Summary of MTSA

The Master Transfer and Servicing Agreement ("MTSA") is between the IESO and the Fair Hydro Trust ("financing entity"). The MTSA addresses two main topics, being (1) the transfer of the IESO's regulatory asset to the financing entity; and (2) the IESO's role as servicer to the financing entity. It also provides for the provision of security by the IESO to the financing entity for failure of non-credit rated electricity vendors to remit clean energy adjustments, and provides processes related to payment of the financing entity's carrying costs during the first four years.

The full scope of servicing functions for the Fair Hydro securitization transaction will be provided through a combination of services provided by the IESO and OPG. OPG will provide the services not being provided by the IESO, such as enforcement and auditing.

Transfers of Regulatory Asset

The MTSA provides the processes to be followed to effect a transfer of a regulatory asset by the IESO to the financing entity. In line with the *Ontario Fair Hydro Plan Act, 2017*, the financing entity may, but is not required to, accept a transfer of a regulatory asset.

The process generally will be for the IESO to provide a transfer notice to the financing entity setting out the specified portion of the regulatory asset to be transferred (i.e. the dollar amount) and the closing date to effect the transfer. The financing entity will then have two business days to accept the transfer notice. Upon receipt of the purchase price from the financing entity, the IESO will reduce the balance in its Fair Hydro Variance Account by an amount equal to the purchase price received. Upon payment of the purchase price, by operation of the *Ontario Fair Hydro Plan Act, 2017*, the financing entity will have acquired a corresponding investment interest.

Services

The IESO will provide services to the financing entity relating to the financing entity's investment interest. The IESO will provide services relating to clean energy adjustments including working with electricity vendors regarding the implementation of their obligations under the Fair Hydro Act and regulations. The IESO's services may result in further IESO resources being dedicated to manage the Fair Hydro program including following up with electricity vendors on program implementation/reporting matters. The IESO will be responsible for receiving amounts remitted to it by electricity vendors and for paying these amounts to the financing entity. The IESO will also obtain and report on information received from electricity vendors, review information for material manifest discrepancies, and follow up with electricity vendors on discrepancies and non-performance of their obligations under the *Ontario Fair Hydro Plan Act, 2017* and regulations.

Consistent with the *Ontario Fair Hydro Plan Act, 2017*, the IESO is not responsible for any amounts not collected by electricity vendors from specified consumers, or amounts that are not remitted by electricity vendors to the IESO. The IESO is also not responsible for enforcing the obligations of specified consumers to pay clean energy adjustments or for enforcing the performance of electricity vendors of their obligations under the *Ontario Fair Hydro Plan Act, 2017* and regulations.

The term of the IESO's servicer obligations continues until the financing entity has fully recovered amounts it requires from specified consumers, which should be no later than 2047.

<u>Financing Entity Carrying Costs during first four years</u>

During the clean energy adjustment moratorium period (i.e. the time the legislation prohibits the recovery of clean energy adjustments from specified consumers – December 1, 2017 until July 31, 2021), the Fair Hydro general regulation (O. Reg. 206/17) requires the IESO to pay the financing entity its carrying costs. Carrying costs is defined in the regulation to be interest costs, financing entity expenses and taxes. The MTSA provides the process steps related to these payments.

<u>IESO security for electricity vendor defaults</u>

Included in the MTSA is an IESO commitment to provide a letter of credit or other form of security, as security for the failure of electricity vendors who are not credit rated or are rated less than investment grade to remit clean energy adjustments. This security would be required to be provided in four years' time when clean energy adjustments begin to be collected from specified consumers. The IESO is permitted pursuant to regulation to recover its costs relating to this security from specified consumers.

<u>Development Plan with the financing entity</u>

The MTSA requires the IESO and the financing entity to work to develop an implementation plan for actions to be taken to facilitate the OEB, the financing entity, the IESO and electricity vendors being prepared to perform their respective obligations under the *Ontario Fair Hydro Plan Act, 2017* and regulations when the setting, invoicing and collection of clean energy adjustments commences. The IESO and financing entity will need to prepare three progress reports beginning June 30, 2020 leading up to the commencement of collection of the clean energy adjustment.