Message

To: Michael Boll [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=4811917e15054407b665fe16d12ff415-Michael Bol]; Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]; Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshal]
Subject: DRAFT response to Matt GO on CEAs
Attachments: Invoice Cycle and Asset Purchase Cycle_20170620.pdf

My draft response below for your review:

Matt,

Thanks.

A:
The concept of the IESO producing an invoice issued to the Trust post 2021 is not the IESO's view at least not the way the legs/regs were structured.

For the CEA, I suggest there are the following 3 concepts that are floating between IESO and OPG that are mutually exclusive of each other:

1) IESO is a pass-thru servicer of the CEA remitted by LDCs – therefore there is no invoices issued by IESO for either LDCs or Trust;
    a. This aligns with the legs/regs structure
    b. The Trust will utilize the a) true-up mechanism and b) reserve accounts mechanism to ensure there is enough funds to pay investors each month
    c. The Trust needs to have short-term lenders ready and willing to provide short-term credit for those times where the CEA is not sufficient to pay investors each month
2) IESO issues invoices to LDCs and Trust for CEA (the concept noted below);
    a. The Trust (I assume) would invoice the IESO for 100% of the Trust's month cash-flow need to pay investors etc.
    b. The LDCs are likely not going to pay the exact amount needed by the Trust primarily due to a) actual vs. forecast differences and b) some noise due to LDCs billing vs. collection cycles, and c) some noise due to homeowners defaulting, and d) in some unlikely cases LDCs' payment defaults whether due to temporary mis-management or CCAA/bankruptcy;
    c. IESO will fund 100% to Trust – which means the IESO will need to borrow for short-CEA amounts (I assume in cases where there is excess CEA cash collected, the Trust gets all of the excess cash too?)
    d. How does the IESO get re-paid back during the post-2021 timeframe – since the true-up and reserve accounts are controlled by the Trust, also whenever the IESO gets re-paid I assume this will be via the LDCs' CEA receipts which means the IESO will need to bifurcate the CEA dollars remitted by LDCs (this was not built into the current legs/regs)?
3) IESO provides a letter of credit to the Trust for CEA shortfalls;
    a. This concepts seems to conflict with (2) above since either the IESO is paying 100% Trust invoice or the IESO posting a letter of credit
    b. The letter of credit was suggest to provide credit enhancement for the investors
    c. As per my email last week (Sept-21) what are the requirements for the letter of credit (quantum, when will a draw take place);
    d. Similar to (2)(d) above, when does the IESO get repaid and does the CEA need to be bifurcated;

I suggest the 3 concepts above are unique and we will need to walk through them together.

B:
In terms of the timeline for CEAs, below are the IESO's preliminary draft for your review:

Given facts: As the IESO understands, LDCs bill and collect from their customers generally not on calendar periods (i.e. Month Day 1 to Day 30), but rather LDCs customers are spread out throughout the month. For example, Oakville Hydro's Customer A will receive the bill on the 5th and is required to pay on the 20th of each month, or Customer B will receive the bill on the 21st and is required to pay on next calendar month's 3rd. Other smaller LDCs may have calander month billing but the point being that LDCs are all over the map on billing and collecting.

The IESO suggests for post 2021 CEAs:

- 8th business day of each month, the IESO sends the MTSA Monthly Report to the Trust regarding the recent completed calendar month's activities (money-in and money-out of the IESO trust acct);
- 10th business day, LDCs will report only to the IESO the following:
  - Total amount of CEA billed to customers during the recent completed calendar month;
  - Total amount of CEA collected from customers during the recent completed calendar month;
  - Other information as prescribed by 17(2) leg and regs
- 12th business day, LDCs remit their CEAs amount to the IESO
-

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From: GO Matthew -TREASURY [mailto:matthew.go@opg.com]
Sent: September 21, 2017 12:18 PM
To: Anthony Martinello
Cc: Jeannette Briggs
Subject: RE: EXTERNAL – Draft asset purchase cycle

Hi Anthony,

Yes, give me a call when you are free. I am free throughout the day, other than 2-3pm.

