

February 23, 2012

MEMORANDUM OF UNDERSTANDING

Memorandum of Understanding

between

Minister of Finance

and

Chair of

Ontario Electricity Financial Corporation

Approved by OEFC Board of Directors: October 4, 2011
Approved by Management Board of Cabinet:

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1. Purpose

- a. The purpose of this Memorandum of Understanding (MOU) is to:
 - Set out the accountability relationships between the Minister of Finance and the Chair of Ontario Electricity Financial Corporation (“OEFC”) on behalf of OEFC.
 - Clarify the roles and responsibilities of the Minister, the Chair, the Deputy Minister, OEFC CEO, and OEFC Board of Directors.
 - Set out the expectations for the operational, administrative, financial, staffing, auditing and reporting arrangements between OEFC and the Ministry of Finance.
- b. This MOU should be read together with the *Electricity Act, 1998* (the “Act”). This MOU does not affect, modify or limit the powers of OEFC as set out in the Act, or interfere with the responsibilities of any of its parties as established by law. In case of a conflict between this MOU and any act or regulation, the act or regulation prevails.

2. Definitions

In this MOU:

- a. “Act” means the *Electricity Act, 1998*, the act that established and governs OEFC
- b. “AEAD” means the Treasury Board/Management Board of Cabinet Agency Establishment and Accountability Directive
- c. “Appointee” means a director or other member appointed to OEFC by the Minister or by the Lieutenant Governor in Council, but does not mean an individual employed/appointed by OEFC solely as staff
- d. “Board” means the board of directors of OEFC
- e. “Chair” means the chair of OEFC
- f. “CEO” means the Chief Executive Officer of OEFC
- g. “Constituting instrument” means the Act
- h. “Deputy Minister” means the Deputy Minister of Finance

- i. “Financial Assistance” includes, pursuant to Order in Council 698/99, purchasing securities, making loans, or providing indemnities or guarantees
- j. “MBC” means Management Board of Cabinet
- k. “Minister” means Minister of Finance
- l. “Ministry” means Ministry of Finance
- m. “OEFC” means Ontario Electricity Financial Corporation
- n. “OFA” means the Ontario Financing Authority
- o. “PSOA” means the *Public Service of Ontario Act*, 2006, S.O. 2006, c. 35, Sched. A.
- p. “TB” means Treasury Board

3. OEFC’s Legal Authority and Mandate

- a. Under the Act, Ontario Hydro was restructured into five corporations: Ontario Power Generation Inc. (OPG), Hydro One Inc. (Hydro One), the Independent Electricity System Operator (IESO), the Electrical Safety Authority (ESA) and OEFC.
- b. OEFC is the legal continuation of Ontario Hydro and is a corporation without share capital. The legal authority of OEFC is set out in the Act. Pursuant to the Act, OEFC’s mandate includes the following:
 - Managing its debt, financial risks and liabilities, including the debt of the former Ontario Hydro.
 - Managing the former Ontario Hydro’s NUG contracts in the current market environment.
 - Receiving all payments and administering other assets, liabilities, rights and obligations of the Corporation that were not transferred to another of the Hydro successor corporations and disposing of any of these items as it deems appropriate or as directed by the Minister of Finance.
 - Providing financial assistance to the successor corporations of Ontario Hydro.
 - Entering into financial and other agreements relating to the supply of electricity in Ontario.
 - Performing any additional objects as specified by the Lieutenant Governor in Council.

- c. Pursuant to the Act, neither the *Corporations Act* nor the *Corporations Information Act* apply to OEFC.
- d. OEFC has the capacity, rights, powers and privileges of a natural person.
- e. The Minister may issue directives to OEFC on matters relating to the exercise of its powers and duties under the Act. The Board must ensure that such directives are implemented promptly and efficiently.
- f. The following provisions of the *Business Corporations Act* apply to OEFC, with necessary modifications:
 - 1. Section 16 (capacity to act outside Ontario).
 - 2. Subsections 126 (3) and (4) (quorum requirements).
 - 3. Subsection 129 (1) (resolutions in writing).
 - 4. Subsections 136 (1) and (3) to (6) (indemnification of directors, etc.).
- g. Statutes of particular application to OEFC are set out in Appendix 5 of this MOU.

4. Crown Agent Status

- a. OEFC is a Crown Agency within the meaning of the *Crown Agency Act*.

5. OEFC Classification

- a. OEFC is classified as an Operational Enterprise agency under the AEAD.
- b. OEFC is prescribed as a Public Body under PSOA.

6. Guiding Principles

The parties agree to the following principles:

- a. The Minister acknowledges that OEFC is a statutory entity which exercises powers and performs duties in accordance with its mandate.
- b. The Minister acknowledges that OEFC plays a meaningful role in the development of the policies and programs of the government, as well as in the implementation of those policies and delivery of programs.

- c. The Chair acknowledges that accountability is a fundamental principle to be observed in the management, administration and operations of OEFC. The Board acknowledges that it is accountable to the Minister, through the Chair, for governance and oversight of OEFC.
- d. As an agency of the government, OEFC conducts itself in accordance with sound business practices and according to the management principles of the Government of Ontario. These principles include ethical behaviour; prudent; efficient, and lawful use of public resources; fairness; high quality service to the public; and openness and transparency to the extent allowed under law.
- e. OEFC and the ministry agree to avoid duplication of services wherever possible.

7. Accountability Relationships

7.1 Minister

The Minister is accountable:

- a. to Cabinet and the Legislative Assembly for reporting and responding to the Legislative Assembly on the affairs of OEFC.
- b. for attesting, reporting and responding to Treasury Board/Management Board of Cabinet on OEFC's performance and compliance with government's applicable directives and operational policies.
- c. to the Cabinet for the performance of OEFC and its compliance with the government's operational policies and broad policy directions.
- d. for receiving and ensuring that OEFC's annual report is made available to the public after tabling it in the Legislative Assembly.

