

Q/A Response – Cabinet Office Questions

Q. What is the current number of LDCs in the province?

There are currently 68 local distribution companies (LDCs) in the province. Of these 66 are market participants and transact directly with the Independent Electricity System Operator (IESO). The remainder are embedded distributors who transact with another LDC.

Q. How many LDCs don't have any or sufficiently sound credit ratings that require backstops?

The Independent Electricity System Operator (IESO) advises that 15 LDCs are rated by credit rating agencies. The remaining 51 LDCs who are market participants would be covered by IESO backstop.

Q. What is the expected cost and associated rate impact of the security arrangement IESO will have in order to underwrite the risk of LDC default?

The cost will be dependent upon interest rates, the amount of the letter of credit and the perceived risk of default by the Independent Electricity System Operator (IESO).

Initial estimates indicate that this would result in an annual carrying cost of about \$1million from 2021 to 2047. In the unlikely event of a default of one of the LDCs covered by IESO, the costs would increase to cover any shortfall.

The ratepayer impact of the carrying cost of the letter of credit would be negligible.