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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 Plan Credit Facility

This memo outlines recommendations to: (i) establish a new credit facility for implementing ~~for~~ the Fair Hydro Plan ~~program, and~~ (ii) ~~to~~ reduce the ~~current OFA's~~ [redacted] million facility IESO currently has with OFA; and (iii) amend the existing revolving credit facility with T-D Bank.

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 [NTD should these show what's permitted or what's done?]*	*Expiry*	*Comments*
[redacted]	[redacted]	~~OFA or GLLC~~	~~Fair Hydro program~~	~~—~~	~~Not yet established~~ [NOTE – Suggest deleting this item as it is not a current facility
[redacted]	[redacted]	OFA	Market General liquidity	Dec 2019	1, 2 or 3 months only
[redacted]	[redacted]	TD Bank	Market General liquidity	Apr 2020	Daily overdraft of $[redacted] and day-to-day funding
[redacted]	[redacted]	OEFC	Corporate General liquidity	June 2020	Month-to-month only
[redacted]	[redacted]	OEFC	Corporate SME/CAPEX Costs	June 2020	Fixed term and rate
[redacted]	[redacted]	TD Bank	Corporate SERP trust	Jul 2017	Renewed on annual basis as per trust agreement

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

2017 Fair Hydro:

The Ontario government has announced its intention~~intension~~ to implement the proposed Fair Hydro Plan (FHP) to reduce electricity prices for eligible consumers in the P~~p~~rovince. ~~Proposed~~ L~~l~~egislation was introduced in May for the FHP and the implementing legislation, including the *Ontario Fair Hydro Plan Act, 2017*, received Royal Assent on June 1, 2017. 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 is currently available to it ~~exists~~.

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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 form of Regulated Price Plan (RPP) program. **[NOTE – does the RPP completely disappear? Or will it continue to exist but in a different form?]** 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.

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IESO's FHP Credit Requirements and Rationale

Below we have outlined the changes to IESO's expected credit needs which result from the implementation of FHP (including the impact on the current OFA facility)~~, as follows:~~

Current credit facilities
Reduction due to FHP
Increase due to FHP
Totals Credit Facilities

[redacted]

The above estimated [redacted]million reduction in the current OFA facility is to eliminate duplicate credit needs and reflect the **[NOTE - is it full or partial replacement?]** 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 approximately [redacted]million FHP commitment.

Recommendations:

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

~~b)~~a) to establish and renew the debt/ credit facilities as presented in table below; and
~~c)~~b) the authority to draw on the facilities

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TABLE 2 – Credit Facilities

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		Existing Agreement ~~– expires December 2019~~	**Recommended Revisions**
1.	Facility $ Commitment	[redacted]	
	Lender		
	Term		

	Interest Rate	[redacted]
		[redacted]
2.	Facility $ Commitment	[redacted]
	Lender	[redacted]
	Term	[redacted]
	Interest Rate	[redacted]
	Draw	[redacted]
		[redacted]
3.	Facility $ Commitment	[redacted]
	Lender	[redacted]
	Term	[redacted]
	Other Debt Permitted	[redacted]

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Sincerely,

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Anthony Martinello
Director, Treasury and Pension Operations