Message

From: Kim Marshall [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=B63A22B42BF14587870D93119A054D88-KIM MARSHAL]
Sent: 2017-04-06 7:33:58 AM
To: Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]
Subject: RE: Today's meeting at Blakes

Nothing profound

Kimberly Marshall | VP, Corporate Services & CFO
Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202
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Conservation: www.saveONenergy.ca | Twitter: saveONenergyOnt | LinkedIn: saveONenergy

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From: Jeannette Briggs
Sent: April 06, 2017 7:33 AM
To: Kim Marshall
Subject: Re: Today's meeting at Blakes

Okay will review when I get to Adelaide before training that starts at nine.

Regards

Jeannette Briggs
416 997-6364

From: Kim.Marshall@ieso.ca
Sent: April 6, 2017 7:30 AM
To: jeannette.briggs@ieso.ca
Subject: RE: Today's meeting at Blakes

No below Anthony on bottom

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From: Jeannette Briggs
Sent: April 06, 2017 7:30 AM
To: Kim Marshall
Subject: Re: Today's meeting at Blakes

I am on my BlackBerry (Go Train) but cannot see attachment - is it there?

Regards

Jeannette Briggs
416 997-6364

From: Kim.Marshall@ieso.ca
Sent: April 6, 2017 7:26 AM
To: Michael.Boll@ieso.ca; Anthony.Martinello@ieso.ca; jeannette.briggs@ieso.ca; Michael.Lyle@ieso.ca
Subject: RE: Today's meeting at Blakes

I have added my comments, not much around regulatory asset from stikeman's – what about any potential accounting issue? Ie role of oeb?

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From: Michael Boll
Sent: April 05, 2017 10:29 PM
To: Anthony Martinello; Kim Marshall; Jeannette Briggs; Michael Lyle
Subject: RE: Today's meeting at Blakes

Thanks Anthony. Responses in blue below and in attached.

From: Anthony Martinello
Sent: April 05, 2017 10:10 PM
To: Michael Boll; Kim Marshall; Jeannette Briggs; Michael Lyle
Subject: RE: Today's meeting at Blakes

See my tracked comments to doc attached, and comments in red below:

Due to my IESO board orientation and external pension mgr meeting, I can be available approx. for 11am-5pm tomorrow. Regards.

1.
Question for IESO: should IESO seek comfort from Ministers of Energy and Finance about what happens if ultimately the asset is not purchased by OPG?
YES – I only have current debt capacity of about $1.1 billion (TD Bank and OFA together), where TD is charging IESO commercial rates as an "AA" rated borrower.

how much of the what if needs to be put in the legislation…Michael Boll might be able to say what the government appetite is.

2.

Blakes/Ministry confirmed the regulatory asset (deferral amount) will be full amount of difference between what is invoiced to LDCs and what is under collected due to rate mitigation. It will not be limited as set out in the Blakes document to GA relatable to certain renewables and gas contracts. However, forecast variance will probably continue to be carried by IESO in separate variance and rolled into next RPP.
Does the current RPP variance I carry today (say as at April 30 2017) get rolled into the a) Deferral Acct , or b) the forecast variance acct?
MB: unlikely to be rolled into Deferral Account since it does not relate to the rate deferral. More likely will be a factor in setting the new RPP price, which would then be reduced to arrive at the reduced RPP price.

Calculating the forecast variance is not done now, we can do in the future, will need assistance from OEB and perhaps engage Navigant. Your comment on how it gets rolled into next rpp is a question, would IESO carry for extended period of time?

3.
Ie. If there are variances or true ups or corrections that need to happen they would need to be handled in a subsequent period
Just checking …..does true-ups/corrections = the forecast variance?
MB: yes is forecast variance but could also be LDC corrections/errors that arise after a reg asset is sold to the trust.

4.
For example, if an LDC under pays, how do we determine how to allocate the collected funds between what is payable to OPG trust and what is needed for other IESO settlement purposes. Need rules in regulation or services agreement.
We need to update the market rules for carve-out amounts or does this get inserted into IESO – OPG sales/service agreement? See below.
MB: excellent point. We may need to have this addressed in regs, agreement with OPG trust and market rules.

Doesn't an ldc tell us how much is rpp shortfall?

Chp 3: the IESO may:

6.3.3.3 set-off any amounts due or credited to the *market participant* under the *market rules*, including those set out in section 4.8.2 of Chapter 9, and any program administered through the billing and *settlement* systems of the *IESO* against any amounts owed by the *market participant*.