7.2 Chair

The Chair is accountable:

- a. to the Minister for the performance of OEFC in fulfilling its mandate, and for carrying out the roles and responsibilities assigned to the Chair by this MOU and applicable TB/MBC, Public Service Commission, and Ministry directives
- b. for reporting to the Minister, as requested, on OEFC's activities

- c. for ensuring timely communications with the Minister regarding any issue that affects, or can reasonably be expected to affect, the Minister's responsibilities for OEFC.

7.3 Board of Directors

- a. The Board is accountable to the Minister, through the Chair, for the oversight and governance of OEFC, setting goals, objectives and strategic direction for OEFC within its mandate and subject to direction from the Province, and for carrying out the roles and responsibilities assigned to it by the Act, applicable TB/MBC, Public Service Commission, and Ministry directives, and this MOU.

7.4 Deputy Minister

The Deputy Minister is accountable to the Secretary of the Cabinet and the Minister for the performance of the Ministry in providing administrative and organizational support to OEFC and for carrying out the roles and responsibilities assigned by the Minister, applicable TB/MBC and Ministry directives, and this MOU.

7.5 OEFC Chief Executive Officer (CEO)

OEFC CEO is appointed by the LGIC on the recommendation of the Minister.

- a. The CEO works under the direction of the Chair and the Board to implement policies and operational decisions, and reports the agency's performance to the Board, through the Chair.
- b. Consistent with the operation of OEFC by the OFA, the OFA CEO is also the CEO of OEFC.

8. Conflict of Interest

- a. OEFC is required to follow the conflict of interest rules for ministries that are set out in Ontario Regulation 381/07, subject to developing its own conflict of interest rules and having them approved and published by the Conflict of Interest Commissioner.
- b. Pursuant to PSOA (s. 58.4), Ontario Regulation 381/07 applies to OEFC, with necessary modifications. To ensure compliance with Ontario Regulation 381/07 as it applies to OEFC, OEFC is required to identify senior positions in OEFC that are "designated senior positions" for the purposes of Ontario Regulation 381/07 as it applies to OEFC. These positions are identified in Appendix 6 of this MOU.

- c. The Chair is responsible for ensuring that appointees of OEFC are informed of the ethical rules to which they are subject, including the rules on conflict of interest, political activity and protected disclosure of wrongdoing that apply to OEFC.

9. Roles and Responsibilities

9.1 Minister

The Minister is accountable to Cabinet and to the Legislative Assembly for:

- a. Reporting and responding to the Legislative Assembly on the affairs of OEFC
- b. Attesting, reporting and responding to TB/MBC on OEFC's performance, compliance with applicable TB/MBC directives, the government's operational policies and policy directions
- c. Where required, recommending to Treasury Board/Management Board of Cabinet the merger, any change to OEFC's mandate or dissolution of OEFC
- d. Recommending to TB/MBC the powers to be given to, or revoked from, OEFC when a change to the mandate of OEFC is being proposed
- e. Determining at any time the need for a review or audit of OEFC, and recommending to TB/MBC any changes to the governance or administration of OEFC resulting from any such review or audit
- f. When appropriate or necessary, taking action or directing that corrective action be taken with respect to OEFC's administration or operations
- g. Receiving OEFC's annual report and ensuring that the annual report is made available to the public after tabling it in the Legislative Assembly
- h. Reviewing OEFC's annual business plan and promptly advising the Chair whether or not he/she concurs with the directions proposed by OEFC. The Minister may advise the Chair where and in what manner OEFC's plans vary from government or ministry policy or priorities as may be required, and OEFC will revise its plan accordingly
- i. Informing the Chair of the government's priorities and broad policy directions for OEFC
- j. Consulting, as appropriate, with the Chair (and others) when significant new directions for OEFC are contemplated or when the government is considering regulatory or legislative changes for OEFC

- k. Developing OEFC's MOU with the Chair and signing it into effect after it has been signed by the Chair
- l. Reviewing and approving OEFC's annual business plan
- m. Recommending to TB/MBC any provincial funding to be allocated to OEFC
- n. Directing the Chair to undertake reviews of OEFC on a periodic basis, and making recommendations to TB/MBC as may be required after such reviews are completed
- o. Recommending OEFC's MOU to TB/MBC for approval before it is signed by the parties
- p. Reviewing the advice or recommendation of the Chair on candidates for appointment or re-appointment to the Board
- q. Issuing directives to OEFC on matters relating to the exercise of its powers and duties under the Act
- r. Approving agency by-laws and strategic directions, where applicable.

9.2 Role of the Chair

The Deputy Minister also serves as OEFC Chair. The Minister recommends the designation of the Chair to the LGIC. There may be instances where this individual must provide advice to one of the parties (either OEFC Board or the Minister of Finance), where this advice might conflict with advice provided to the other party. The Chair will ensure that the possibility of such conflict of interest is understood by the parties.

The Chair is responsible for:

- a. Providing leadership to OEFC
- b. Ensuring the implementation of actions that support the goals, objectives, and strategic direction of OEFC
- c. Seeking strategic policy direction for OEFC from the Minister
- d. Ensuring timely communications with the Minister regarding any issues or events involving OEFC, including decisions or opinions of the Board, that may concern, or can reasonably be expected to concern the Minister in the exercise of his/her responsibilities relating to OEFC

