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Memorandum

To: THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS of the Independent Electricity System Operator

From: Anthony Martinello, Director

Date: June 13, 2017

Re: Fair Hydro Credit Facility

This memo outlines recommendations to establish a new credit facility for the Fair Hydro program, and to reduce the current OFA's [redacted] million facility.

Background:

Table 1 below summarizes IESO's current credit facilities and status:

TABLE 1

Maximum $ Commitment (millions)	*Drawn $ as of April 30, 2017 (millions)*	*Lender (*, **)*	*Funds utilized for*	*Expiry*	*Comments*
[redacted]					

*OFA = Ontario Financing Authority
**OEFC = Ontario Electricity Financial Corporation

2017 Fair Hydro:
The Ontario government has announced its intension to implement the proposed Fair Hydro Plan (FHP) to reduce electricity prices for eligible consumers in the province. Proposed legislation was introduced in May for the FHP. The IESO is preparing to implement the FHP and has determined that in order to support the IESO's role in FHP implementation it will need greater credit liquidity than currently exists.

An existing credit facility between the IESO and the Ontario Financing Authority (OFA) is currently available for [redacted] million which includes support for the current Regulated Price Plan (RPP) program. The IESO proposes that a separate and additional credit facility be provided by either the OFA or Ontario Electricity Financial Corporation (OEFC) to support the FHP credit needs. A separate facility for the FHP is preferable to ensure operational efficiency and interest tracking.

IESO's FHP Credit Requirements and Rationale
Below we have outlined the IESO's expected credit needs including the current OFA facility as follows:

	OFA : IESO Facility	New FHP facility
Current credit facilities	[redacted]	
Reduction due to FHP		
Increase due to FHP		
Totals Credit Facilities		

The above [redacted] million reduction in the current OFA facility is to eliminate duplicate credit needs and reflect the replacement of the current RPP by the new FHP. In addition, the IESO has had recent discussions with OFA staff to explain the rationale to support the overall [redacted] million FHP commitment.

Recommendations:

The Audit Committee to approve and recommend to the IESO Board of Directors:

a) to establish and renew the debt / credit facilities as presented in table below; and
b) the authority to draw on the facilities to be made by the Chief Financial Officer or their delegate.

		Existing Agreement – expires December 2019	**Recommended Revisions**
1.	Facility $ Commitment	[redacted]	
	Lender		
	Term		
	Interest Rate		
2.	Facility $ Commitment		
	Lender		
	Term		
	Interest Rate		
	Draw		

Sincerely,

Draft

Anthony Martinello
Director, Treasury and Pension Operations