The attachment contemplates at a high level, how the CEA would be charged and collected, though it is not explicit. It is part of the invoice cycle where the Trust will submit an invoice to IESO (Day 4) and IESO pays Trust (Day 14). The invoice will be the accrued financing costs.

However, I can see there would be quite a few details and mechanics on IESO's end that need to be worked out in regards to CEA collection. I'll use an example of a typical month post-2021 to flush out the issues I see:

Day 4

- LDCs submit online CEA charged to customers by them
- LDCs submit online CEA remittance amount to IESO (therefore CEA shortfall is known if any)
- Trust submits invoice for accrued financing costs (theoretically should match CEA collected assuming no shortfall)

Day 10

- IESO produces invoice for LDCs and Trust

Day 12

- LDCs remit payment to IESO, including CEA
- CEA shortfall funded via IESO bank facility? Will be part of variance account? (I assume yes as we are out of the moratorium period – regular true-up process kicks in)

Day 14

- IESO pays Trust invoice
- **Issue 1:** MTSA draft (3.2(a)(iv)) says IESO has [2] business days to move CEA receipt to seg bank account. However, at this point (Day 14), IESO is remitting the funds the Trust anyways... I'll have to follow up with the working group on this point.
- **Issue 2:** MTSA draft (3.2(a)(vi)) says IESO will pay Trust on [remittance date] of next billing period. However, the process contemplated assumes IESO is paying the invoice in the current month. So this is in conflict.

Thanks,
Matt
416-592-3978

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Thursday, September 21, 2017 4:45 AM
To: GO Matthew -TREASURY <matthew.go@opg.com>
Cc: Jeannette Briggs <jeannette.briggs@ieso.ca>
Subject: EXTERNAL – Draft asset purchase cycle

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Matt,

We need to connect and align on what happens during 2021/2022 going forward.

The MTSA details the cashflow for the clean energy adjustment – CEA and how the IESO remits to the financing entity.

Therefore, while I have timelines that work from an IESO perspective...we should talk soon to ensure what is baked into the MTSA is aligned with OPG's processes.

So far all we aligned was the 2017-2021 cycle which is baked into the MTSA – see attached.

Regards.

From: Anthony Martinello
Sent: June 20, 2017 4:22 PM
To: 'GO Matthew -TREASURY'
Subject: RE: EXTERNAL – FW: Draft asset purchase cycle

Looks good. Regards.

From: GO Matthew -TREASURY [mailto:matthew.go@opg.com]
Sent: June 20, 2017 11:44 AM
To: Anthony Martinello
Subject: RE: EXTERNAL – FW: Draft asset purchase cycle

Anthony,

I've incorporated your comments below. The main takeaway I'm getting from these changes are:

1. IESO needs time to scrub the LDC shortfall data, which triggers the need for borrowing
2. The asset purchase is now not aligned with your normal processes, which requires some spacing from your normal processes (as to not be jammed)

The flowchart is a little more crammed than usual as it is a combination of the invoice and asset purchase cycle. Let me know if this is good to go.

Matt

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, June 20, 2017 7:31 AM
To: GO Matthew -TREASURY
Subject: RE: EXTERNAL – FW: Draft asset purchase cycle

My comments on revised cycle for the IESO swimlane:

- LDCs submit FH shortfall by bd 4 – the IESO takes these amounts as is, and this becomes the asset (will show up on bd 10 invoices)
- By bd 4, Trust will submit costs, interest (with or without HST to be determined) in IESO portal – the IESO will take these amounts as is
- IESO will inform Trust on bd 8 (not bd 5) of asset balance to purchase. The settlements staff will need a buffer to double check the results before releasing to Trust. Note, the asset is the sum of LDCs' FH + Trust costs, interest
- IESO issues Trust invoice for costs on bd 10
- IESO borrows bd 12-14
- IESO pays Trust costs on bd 14
- IESO issues Trust invoice for the asset purchase bd 16
- Trust pays IESO bd 18 (must be no later than second last bus day of the month – i.e. watch for Feb month)
- IESO repays borrowing before month end

Regards

From: GO Matthew -TREASURY [mailto:matthew.go@opg.com]
Sent: June 08, 2017 10:01 AM
To: Anthony Martinello
Subject: RE: EXTERNAL – FW: Draft asset purchase cycle

See attached. Let me know if you are OK with this or if there's any issues to point out.