- e. Consulting with the Minister in advance regarding any activity which may have an impact on the government and ministry's policies, directives or procedures, or on OEFC's mandate, powers or responsibilities as set out in OEFC's constituting instrument
- f. Monitoring the performance of OEFC
- g. Reporting to the Minister as requested on OEFC's activities within agreed upon timelines
- h. Ensuring that OEFC operates within its approved budget allocation in fulfilling its mandate
- i. Developing OEFC's MOU with the Minister and signing it as directed by OEFC Board
- j. Reviewing and approving OEFC's business plan, budget, annual report and financial reports to the Minister or TB/MBC and submitting them to the Minister in accordance with the time lines specified in the applicable TB/MBC and Ministry directives, and this MOU
- k. Providing the Minister with a copy of every audit report, a copy of OEFC's response to each report, and any recommendations in the report, other than for internal audit engagements undertaken by Ontario Internal Audit Division in accordance with OEFC's annual Audit and Consulting Plan approved by OEFC's Board or the Audit and Risk Management Committee of OEFC Board
- l. Advising the Minister annually on any outstanding audit recommendations, excluding recommendations contained solely in reports of audits undertaken by Ontario Internal Audit Division in accordance with OEFC's annual Audit and Consulting Plan approved by OEFC's Board or the Audit and Risk Management Committee of OEFC Board)
- m. Ensuring that Board members are informed of their responsibilities under the PSOA with regard to the rules of ethical conduct (Part IV of the PSOA), including the political activity rules (Part V of the PSOA)
- n. Making sure that appropriate management systems are in place (financial, information technology) for the effective administration of OEFC
- o. Making sure that an appropriate framework is in place for OEFC appointees to receive adequate orientation and training
- p. Making sure that OEFC appointees are aware of and comply with applicable TB/MBC and Ministry directives

- q. Making sure a process for responding to and resolving complaints from the public is in place
- r. Carrying out effective public communications and relations for OEFC as its chief spokesperson
- s. Cooperating with any review or audit of OEFC directed by the Minister or TB/MBC
- t. Fulfilling the role of ethics executive for public servants who are government appointees to OEFC, promoting ethical conduct and ensuring that all members of OEFC are familiar with the ethical requirements of the PSOA, and the regulations and the directives made under that act, including in respect of conflict of interest, political activity and the protected disclosure of wrongdoing
- u. Providing leadership to the Board and monitoring the Board's performance
- v. Signing the MOU for OEFC, as authorized by the Board
- w. Keeping the Minister informed of upcoming appointment vacancies and provide recommendations for appointments or re-appointments
- x. Reviewing and approving claims for per diems, and expenses of Board members for the purposes of the *Public Sector Expenses Review Act, 2009*, provided that the Chair may delegate the review and approval of per diem payments to the Secretary/Legal Director of OEFC
- y. Advising appointees on the requirements of the AEAD
- z. Recommending to the Minister proposals affecting the agency's mandate, management, operations, and funding
- aa. Recommending to the Minister proposals affecting the agency's mandate, management, operations, and funding
- bb. Ensuring that OEFC's annual report and business plan fulfill the requirements of the AEAD
- cc. Ensuring that OEFC operates in accordance with all applicable TB/MBC, Public Service Commission, and Ministry directives, as well as applicable ministry financial and administrative policies and procedures. Appendix 2 to this MOU provides a list of applicable directives and policies

- dd. Ensuring that the OFA, on behalf of OEFC, delivers its (OEFC's) services at a quality standard that reflects the principles of the OPS Service Directive
- ee. Ensuring that a system is in place for the creation, collection, maintenance, and disposal of records; and that OEFC complies with applicable TB/MBC records management directives.

9.3 Board of Directors

9.3.1 Responsibilities

The Board is responsible for:

- a. Approving goals, objectives, and strategic directions for OEFC within its mandate as defined by the Act, government policies as appropriate, any directives from the Minister under the Act, and this MOU
- b. Supervising the management of the business and affairs of OEFC and setting overall priorities so as to fulfill OEFC's mandate
- c. Directing the development of, and approving OEFC's business plans for submission to the Minister within the timelines agreed upon with the Ministry or this MOU
- d. Directing the preparation of, and approving OEFC's annual reports for submission to the Minister for tabling in the Legislative Assembly within the timelines established by the Act or the AEAD as applicable
- e. Making decisions consistent with the business plan approved for OEFC, and ensuring that OEFC operates within its allocations
- f. Ensuring that OEFC manages its affairs in compliance with applicable TB/MBC directives
- g. Ensuring that OEFC uses public funds prudently and only for the business of OEFC based on the principle of value for money, and in compliance with applicable legislation and TB/MBC directives
- h. Ensuring that OEFC funds are used with integrity, honesty, fairness and effective controllership
- i. Establishing such board committees or oversight mechanisms as may be required to advise the Board on effective management, governance or accountability procedures for OEFC
- j. Approving the MOU for OEFC in a timely manner and authorizing the Chair to sign it on behalf of OEFC

- k. Approving reports and reviews of OEFC that may be requested by the Minister from time to time for submission to the Minister within agreed upon timelines, if requested by the Chair or the Minister
- l. Directing the development of an appropriate risk management framework, including a risk management plan and arranging for risk-based reviews and audits of OEFC as needed
- m. Where applicable, ensuring that conflict of interest rules that OEFC is required to follow, as set out in Ontario Regulation 381/07, are in place for the members of the Board
- n. Establishing performance measures, targets and management systems for monitoring and assessing OEFC's performance
- o. Directing corrective action on the functioning or operations of OEFC, if needed
- p. Cooperating with and sharing any relevant information on any risk-based or periodic review directed by the Minister or TB/MBC
- q. Providing advice to the Minister, through the Chair, on issues within or affecting OEFC's mandate and operations and seeking policy direction from the government
- r. Passing by-laws or resolutions regulating agency procedures
- s. Recommending the establishment of guidelines, policies, and practices under which the agency operates, as appropriate
- t. Ensuring that directives issued by the Minister to OEFC are implemented promptly and efficiently.