Chp 9 :

6.14.3A If the *market participant's invoice* includes a *settlement amount* owing for the smart metering charge under section 6.11.4A and the *market participant*:

fails to remit the full *invoice* amount due by the *market participant payment date*; and

does not direct the *IESO* how to apportion the payment between the smart metering charge and all other *settlement amounts* on the *invoice* prior to the *IESO payment date*,

the *IESO* shall allocate the payment made by the *market participant* first to satisfying any *settlement amounts* due under the *market rules* before being applied to the smart metering charge.

From: Michael Boll
Sent: April 05, 2017 3:49 PM
To: Kim Marshall; Jeannette Briggs; Anthony Martinello; Michael Lyle
Subject: Today's meeting at Blakes
Importance: High

Following is a brief summary of the lawyers meeting. There is incredible pressure to complete the legislation asap. Carolyn Calwell stressed the time sensitivity and gave overview of timelines:

- April 10 is the real deadline for substantive instructions on drafting to legislative counsel.
- April 13 draft to broader stakeholders, including lenders, for one chance to provide substantive comments.
- Draft back to leg counsel around April 18 to turn back immediately.
- Pens down to send to translation April 21.

There was a lot of very legal discussion about constitutional issues and property rights. We delved a bit into some of the details in Blake's draft but stayed quite high level and focused on what was needed to make this structure financeable. There is a recognition that there will be legal risk with this structure but that we will collectively take it as far as we can due to the time and other constraints.

There was discussion about what happens if the asset is ultimately not financeable by OPG. There is recognition that options are:

- Stop program;
- Put on government balance sheet;
- IESO assumes the deficit (understanding that also goes on balance sheet or IESO goes bankrupt).
    - On latter point, since legislation may not address what happens if OPG trust does not purchase the asset, Carolyn indicated government would not let IESO go bankrupt. Would step in and fund or take some other step. **Question for IESO**: should IESO seek comfort from Ministers of Energy and Finance about what happens if ultimately the asset is not purchased by OPG?

Blakes/Ministry confirmed the regulatory asset (deferral amount) will be full amount of difference between what is invoiced to LDCs and what is under collected due to rate mitigation. It will not be limited as set out in the Blakes document to GA relatable to certain renewables and gas contracts. However, forecast variance will probably continue to be carried by IESO in separate variance and rolled into next RPP.

IESO walked through most items on the attached issues list that we had circulated to everyone yesterday.

The reason the current draft refers to certain types of Power Contracts (i.e. renewables and gas) is to create the theory for the deferral and recovery plan in order to support the constitutional argument. The argument is (roughly) that future ratepayers will pay the deferral amount because of the benefit they derive from the government's green energy initiative and the remaining useful life of certain generation assets under contract, after the term of the contract expires.

Torys/OPG raised that what the OPG trust purchases from IESO cannot change. Ie. If there are variances or true ups or corrections that need to happen they would need to be handled in a subsequent period. For financing purposes, they need a sum certain to be packaged and sold and there cannot be uncertainty about the amount.

The question of whether the asset could be created in OPG trust and therefore avoid the sale from IESO was raised. OPG/Torys don't like it, as we suspected they wouldn't although the reason for their dislike was not clear. We need to get KPMG's view on this.

IESO's short term financing costs may not be rolled into the reg asset. Blakes was open to it whereas Torys was not. Torys objected on basis it muddied water for financing. **Is this an issue for IESO? How do we currently recover our variance financing costs?**

Torys raised question of whether the IESO would collect recovery amounts and hold in trust for the OPG trust until paid. Stikemans don't have a legal concern with this but it raises questions about tracking amounts collected by IESO from LDCs for different purposes. For example, if an LDC under pays, how do we determine how to allocate the collected funds between what is payable to OPG trust and what is needed for other IESO settlement purposes. Need rules in regulation or services agreement.

Everyone agreed and Carolyn reinforced that IESO cannot have liability or hold debt relating to the regulatory asset.

Role of OEB was discussed regarding treatment of deferral amount as a regulatory asset.

I explained that the deferral amount is not determined by the IESO, but is reported to IESO from LDCs. Everyone understood.

Next steps:

IESO and OPG are to provide comments on Blakes document as soon as possible. This is already with leg counsel who is working on new legislation to be circulated Friday. We therefore need to get our comments to Blakes asap, tomorrow morning.

Anthony and Jeannette, would you be available for a call/meeting tomorrow morning with Stikemans and myself to finalize comments to send to Blakes before lunch?

There is another lawyer's meeting Friday.

From: Kim Marshall
Sent: April 05, 2017 2:27 PM
To: Michael Boll
Subject: How is today's meeting going?

Sent from my iPad

On Apr 5, 2017, at 2:18 PM, Michael Boll <Michael.Boll@ieso.ca> wrote:

> Is there the weekly meeting tomorrow morning?

Michael Boll | Director, Corporate/Commercial Legal Group
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