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Memorandum

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

From: Anthony Martinello, Director Treasury and Pension Operations

Date: June 13, 2017

Re: Treasury Policy

This memo outlines the following:
1. Recommendation for changes to the IESO's Treasury Policy; and
2. To provide the IESO Treasury Policy to the Minister of Finance;

Treasury Policy

Ontario regulation (O.Reg. 280/ 14; 162/ 15) prescribes limits and requirements for the IESO regarding it's treasury activities including permitted investments and debt.

The regulation requires the IESO to adopt a statement setting out the IESO's investment, borrowing, and financial management policies and procedures (the "Treasury Policy").

The Treasury Policy must be reviewed on an annual basis, and any changes must approved by the IESO Board of Directors and the Minister of Finance.

The current Treasury Policy (version dated June-24-2015) was approved by the IESO Board of Directors and the Hon. Charles Sousa, Minister of Finance.

Annual Review:

IESO management has reviewed the current IESO Treasury Policy (version dated June-24-2015) and recommends that changes be made to the policy in order to update for the following:

- Permit borrowings for the Fair Hydro program;
- Increase investment limits for Canadian Schedule 1 banks;

Commented [TD1]: I assume this was reviewed in 2016 since it is an annual reqiuirement. You might want to say that.

Changes – Fair Hydro borrowing:

The IESO will be responsible to ensure that the Ontario Fair Hydro program's has sufficient liquidity. In general, the Fair Hydro program requires that the IESO receive payments from LDCs which are less than those settled to generators/ counterparties. This shortfall will need to be funded on a transitional basis by the IESO via a valid credit facility.

Commented [TD2]: I might talk about transitional liquidity. OPG through its borrowings has responsibility for longterm liquidity.

Commented [TD3]: Effectively the same point.

Changes – Increase in Limits [redacted]

Review of Changes in the Policy
Attached for your review is the current IESO Treasury Policy with black-lined changes.

Recommendation:

> **The Audit Committee to recommend approval of the attached revised Treasury Policy and Schedule A, and to submit the same policy to the Minister of Finance for approval.**

Sincerely,

DRAFT

Anthony Martinello
Director Treasury and Pension Operations