9.4 Deputy Minister

The Deputy Minister is responsible for:

- a. Advising and assisting the Minister regarding the Minister's responsibilities for OEFC
- b. Advising the Minister on the requirements of the AEAD, the Government Appointees Directive and other directives that apply to OEFC
- c. Recommending to the Minister, as may be necessary, the evaluation or review, including a risk-based review, of OEFC or any of its programs, or changes to the management framework or operations of OEFC

- d. Facilitating regular briefings and consultations between him/herself as the Chair and the Minister, and between Ministry staff and OFA staff
- e. Attesting to Treasury Board/Management Board of Cabinet as required, to OEFC's compliance with the mandatory accountability requirements set out in the AEAD
- f. Ensuring that the Ministry and OEFC have the capacity and systems in place for on-going risk-based management, including appropriate oversight of OEFC
- g. Ensuring that OEFC has an appropriate risk management framework, including a risk management plan in place for managing risks that OEFC may encounter in meeting its program or service delivery objectives
- h. Undertaking timely risk-based reviews of OEFC, its management or operations, as may be directed by the Minister or TB/MBC
- i. Establishing a framework for reviewing and assessing OEFC's business plans and other reports
- j. Supporting the Minister in reviewing the performance targets, measures and results of OEFC
- k. Advising the Minister on documents submitted by OEFC to the Minister for review or approval, or both
- l. Submitting to the Minister, as part of the annual planning process, a risk assessment and management plan for each risk category
- m. Undertaking reviews of OEFC as may be directed by the Minister
- n. Cooperating with any review of OEFC as directed by the Minister or TB/MBC
- o. Monitoring OEFC on behalf of the Minister while respecting OEFC's authority, identifying needs for corrective action where warranted, and recommending to the Minister ways of resolving any issues that might arise from time to time
- p. Negotiating a draft MOU, as directed by the Minister
- q. Consulting with OEFC's CEO, as needed, on matters of mutual importance including services provided by the ministry and compliance with TB/MBC directives and ministry policies
- r. Arranging for administrative, financial and other support to OEFC as specified in this MOU

- s. Informing the CEO, in writing, of new government directives and any exceptions to or exemptions in whole or in part from TB/MBC directives or Ministry administrative policies
- t. When required, submitting a report to the secretaries of TB/MBC on the wind-down of OEFC, including disposition of any assets, completion of any outstanding responsibilities by OEFC, and the termination of any appointments

9.5 OEFC Chief Executive Officer (CEO)

Since the day-to-day operations of OEFC are administered by the OFA, and to a lesser extent, by the Ministry of Finance (see section 15 of this MOU), the role of OEFC CEO is primarily supervisory. Consistent with the operation of OEFC by the OFA, the OFA CEO is also the CEO of OEFC and performs responsibilities for OEFC in both roles.

The Chief Executive Officer is responsible for:

- a. Management of the day-to-day operations of OEFC in accordance with the mandate of OEFC, applicable TB/MBC and Ministry directives, accepted business and financial practices, including capital markets practices, and this MOU
- b. Advising the Chair on the requirements of and compliance with the AEAD, as well as other TB/MBC and Ministry directives and policies, and OEFC by-laws and policies
- c. Applying policies and procedures so that public funds are used with integrity and honesty
- d. Establishing and applying a financial management framework for OEFC in accordance with applicable Minister of Finance controllership directives, policies and guidelines
- e. Translating the goals, objectives and strategic directions of the Board into operational plans and activities in accordance with OEFC's approved business plan
- f. Ensuring that OEFC has the oversight capacity and an effective oversight framework in place for monitoring its management and operations
- g. Keeping the Board, directly or through the Chair, informed with respect to implementation of policy and the operations of OEFC

- h. Establishing systems to ensure that OEFC operates within its approved business plan
- i. Ensuring that OEFC has an appropriate risk management framework and risk management plan in place, as directed by the Board
- j. Supporting the Chair and Board in meeting their responsibilities
- k. Carrying out in-year monitoring of OEFC's performance and reporting on results to the Board directly or through the Chair
- l. Keeping the Ministry and the Chair advised on issues or events that may concern the Minister or the Deputy Minister/Chair in the exercise of their responsibilities
- m. Seeking support and advice from the Ministry, as appropriate, on OEFC management issues
- n. Establishing a system for the retention of OEFC documents and for making such documents publicly available when appropriate, for complying with the *Freedom of Information and Protection of Privacy Act* and the *Archives and Recordkeeping Act* where applicable
- o. Undertaking timely risk-based reviews of OEFC's management and operations
- p. Consulting with the Chair/Deputy Minister as needed, on matters of mutual importance, including services provided by the Ministry, and on TB/MBC and Ministry directives and Ministry policies
- q. Cooperating with a periodic review directed by the Minister or TB/MBC

- r. Supervising the preparation of OEFC's annual business plan and presenting it to the Board, and directing the implementation of the plan as approved
- s. Keeping the Board, directly or through the Chair, informed about operational matters
- t. Supervising the preparation of OEFC's annual reports, subject to any direction from the Board, and presenting them to the Board for approval
- u. Preparing financial reports for review/approval by the Board
- v. Fulfilling the responsibilities of Deputy Head where applicable MBC Directives identify this role and do not otherwise define it
- w. Ensuring that the legal, financial and other interests of the government in intellectual property are protected, as appropriate, in any contract that OEFC may enter into with a third party that involves the creation of intellectual property
- x. Providing leadership and management to OFA staff performing services for OEFC, including financial resources management.

10. Reporting Requirements

10.1 Business Plan

- a. The Chair will ensure that the Minister is provided annually with OEFC's business plan covering a minimum of three years from the current fiscal year, that includes a financial budget and a risk management plan, for approval within the timelines established by the Minister for this purpose
- b. The Chair is responsible for ensuring that OEFC's annual business plan meets the requirements of the AEAD
- c. The Chair will ensure that the business plan includes a risk assessment and risk management plan to assist the Ministry to develop its risk assessment and risk management plan information in accordance with the requirement of the AEAD, to assess risks, develop and maintain necessary records and report to TB/MBC
- d. The Minister will review OEFC's annual business plan and will promptly advise the Chair whether or not he/she concurs with the directions proposed by OEFC. The Minister may advise the Chair where and in what manner OEFC's plans vary from government or ministry policy or priorities as may be required, and OEFC will revise its plan accordingly

- e. The Chair is responsible for ensuring that OEFC's business plan includes a system of performance measures and reporting on the achievement of the objectives set out in the business plan. The system must include performance goals, how they will be achieved, and target results and time frames
- f. The Minister may also request OEFC's business plan to be brought forward for review, as required.