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, June 07, 2017 7:40 PM
To: GO Matthew -TREASURY
Subject: RE: EXTERNAL – FW: Draft asset purchase cycle

1. Next Tues or Wed.
2. Thx.

From: GO Matthew -TREASURY [mailto:matthew.go@opg.com]
Sent: June 07, 2017 5:42 PM
To: Anthony Martinello
Subject: RE: EXTERNAL – FW: Draft asset purchase cycle

Anthony,

1. Do you have an estimate as to when IESO's comments on the Sale and Servicing agreement will be available?

2. An update on the workflow. I'm almost done – should be able to pass something to you tomorrow. Key point is Trust should be able to get you funding prior to you paying market participants, so you don't need to borrow. But that is all predicated on the regulations stating the regulated asset is created on Day 4/when LDCs enter amount in portal.

Thanks,
Matt

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 30, 2017 9:58 AM
To: GO Matthew -TREASURY
Cc: Jeannette Briggs; Susan Nicholson
Subject: EXTERNAL – FW: Draft asset purchase cycle

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My comments below on the workflow V2:

Month T

- Bus day 3-4: add that OPG Trust will self-enter in the IESO portal a) OPG admin fees, b) any interest costs, c) vendor invoices for the IESO to reimburse OPG Trust during the month
- Bus day 5 : no changes/comments
- Bus day 6-9 : OPG Trust will not need to enter an amount in the IESO portal per se (although a form may still be created for such contingency - maybe) since the full amount including up to the pennies will be 100% sold each month to OPG Trust automatically. We should discuss how/when that OPG Trust will give some sort of notice a few months in advance if no further purchases will be made and therefore the IESO will not create an invoice that month for OPG Trust.
- Bus day 10: add may need to issue second invoice to OPG Trust each month for reimbursement of costs (this is a credit invoice)
- Bus day 14: add OPG Trust receives monies for reimbursement costs this day. Not sure about "IESO certifies" as the IESO's invoice should suffice as formal notice that reg asset is created. Also the FH ACT says the regulations can stipulate when the reg asset is created and so this can be spelled out in the regulations.
- Bus day 15-19: try to avoid the last few bus days of each month to avoid bank/errors/delays and hiccups (e.g. Feb is short month so maybe 19th is the last day and not preferred). My lender will impose a min of 7 days borrowing (not bus days) so the OPG Trust payment and my repayment of debt needs to align to min interest costs for overall FH program.

Regards.

From: GO Matthew -TREASURY [mailto:matthew.go@opg.com]
Sent: May 29, 2017 11:13 AM

To: Anthony Martinello
Subject: RE: Draft asset purchase cycle

Correction. Here is a version with the note about the earlier borrowing.

From: GO Matthew -TREASURY
Sent: Thursday, May 25, 2017 5:42 PM
To: Anthony Martinello
Subject: Draft asset purchase cycle

Anthony,

I've updated the asset purchase cycle draft to reflect the new process where the Trust buys the reg asset in the month. It includes information from our discussion today. Assuming the "asset creation" is triggered by the borrowing on the 14th business day, you can see repayment would occur between the 15-19th business day. As you mentioned, I've put a note that the borrowing could be earlier to satisfy your minimum draw term requirement. However, you mentioned you may need to speak to your bank about that – which could make sense so you don't have to borrow early or as early. Also awaiting input from Michael Boll on asset creation.

Thanks,
Matt

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