

# 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: IESO Treasury Policy

This memorandum 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; prescribes limits and requirements for the IESO regarding its treasury activities including permitted investments and authorized borrowing.

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

The Treasury Policy must be reviewed on an annual basis, and any changes must be 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 in 2015.

## **Annual Review:**

The last annual review was conducted in 2016 with no changes made to the policy.

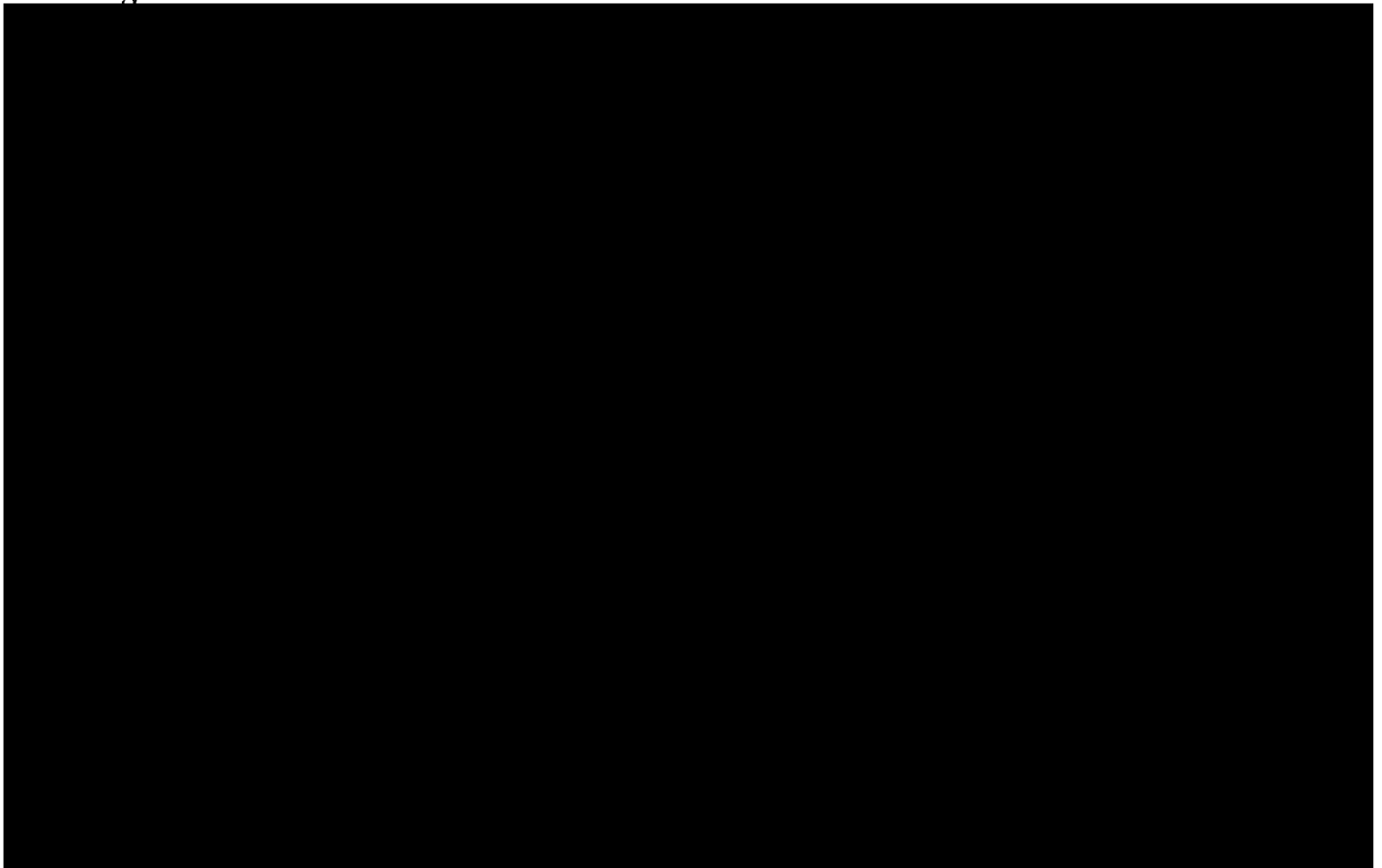
IESO management has reviewed the current IESO Treasury Policy (version dated June-24-2015) and recommends that changes be made to the policy in order to update for the following:

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

**Changes – Fair Hydro program borrowing:**

The IESO will be responsible to ensure that the Ontario Fair Hydro program has sufficient liquidity. In general, the Fair Hydro program requires that the IESO receive payments from LDCs which will be less than those settled to generators/counterparties. This shortfall will need to be funded by the IESO via a valid credit facility. Any shortfall is then expected to be transferred to the OPG Trust in due course under the Fair Hydro program. The IESO is also seeking amendments to O. Reg. 280/14 to clearly authorize borrowing for the purposes of the Fair Hydro program.

**Changes – Increase in Limits**



**Review of Changes in the Treasury Policy**

Attached for your review is the current IESO Treasury Policy with recommended black-lined changes.

These changes have been sent to the Ontario Financing Authority for their comment (if any), as of yet no comments have been received.

**Recommendation:**

**The IESO Audit Committee to recommend to the IESO Board of Directors approval of:**

- 1. the attached revised Treasury Policy and Schedule A; and**
- 2. to submit the policy to the Minister of Finance;**

Sincerely,

A handwritten signature in black ink, appearing to read 'Anthony Martinello', written in a cursive style.

Anthony Martinello  
Director, Treasury and Pension Operations