10.2 Annual Reports

- a. The Chair is responsible for ensuring that OEFC's annual report is submitted to the Minister for tabling in the Legislative Assembly. In accordance with the Act, the Chair will submit the annual report to the Minister within 90 days of OEFC's fiscal year end, or, within such date as provided for by an extension by the Minister, which shall not be later than the day the Public Accounts for the fiscal year are submitted to the Lieutenant Governor in Council.
- b. The Chair is responsible for ensuring that OEFC's annual report fulfills the requirements of the AEAD.

10.3 Other Reports

The Chair is responsible for:

- a. Ensuring that the reports and documents set out in Appendix 1 to this MOU are submitted for review and approval to the Minister in accordance with the prescribed time lines.
- b. At the request of the Minister, supplying specific data and other information that may be required from time-to-time for the purpose of ministry administration.

11. Communications

The parties to this MOU recognize that the timely exchange of information on the operations and administration of OEFC is essential for the Minister to meet his responsibilities for reporting and responding to the Legislative Assembly on the affairs of OEFC. The parties also recognize that it is essential for the Chair to be kept informed of the government initiatives and broad policy directions that may affect OEFC's mandate and functions.

The parties, therefore, agree as follows:

- a. The Chair will keep the Minister advised, in a timely manner, of all planned events and issues that concern or can be reasonably expected to concern the Minister in the exercise of his responsibilities.
- b. The Minister will consult with the Chair, as appropriate, on broad government policy initiatives or legislation being considered by the government that may impact on OEFC's mandate or functions.
- c. The Minister and the Chair will consult with each other on public communications strategies and publications. They will keep each other informed of the results of stakeholder and other public consultations and discussions.
- d. The Minister and the Chair will meet at least annually, or as requested by either party, to discuss issues relating to the fulfillment of OEFC's mandate, management and operations and the Chair will report to the Minister regarding any issues or events involving OEFC, including decisions or opinions of the Board, that may concern, or can reasonably be expected to concern the Minister in the exercise of his/her responsibilities.
- e. The Deputy Minister and the CEO will meet as required to discuss issues relating to OEFC, including any issues relating to the efficient operation of OEFC and the provision of services by the Ministry to OEFC.
- f. OEFC and Ministry will adhere to the Public Communications Protocol in Appendix 3 of the MOU.

12. Administrative Arrangements

12.1 Applicable Treasury Board/Management Board of Cabinet and Ministry of Finance Directives ("Directives")

- a. The Chair is responsible for ensuring that OEFC operates in accordance with all applicable TB/MBC, Public Service Commission, and Ministry directives, as well as applicable ministry financial and administrative policies and procedures. Appendix 2 to this MOU provides a list of applicable directives and ministry policies.
- b. The CEO is responsible for ensuring that the legal, financial and other interests of the government in intellectual property are protected, as appropriate, in any contract that OEFC may enter into with a third party that involves the creation of intellectual property.

12.2 Administrative and Organizational Support Services

- a. The Deputy Minister is responsible for providing the agency with the administrative and organizational support services listed in Appendix 4 to this MOU, and for negotiating with Ontario Shared Services concerning these services, as appropriate.
- b. Appendix 4 may be reviewed at any time at the request of either party.
- c. The Deputy Minister will ensure that the support or services provided to the agency are of the same quality as those provided to the Ministry's own divisions and branches.
- d. Terms and conditions for specialized services provided by the Ministry are to be agreed upon between OEFC and the Ministry.
- e. OEFC is classified as an Operational Enterprise in accordance with the policy and directives prescribed by MBC. As such, OEFC may:
 - perform administrative and specialized functions directly;
 - obtain such services from external sources; and/or,
 - obtain administrative and specialized services, such as legal, freedom of information and communications services, from the Ministry.

Since OEFC does not have staff, it does not perform administrative or specialized functions directly. It performs these activities through third party agreements with the OFA and the Ministry of Finance.

12.3 Freedom of Information and Protection of Privacy

- a. The CEO is the institution head for the purposes of the *Freedom of Information and Protection of Privacy Act* ("FIPPA").
- b. The CEO delegates powers and duties of the head of OEFC for the purpose of FIPPA to specific positions. OFA staff act in accordance with such delegations, as may be amended or superseded from time to time.

12.5 Records Management

The Chair is responsible for:

- a. Ensuring that a system is in place for the creation, collection, maintenance, and disposal of records
- b. Ensuring that OEFC complies with applicable TB/MBC records management directives.

12.6 Service Standards

- a. With the exception of a website maintained by the OFA, OEFC does not provide services to the public.
- b. The Chair will ensure that the OFA, on behalf of OEFC, delivers its (OEFC's) services at a quality standard that reflects the principles of the OPS Service Directive.
- c. The OFA, on behalf of OEFC, has in place a process for responding to complaints or inquiries about the quality of services received by members of the public that reflects the government's service quality standards.

13. Financial Arrangements

13.1 Funding

- a. OEFC fulfills its mandate of servicing and retiring the debt and other liabilities of the former Ontario Hydro by utilizing revenues and cash flows from the following sources:
 - Outstanding notes receivable from the Province, OPG, and IESO;
 - Debt Retirement Charge, paid by consumers until the residual stranded debt is retired;
 - Payments-in-lieu of corporate income, capital and property taxes, made by OPG, Hydro One, and municipal electrical utilities; and,
 - Electricity sector dedicated income.
- b. In addition, pursuant to the Act, the Province borrows and on-lends funds to OEFC as required.
- c. It is understood that, pursuant to a ministerial directive, management of OEFC's debt, cash management, banking, accounting and financial reporting will be conducted on behalf of OEFC by the OFA.
- d. The collection of the Debt Retirement Charge and payments-in-lieu of taxes will be conducted by Ministry of Finance staff.
- e. OEFC will produce estimates of the cost of the above services to be included in the annual business plan. OEFC will deliver these estimates to the Minister in sufficient time to be reviewed and approved by the Minister. The estimates provided by OEFC may, after appropriate consultation with the Chair, be altered as required.

