

VIA EMAIL

March 19, 2014

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Saskatchewan Financial Services Commission

Care of:

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1900
Toronto, Ontario M5H 3S8

and Anne-Marie Beaudoin,
Corporate Secretary
Autorité des marchés financiers
800 square Victoria, 22e étage
Montréal, Québec H4Z 1G3

comments@osc.gov.on.ca

consultation-en-cours@lautorite.qc.ca

**Re: Canadian Securities Administrators (“CSA”)
Consultation Paper 91-303, Proposed Model Provincial Rule on
Mandatory Central Counterparty Clearing of Derivatives**

Dear Members of the Canadian Securities Administrators:

Bruce Power L.P. hereby submits comments to the Canadian Securities Administrators Derivatives Committee (the “Committee”) with respect to CSA Staff Notice 91-303, Proposed Model Provincial Rule on Mandatory Central Counterparty Clearing of Derivatives dated December 19, 2013 (“Model Rule 91-303”). We thank you for providing interested parties with the opportunity to submit comments and look forward to further participation in this important process.

Bruce Power operates the world’s largest nuclear site and is the source of roughly 25 per cent of Ontario’s electricity. The company’s site in Tiverton, Ontario is home to eight CANDU reactors, each one capable of generating enough low-cost, reliable, safe and clean electricity to meet the annual needs of a city the size of Ottawa. Formed in 2001, Bruce Power is an all-Canadian partnership among TransCanada, Cameco, Borealis Infrastructure Management (a division of the Ontario Municipal Employees Retirement System) as well as the Power Workers’ Union and the Society of Energy Professionals. Bruce

Power is involved in the electricity wholesale market in Ontario and also sells electricity at the retail level in Ontario.

We have the following comments on Model Rule 91-303:

I. Definition of “financial entity”

Section 1 of Model Rule 91-303 provides a very broad definition of “financial entity”, which includes, under paragraph (f), “a person or company subject to a registration requirement, registered or exempted, under the securities legislation of a jurisdiction of Canada.” It is not clear to us why paragraph (f) is required in light of paragraphs (a) through (e), but we question whether it is too broad and would have the unintended effect of capturing, for example, a company that registered as a derivatives dealer or adviser.

If the purpose of this broader definition is to capture a derivatives dealer under Section 7(1)(a), we think it would be more appropriate to expressly reference a derivatives dealer in that section (that is, “one of the counterparties is neither a financial entity or a derivatives dealer”).

II. Interpretation of Hedge or Mitigation of Commercial Risk

Section 3(b) excludes a transaction or position from qualifying as a hedge if it is held “for a purpose that is in the nature of speculation.” The term “speculation” is not defined.

It would be helpful if the Committee could include a definition of “speculation” so that parties have a clearer and more consistent understanding of what this term encompasses.

III. End-user Exemption

We understand that the intent of Section 7(1) is to exclude the requirements that a transaction be centrally cleared if *at least* one of the counterparties is not a financial entity and the non-financial entity enters into the transaction to hedge or mitigate commercial risk. We suggest that it might be helpful to add “at least” prior to “one of the counterparties is not a financial entity” to make it clear that the end-user exemption is also available to two parties if neither of them is a financial entity. If neither party is a financial entity, do *both* parties have to be entering into the transaction to hedge or mitigate under paragraph (b) or is it sufficient that only one party satisfy the requirement under paragraph 7(1)(b)?

IV. Record Keeping

Section 10 requires that a counterparty relying on the end-user exemption keep records for seven years following the termination/expiry date of a transaction records of all documentation demonstrating eligibility for the end-user exemption.

A seven-year retention period beyond the expiry of the transaction seems quite long in our view, and we would appreciate some clarification from the Committee on why this period of time was deemed to be appropriate.

Furthermore, rather than require counterparties to keep “all documentation”, we would suggest that it should be sufficient to keep “relevant documentation” demonstrating eligibility.

The Explanatory Guidance to Model Provincial Rule on Mandatory Central Counterparty Clearing of Derivatives stipulates what the Committee views as minimum documentation that should be kept to satisfy the Section 10 record-keeping requirements. The explanatory guidance says the policies and procedures should include “...how hedge effectiveness will be assessed, and how hedge ineffectiveness will be measured and corrected as appropriate.” The guidance further states that the hedging strategy should be “subject to regular compliance audits to ensure that it continues to be used for relevant hedging purposes”. Based on the requirements set forth in the guidance, significant resources and expense would be incurred in connection with the analysis and documentation to support the end-user exemption. These requirements may well be too burdensome for many end-users.

Finally, Section 10 also indicates that a company's Board approval is required for a company to enter into transactions with a view to mitigating or hedging its commercial risk. We understand why Board approval might be required in the context of speculative trading, but it is less clear to us why Board approval would be required in the context of management wishing to hedge or mitigate its risk. If the Committee believes that Board approval is a necessary requirement for qualifying for the end-user exemption, the Committee may want to consider waiving this requirement in the context of a company that enters into only the occasional hedge to mitigate its risk.

V. Non Application

Section 11 states that the Section 4 clearing obligations do not apply if one of the counterparties is a crown corporation or a wholly-owned government entity whose obligations are guaranteed by the provincial or federal governments. In order to avoid any inadvertent errors regarding whether the exclusion applies to a particular government entity, it would be helpful if the guidelines could provide a current list of such entities or a link to site(s) with such lists.

Bruce Power thanks the Committee for this opportunity to provide comments on Model Rule 91-303, and we look forward to future input and involvement as the Committee moves forward to put in place regulations governing derivatives.

Yours truly,

A handwritten signature in black ink, appearing to read 'W. Schnurr', written over a horizontal line.

William Schnurr
Assistant General Counsel