

Fair Hydro Financing Program Servicer Review Questionnaire

1. IESO Business Overview

- Please describe the IESO's management and operating experience
- What is the IESO's financial condition?
- What is the overall size of the Ontario electricity market?
- What are the IESO's strategic initiatives?
- By whom is the IESO regulated?
- How do you manage your relationship with LDC's and end-use consumers?
- Describe staffing, training, retention rates and any use of third-party outsourcing/servicing, temporary staff or use of offshore resources
- How is the IESO's staffing affected by the administration of the CEA?

2. LDC Onboarding

- How many LDC's are there in Ontario?
- Is it possible for new LDC's to be introduced? How frequently does this occur?
- Do all LDC's have the same payment terms? Please describe
- What are the operational and financial requirements of LDC's?
- Please describe the process for the replacement or substitution of non-performing LDC's
- Are there insurance requirements for LDC's?
- Under what jurisdiction are utility contracts originated and executed?
- Has the enforceability of contracts been tested in a bankruptcy?

3. LDC Monitoring

- Please provide a ranking of the LDCs in Ontario based on their annual electricity purchase amounts, along with their corresponding percentage share of total LDC annual electricity purchases
- Please describe the LDC monitoring process
- Please rank the LDC's based on their risk profile
- How do you validate the information received from the LDC's?
- Describe methods used to prevent and detect LDC fraud
- Please provide a summary of the LDC default experience in payments to the IESO since the creation of the current market in 2002, including the reasons for the default and the net loss incurred
 - Please describe collection strategies for early, middle and late-stage collections (if applicable)
- Describe the recovery and write-off process

4. Electricity Market Administration

- Describe the processes which ensure the timely delivery of monthly reports from LDC's
- Please describe steps to confirm the integrity of the data received from LDC's
- Describe how and when discrepancies in billing and collections are identified and the procedures for resolving
- Please describe procedures for responding to LDC inquiries
- How are disputes handled? Please describe the dispute resolution process
- Does the IESO monitor financial statements of the LDC's?
- Is the credit monitoring system automated?
- When are invoices sent out? When are invoices due?
- Are credits provided to LDC's to compensate for system downtimes?
- Please describe cash management procedures and controls
- Please describe the flow of funds between LDC's and the IESO

5. Regulatory Environment

- Please describe how electricity rates are established and charged
- Please describe the regulatory oversight of the transaction parties (regulatory bodies and roles, utility distribution entities, rate setters, forecasters)
- Please describe rules and restrictions related to the collection of amounts due and denial of service
- Provide specific legislation and regulations passed related to the proposed transaction

6. IESO's Role in the Fair Hydro Program

a) Creation of the Regulatory Asset

- When is the asset created?
- Describe the monthly process for determining the shortfall resulting from the rate reduction, and the procedures involved in recording and reconciling that shortfall in the variance account
- What additional costs does the IESO have the right to recover, and therefore include in the balance of the variance account? Please describe the process for quantifying these costs and recording them in the variance account
- Please outline the steps involved in the monthly sale of the regulatory asset to the financing entity
- Will there be a set monthly schedule for the transfer to the IESO of CEA amounts collected by the LDCs, similar to the monthly invoicing and payments under the market rules?
- How will the IESO register title to the Regulatory Asset?

b) Billing and Remittance of the Clean Energy Adjustment

- Will the IESO invoice the LDCs for the amount of the CEA they should have collected during the previous month, or is it up to the LDCs to report to the IESO the amount they billed and collected?
 - If the system relies on the LDCs reporting the amount billed and collected, what controls are in place to ensure that the CEA is being appropriately billed by the LDC, collections remitted, and past-due amounts tracked? How will the IESO know if the LDC has remitted all amounts due?
- How will the billing and remittance work for licensed energy retailers? Do they have the same obligation to bill, collect, segregate the CEA? Do they remit directly to the IESO, or is it through the LDC?
 - What percentage of Class B customers purchase electricity through licensed energy retailers?