- f. Pursuant to the Act, and despite the *Financial Administration Act*, the revenues received by OEFC do not form part of the Consolidated Revenue Fund. OEFC may deposit any revenue or other funds received in its own bank accounts. OEFC may make banking and other arrangements with the Minister of Finance or the OFA and with financial institutions in order to manage monies effectively. OEFC may borrow, invest funds, and manage financial risks on its own account pursuant to by-laws approved by the Minister.
- g. Financial procedures of OEFC must be in accordance with applicable TB/MBC and Ministry directives and guidelines and other applicable government direction.
- h. When ordered to do so by the Minister, pursuant to section 16.4 of the *Financial Administration Act*, OEFC shall pay into the Consolidated Revenue Fund any money that the Minister determines is surplus to its requirements.
- i. Pursuant to Section 28 of the *Financial Administration Act*, OEFC will not enter into any financial arrangement or commitment, guarantee, indemnity or similar transaction that may increase, directly or indirectly, the indebtedness or contingent liabilities of the Government of Ontario without the written approval of the Minister.

13.2 Financial Reports

- a. The Chair will provide to the Minister audited annual financial statements, and will include them as part of OEFC's annual report. The statements will be provided in a format that is in accordance with the province's stated accounting policies issued by the Office of the Provincial Controller.
- b. The Chair will provide, on instruction from the Minister of Finance, OEFC's financial information for consolidation into the Public Accounts.
- c. The OFA will provide to the Ministry quarterly expenditure budget variance reports (quarterly budget to actual expense variance reports) for OEFC.

13.3 Taxation Status: Harmonized Sales Tax (HST)

OEFC is responsible for paying Harmonized Sales Tax (HST), where applicable, in accordance with the Federal *Excise Tax Act*.

14. Audit and Review Arrangements

14.1 Audits

- a. Pursuant to section 80 of the Act, the Auditor General is the auditor of OEFC. The Auditor General conducts an annual audit of the year-end financial statements and reports the findings to the Board.
- b. The agency is subject to periodic review and value-for-money audit by the Auditor General of Ontario under the *Auditor General Act* or by the Ontario Internal Audit Division.
- c. The Ontario Internal Audit Division may also carry out an internal audit if approved to do so by the Ministry's Audit Committee or by the Corporate Audit Committee.
- d. Regardless of any annual external audit, the Minister may direct that OEFC be audited at any time.
- e. OEFC will promptly provide a copy of the report from an audit directed by the Minister, to the Minister. OEFC will also provide a copy of its response to the audit report and any recommendations therein. OEFC will advise the Minister annually on any of the audit recommendations that remain outstanding.
- f. The Chair may request an external audit of the financial transactions or management controls of OEFC at OEFC's expense.
- g. The Board of Directors or the Audit Committee of the Board (AC), will authorize and direct internal audits to be conducted in respect of OEFC by the Ontario Internal Audit Division pursuant to an annual Audit and Consulting Plan (Audit Plan) approved by the Board or the AC. The Ontario Internal Audit Division will be available to OEFC in accordance with the Audit Plan.
- h. The Board may authorize or direct OEFC to retain additional auditors as it deems necessary.

15. Staffing and Appointments

15.1 Staffing

OEFC does not have its own staff because the OFA, together with the Ministry of Finance, conducts OEFC's activities. Certain OFA staff members are designated as officers of OEFC for the purpose of executing agreements and other documents on its behalf.

15.2 Appointments

- a. Pursuant to section 58(4) of the Act, the Lieutenant Governor in Council, on the recommendation of the Minister, shall designate one of the directors of the Board as the Chair of the Board.
- b. Pursuant to section 58(5) of the Act, one or more members of the Board may also be designated Vice-Chairs by the Lieutenant Governor in Council, on the recommendation of the Minister.
- c. Pursuant to section 59 of the Act, the CEO is appointed by the Lieutenant Governor in Council, on the recommendation of the Minister.

16. Liability Protection and Insurance

Ontario Regulation 115/99 under the Act incorporates section 136 (indemnification) of the *Business Corporations Act*.

OEFC may purchase third party liability insurance coverage to protect itself against claims that might arise from anything done or omitted to be done by OEFC or its directors or officers, and from anything done or omitted to be done where bodily or personal injury, death or property damage, including loss of use thereof, is caused.

Pursuant to OEFC's By-Law #1, OEFC's directors and officers are indemnified by OEFC.

17. Effective Date and Duration and Periodic Review of the MOU

17.1 Effective Date of MOU

- a. This MOU becomes effective on the date it is signed by the parties.
- b. This MOU will continue in effect for not more than five years from the effective date.
- c. This MOU will remain in force for no more than six months after its expiry date until a MOU is approved by Management Board of Cabinet and signed by both the Minister and the Chair.
- d. If a new Minister or Chair takes office before this MOU expires, the new Minister or Chair must affirm by letter that the MOU will continue in force without revision; or alternatively, the Minister and the Chair may agree to revise it. A copy of the letter of affirmation between the Minister and Chair must be provided to the Secretary, Management Board of Cabinet within six months of the new party or parties' commencement.

- e. Without affecting the effective date of this MOU, either the Minister or Chair may initiate a review of this MOU by written request to the other.
- f. A full review of this MOU will be conducted prior to its expiry not more than five years following the date it came into effect, or immediately in the event of a significant change to OEFC's mandate, powers or governance structure as a result of an amendment to the Act.

17.2 Reviews

- a. OEFC may be subject to a review at the discretion and direction of TB/MBC or the Minister. The review may cover such matters relating to OEFC as are determined by TB/MBC or the Minister, and may include the mandate, powers, governance structure and/or operations of OEFC.
- b. The Minister will consult the Chair as appropriate during any such review.
- c. The Chair, CEO, and Board will cooperate in any review.

