Message

From: Anthony Martinello [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=3FB7D76317B34780B15D96309B995C31-ANTHONY MAR]
Sent: 2017-06-19 8:56:57 PM
To: DREWNIAK John -TREASURY [john.drewniak@opg.com]
CC: Michael Boll [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=4811917e15054407b665fe16d12ff415-Michael Bol]; Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshal]; Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]
Subject: RE: IESO Default Levies

John,
Correct, the Trust is not to be a market participant (i.e. OPG, loads, LDCs etc) in the IESO Market.

The basis that is being worked on is that the IESO would be a pass-thru agent for any LDCs' clean energy adjustment (CEA) amounts…therefore, any LDCs' CEA defaults would pass thru the IESO directly to the Trust and the Trust can utilize the "trued-up" mechanism to recover in future reference period(s).

Regards.

From: DREWNIAK John -TREASURY [mailto:john.drewniak@opg.com]
Sent: June 19, 2017 3:03 PM
To: Anthony Martinello
Cc: Michael Boll; Kim Marshall; Jeannette Briggs
Subject: RE: EXTERNAL – RE: IESO Default Levies

Anthony,

Your last statement indicated that the "IESO's market settlement default levy framework will not apply to Fair Hydro payment defaults". I assume the Trust which would providing monies to the IESO for the ratepayer discount for the first number of years (the time frame appears to be under debate) and then collecting monies through payments to the IESO by the LDCs wouldn't be considered a market participant in the same way Buyers and Sellers are currently. So if there was a future default by an LDC and the collateral didn't cover all of the loss (which a portion would be the Fair Hydro Plan payment), the other market participants would not share the amount of the Fair Hydro Plan loss, but rather that loss would be "trued up" in a future charge to the ratepayer class who got the initial discount.

Is this correct?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, June 19, 2017 2:23 PM
To: DREWNIAK John -TREASURY
Cc: Michael Boll; Kim Marshall; Jeannette Briggs
Subject: EXTERNAL – RE: IESO Default Levies

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John,

As a statement of fact, the IESO has incurred multiple defaults of which a few resulted in IESO default levies. Since 2002, the total aggregated default levies have been under $ 1 million, and these amounts were apportioned and recovered from both loads and generators.
For clarity, the IESO's market settlement default levy framework will not apply to Fair Hydro payment defaults.

Regards

From: DREWNIAK John -TREASURY [mailto:john.drewniak@opg.com]
Sent: June 19, 2017 11:28 AM
To: Anthony Martinello
Subject: IESO Default Levies

Anthony,

OPG has been tasked by the provincial government to set up a Trust to borrow monies that will fund the discount that will be applied to customers under the Fair Hydro Plan.

My group is involved in providing a presentation to the credit agencies who would rate the debt within the Trust. One of the key areas that would be highlighted is the structure of the IESO and the Market Participants and the level of credit worthiness that has existed since market opening.

The 2016 Prudential Framework Report by the IESO indicated that there were only three default levies since 2002. In our discussion you had stated that the total default levies were under $1 million.

I'm just confirming that using the statement that "total default levies since 2002 to the IESO Market Participants have been under $1 million" is acceptable to present to the credit agencies.

Thanks,

John Drewniak
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