DIRECTIVE

MINISTER OF FINANCE

LOANS TO THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR

To: Ontario Financing Authority ("OFA")

Whereas:

Under the *Capital Investment Plan Act, 1993* ("CIPA"), the OFA provides financing to public bodies as directed by the Minister of Finance ("Minister").

Effective January 1, 2015, the Ontario Power Authority (the "OPA") and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "Amalgamation") with the name Independent Electricity System Operator ("IESO").

Pursuant to directives dated December 22nd, 2004, October 3rd, 2005, July 28th, 2006, October 14th, 2010, December 18th, 2013, and November 28th, 2016, the Minister approved and directed the OFA to make loans (the "Advances") to the OPA and the IESO after the Amalgamation from time to time in an aggregate amount not to exceed $975 million at any time, as considered necessary by the OPA and IESO after the Amalgamation to meets its purposes.

Pursuant to the Amalgamation the obligations of the OPA became obligations of the IESO.

The terms and conditions governing the Advances are set out in a credit agreement entered into between the OFA and the OPA dated January 1, 2005, as subsequently amended by amending agreements dated February 14, 2005, October 11, 2015, September 27, 2006, July 13, 2007, November 9, 2010, December 20, 2013, December 19, 2014 and November 30, 2016 (as so amended, the "Original Credit Facility Agreement").

The IESO had requested a new revolving credit facility in an amount of up to $2 billion from the OFA to support the IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act"). In the same request, the IESO had requested a reduction to its existing credit facility from the current $975 million to $475 million.

Pursuant to a directive from the Minister dated June 29, 2017 (the "2017 Directive"), the OFA was directed to provide a new revolving credit facility of up to $2 billion to the IESO for the purposes of providing short to medium term financing related to the IESO's role in the implementation of the OFHP Act (the "OFHP Credit Facility").

Pursuant to the OFA Lending Policy, the OFA is required to include an intercept provision in respect of loans made by the OFA to public bodies on an unsecured basis, unless otherwise directed by the Minister, Treasury Board or Cabinet. The intercept provision applies to money appropriated by the Legislature for a public body.

The IESO is a public body for the purposes of CIPA.

As there is no operational funding appropriated by the Legislature for the IESO, the intercept provision has no application for OFA loans to the IESO.

Therefore:

The OFA is not required to include an intercept provision in the following two credit facility agreements with the IESO:

a) the Original Credit Facility Agreement, as may be amended from time to time; and,
b) the OFHP Credit Facility agreement, as may be amended from time to time.

(together, the "IESO Credit Facility Agreements")

The IESO Credit Facility Agreements shall remain subject to all other terms and conditions as set out in the applicable directives.

Dated , 2017

Minister of Finance

Per ________________________________

The Honourable Liz Sandals

President of Treasury Board

Alternate for the Minister of Finance