18. Signatures

Original MOU signed by Steve Orsini on July 19, 2012

Chair

Ontario Electricity Financial Corporation

Date

Original MOU signed by Dwight Duncan on August 1, 2012

Minister

Ministry of Finance

Date

Appendix 1: Summary of OEFC Reporting Requirements

SUBMISSION DATE	REPORT/DOCUMENT	NAMES OF RESPONSIBLE OFFICIALS
10 days after approval of RbP	Estimates <ul style="list-style-type: none"> • OEFC will prepare estimates of OEFC's expenditures for inclusion in the Ministry's business plan. 	<ul style="list-style-type: none"> • Chair • CEO
Fourth quarter in the year preceding the first year of the Business Plan	OEFC Business Plan <ul style="list-style-type: none"> • Prepares • Approves • Provides to Minister 	<ul style="list-style-type: none"> • OFA staff • OEFC Board • Chair
Submission to Minister: By June 29 each year	Annual Report <ul style="list-style-type: none"> • Prepares • Approves • Provides to Minister 	<ul style="list-style-type: none"> • OFA staff • OEFC Board • Chair
<p>Submissions to Minister: By June 29 each year</p> <p>Submission to Chair, AC (summary only), CEO, Secretary: Ongoing</p> <p>Submission to Board: Quarterly</p>	Auditing Year-End Financial Statements <ul style="list-style-type: none"> • Prepares • Audit & Sign-Off • Provides to Minister Internal Audit Reports	<ul style="list-style-type: none"> • OFA staff • Auditor General of Ontario • Chair • Ontario Internal Audit Division

Submission to Board: Quarterly	Quarterly Financial Statements <ul style="list-style-type: none"> • Prepares • Approves 	<ul style="list-style-type: none"> • OFA staff • OEFC Board
As required.	Financial Reports requested by Minister: <ul style="list-style-type: none"> • Prepares • Approves 	<ul style="list-style-type: none"> • OFA staff • Chair
Quarterly, (April, June, September, December)	Quarterly expenditure budget – variance reports (Quarterly budget to actual expense variance reports) <ul style="list-style-type: none"> • Prepares • Approves • Provides to Ministry 	<ul style="list-style-type: none"> • OFA staff • CEO • Director, Finance and Reporting Division, OFA
First fiscal quarter, on Board approval	Financing, Debt & Electricity Management Plan <ul style="list-style-type: none"> • Prepares • Approves • Provides to Minister 	<ul style="list-style-type: none"> • OFA Staff • OEFC Board • Chair
Annually, as part of business plan cycle	Risk Management Plan <ul style="list-style-type: none"> • Prepares • Review • Approves 	<ul style="list-style-type: none"> • OFA staff • OFA staff • Ontario Internal Audit Division
Every 5 years	MOU <ul style="list-style-type: none"> • Prepares • Approves 	<ul style="list-style-type: none"> • OFA staff • Board, Chair, Minister, MBC

Appendix 2: Applicable TB/MBC and Ministry of Finance Directives

1. The following key TB/MBC and Ministry of Finance directives apply to OEFC:

Key Directives

- Agency Establishment and Accountability Directive
 - Accountability Directive
 - Government Appointees Directive
 - Procurement Directive as it applies to “Other Included Entities”
 - Travel, Meal and Hospitality Expenses Directive
2. OEFC is responsible for complying with the above directives, and all other directives, policies and guidelines to which it is subject.
3. The Ministry will inform OEFC of amendments or additions to directives, policies and guidelines that apply to OEFC.
4. Other directives and Ministry policies and guidelines that are applicable to OEFC are listed below (alphabetically): *

DIRECTIVES	POLICIES	PRACTICES/GUIDELINES/PROCEDURES/ STANDARDS
<i>Accountability Directive</i>	<i>Accounting and Financial Reporting Policy</i>	<i>Certificate of Assurance</i>
<i>Advertising Content Directive</i>	<i>Accounting for Order-in-Council Appointees Policy</i>	<i>Cheque Printing from Ministry Accountable Advance Accounts</i>

DIRECTIVES	POLICIES	PRACTICES/GUIDELINES/PROCEDURES/ STANDARDS
<i>Agency Establishment and Accountability Directive</i>	<i>Accounting Policy for Recoveries</i>	<i>Communications in French Directive Guidelines</i>
<i>Cash Management Directive</i>	<i>Bank Account Policy</i>	<i>Costing and Pricing</i>
<i>Delegation of Authority Directive</i>	<i>Billing Management and Recording Policy</i>	<i>Data Integrity</i>
<i>Disclosure of Wrongdoing Directive Employees / appointees of public bodies - i.e., agencies)</i>	<i>Collections Policy</i>	<i>Designated Revenue</i>
<i>Expenditure Management Directive</i>	<i>Credit Management Policy</i>	<i>Financial Record Retention</i>
<i>Government Appointees Directive</i>	<i>Eye Examination Plan for Visual Display Terminal Operators Policy</i>	<i>Financial Thresholds Guide</i>
<i>Indemnification Directive</i>	<i>Interim Payment Authority Policy (Section 15 Financial Administration Act (FAA))</i>	<i>Guide to the Risk-based Approach in the Agency Establishment and Accountability Directive</i>
<i>Internal Audit Directive</i>	<i>OPS Accessible Customer Service Policy</i>	<i>Non-Tax Revenue Design Practice</i>
<i>Internal Controls Management Directive</i>	<i>Payment Terms Policy</i>	<i>Receipt Handling & Allocation Practice</i>
<i>Perquisites Directive</i>	<i>Prepayment Policy</i>	<i>Revenue and Accounts Receivable Reporting and Analysis Practice</i>
<i>Relocation Expenses Directive</i>	<i>Reorganization in IFIS Policy</i>	<i>Revenue Management Practice</i>
<i>Seeking Accounting Advice Directive</i>	<i>Risk Management Policy</i>	<i>Special Purpose Accounts</i>
<i>Terminology Directive</i>	<i>Single Bank Account for Transfer Payment Recipients Policy</i>	<i>Stale-dated, Lost or Stolen Cheques Practice</i>