c) Role of IESO in Covering Insufficient Collections

- What will be the IESO's role in covering carrying costs of the trust during the moratorium phase, or in the event of a shortfall in collections and/or payment defaults by an LDC?
- Will the IESO be obligated to cover the trust's interest and carrying costs if, at any time, there are insufficient collections to make those payments? If so, what will be the mechanism for the IESO to recover the amount of carrying costs fronted by the IESO?
 - Will the IESO have the ability to add these amounts to the variance account and transfer these amounts to the trust as an additional investment interest?
 - Will there be a cap on the amount of carrying costs that may be fronted by the IESO at any time?

7. Clean Energy Adjustment Bypassability

List any exceptions to the nonbypassability of the Clean Energy Adjustment, including:

- Self-generation in the service area
 - How does self-generation impact a Class B customer's obligation to pay the CEA? Is the CEA only payable on the amount of electricity purchased through the LDC?
 - Please provide an estimate of the percentage of Class B customers that self-generate, and the amount of energy resulting from that self-generation over the past five years

- How do you estimate the impact of customer self-generation in your energy forecast?
What is your forecast energy consumption resulting from customer-owned generation as a percentage of total consumption over the next 10 years?
- Use of alternative electricity providers in Ontario
 - Is it possible for Class B customers to purchase electricity from a provider other than their LDC and thereby bypass the CEA?
 - If so:
 - What percentage of Class B customers currently receive service from an alternative provider?
 - How many alternative providers operate in the Ontario market?
 - How does this impact forecasting electricity consumption, and how do you account for the potential for customers to switch to alternative providers in the future?

8. Demand Forecasting

- Provide a detailed explanation of your forecasting methodology by customer class, and describe the historical annual error rates
- How often are forecasting variances reviewed?
- How often is the forecasting model updated/revised?
- Provide details of historical and forecasted excess capacity in the electricity system by seasonal demand
- Is the IESO required to file its forecast with the OEB or other parties? If so, how often?
- Will any changes to procedures be required to accommodate the forecasting requirements related to the six-month true-up process under the Fair Hydro Plan?
- Please explain the reasons behind the forecasting variances highlighted in the tables below:

Historical Usage

IESO Demand Forecast	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
IPSP I	154.0	154.5	153.8	149.8	149.0	148.8	147.7	147.0	146.4	147.7
IPSP II					143.3	144.4	144.5	145.0	146.0	146.3
2013 LTEP							142.5	140.9	140.3	140.5
Combined Forecast	154.0	154.5	153.8	149.8	143.3	144.4	142.5	140.9	140.3	140.5
Actuals	153.8	150.6	141.1	144.5	144.3	144.5	145.0	144.9	143.0	143.3
Variance	0.2	3.9	12.7	5.3	-1.0	-0.1	-2.5	-4.1	-2.7	-2.8
% Error	0.1%	2.6%	9.0%	3.7%	-0.7%	0.0%	-1.7%	-2.8%	-1.9%	-2.0%

9. IESO Technology

- Please describe the core IESO financial reporting system strengths and weaknesses
- How is operating system maintenance performed? What procedures and backup systems are available?
- Please describe the IESO disaster recovery and business continuity plans. What was the success of the last test? How are tests assessed?
- Please describe the frequency of a full-system backup
- Describe the IESO's future technology initiatives

10. Historic and Projected Energy Usage

Please provide the following information in Excel:

- Aggregate number of retail (Class B) customers in Ontario over the period 2007-2016 and YTD 2017
- Aggregate retail (Class B) electricity usage in Ontario over the past 10 years for 2007-2016 and YTD 2017
- Retail (Class B) electricity revenue over the past 10 years for 2007-2016 and YTD 2017, (a) including transmission and distribution revenue and (b) excluding transmission and distribution revenue
- Forecast annual energy consumption by customer class for the next 10 years