricity System Operator (IESO) with a view to “identifying viable opportunities to lower electricity prices for Ontario consumers while maintaining system reliability.”

The Minister’s Directive directs the IESO to retain an independent third party to undertake a targeted review of existing generation contracts in the province. The stated objective of the review is to “identify opportunities to lower electricity costs within such generation contracts.”

The Directive states that the review is to focus on large gas, wind and solar contracts that expire in the next 10 years but also requires the IESO to focus on any other areas with the potential for cost savings. The review is also to take into account system reliability and potential impacts on Indigenous, municipal and local partnerships.

The Directive expressly excludes the Bruce Power Refurbishment Agreement and conservation and demand-management initiatives from the scope of the review.

The IESO is required to deliver the report, together with the IESO’s assessment of the report’s findings, by February 28, 2020.

What this Directive means for existing contract counterparties in Ontario remains to be seen. However, the current government has shown itself to be far less supportive of renewable energy contracts than its predecessor. Shortly after coming into power in June 2018, the government announced the cancellation of 758 renewable-energy contracts. In September 2018, the government introduced Bill 34 to repeal the *Green Energy Act, 2009*, which had the effect of further restricting renewable energy development in the province.

The focus on contracts in the last 10 years of their term opens the possibility of renegotiating those contracts to extend their terms but at a reduced price effective immediately (not unlike a “blend and extend” mortgage). Of course, any such renegotiation would require the cooperation of not only the supplier but also any project lenders.

Davies will provide an update following the release of the IESO’s recommendations in the first quarter of 2020.

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