DIRECTIVES	POLICIES	PRACTICES/GUIDELINES/PROCEDURES/ STANDARDS
<i>Travel, Meal and Hospitality Expenses Directive</i>	<i>Small Value Financial Transactions Operating Policy</i>	
<i>Visual Identity Directive</i>	<i>Transfer Payment Recovery Operating Policy</i>	
<i>Travel, Meal and Hospitality Expenses Directive</i>	<i>Use of Personal and Confidential Information in OPS Financial Systems Policy</i>	

*list compiled as of August, 2011

Appendix 3: Public Communications Protocol for Ontario Financing Authority and Ontario Electricity Financial Corporation

1. Definitions

“Ministry” means the Ministry of Finance.

“Capital Markets Communications” means public communications and media responses that relate, or are relevant, to capital markets activities within the mandate of the OFA.

“Public communications” means any material that is communicated to the public, either directly or through the media in:

- Oral form, such as a speech or public presentation
- Printed form, such as a hardcopy report, brochures, etc
- Electronic form, such as a posting to a website, email distribution.

A “contentious issue” is a matter that is, or may reasonably be expected to be, of concern to the Legislative Assembly, the media or the public, or is likely to result in inquiries being directed to the minister or government. Contentious issues may be raised by:

- Members of the Legislative Assembly
- The public
- Media
- Stakeholders
- Service delivery partners.

2. The agency will comply with the Treasury Board/Management Board of Cabinet Visual Identity Directive and identify itself in all media responses and news releases as an agency of the Government of Ontario.
3. The ministry and the agency will appoint persons to serve as public communications “leads”.

The ministry leads are as follows:

- For the preparation of **public communications materials (excluding media responses)**, the lead is a member of the Strategic Communications unit of the Communications and Corporate Affairs Branch (“CCAB”).
- For all responses to **media inquiries**, the lead is the Senior Media Relations Advisor within the Issues and Media Relations unit, CCAB.
- For **contentious issues notes**, the lead is the Communications Officer within the Issues and Media Relations unit, CCAB.

The agency leads are:

- the Executive Assistant to the CEO of the Ontario Financing Authority (“OFA”)

- the Executive Assistant to the ADM of the Corporate and Electricity Financing Division of the OFA.

4. For the purposes of this protocol, public communications are divided into three categories:

- a. Public communication materials such as news releases, communication plans, speeches, advertising strategies etc.

- The agency lead will notify the ministry lead for the need of any public communication material as far as possible in advance of the due date.
- The agency lead will work jointly with the ministry lead in providing background information for draft materials.
- The ministry lead will administer approvals at all levels (agency, minister's office, and Cabinet Office and Premier's Office when required*).
- Final approval from applicable offices is required prior to release of all communication material.

* Cabinet Office and Premier's Office approval is generally required on news releases, communication plans, advertising strategies and other communication material, as and when requested by CCAB or the Minister's Office.

- b. Media responses related to the day-to-day business of the agency and its programs.

- Media responses should be submitted to the ministry lead, who will circulate as appropriate to other individuals within the ministry for approvals.
- Direction or approval on media responses is required from the Minister's Office prior to release.

- c. Contentious issues that may have direct implications for either the ministry or government (including all funding or grant announcements).

- The agency lead will notify the ministry lead immediately, who will notify the Minister's Office simultaneously.
- The ministry lead will also advise the agency of contentious issues that require attention. The agency lead will provide all required background information on the issue to the ministry lead who will arrange the preparation of a contentious issues note.

5. Capital Markets Communications

- With the exception of advertising, the requirements of paragraph 4(a) do not apply to capital markets communications.
- The requirements of paragraph 4(b) do not apply to capital markets communications.
- The OFA will notify the ministry lead immediately of any contentious issues relating to capital markets matters and will work with the ministry regarding such issues in accordance with paragraph 4(c).
- Consistent with past practice, and with the exception of advertising and subject to paragraph 5(c), the OFA will continue to manage its capital markets communications.

Dated as of the 30th day of August, 2011

Appendix 4: Administrative or Organizational Support Services

This Appendix sets out the services to be provided to OEFC by the Ministry or by another source, as requested from time to time:

Services		Providers
1.	Financial Administration: pay and benefits, IFIS, Central Mail	MGS
2.	Audit: internal audit and special investigations	OIAD
3.	Legal Services	Ministry of the Attorney General (including Ministry Legal Services branch), OFA
4.	FIPPA: Freedom of Information services	Ministry, OFA
5.	Communications	Ministry, OFA
6.	Revenue collection, reporting and related services in respect of the payments pursuant to the Act (latest MOU between MOR and OEFC effective as of June 1, 2011)	Ministry of Finance
7.	Other: administrative or organizational support services	OFA

Legend

Provider	Description
OSS	Ontario Shared Services
MGS, Ministry	Ministry of Government Services
OIAD	Ontario Internal Audit Division
Ministry	Ministry of Finance
OFA	Ontario Financing Authority

Appendix 5: Statutes of Particular Application

OEFC is subject to the following key Ontario statutes:

- *Electricity Act, 1998*
- *French Language Services Act*
- *Ontario Energy Board Act, 1998*

OEFC is designated under the following Ontario statutes:

- *Accessibility for Ontarians with Disabilities Act, 2005*
- *Freedom of Information and Protection of Privacy Act*
- *Public Service of Ontario Act, 2006*

Appendix 6: “Designated Senior Positions” under Ontario Regulation 381/07

The following list identifies “designated senior positions” in OEFC pursuant to section 14 of Ontario Regulation 381/07:

1. Chair
2. CEO