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 the~~ following:

> **Commented [BJ1]:** I agree the first two are the most important however, you go on to explain all the bullets areas so I thought this made it easy to understand all our role in the transaction

- ~~(1) the t~~Transfer of the IESO's regulatory asset to the financing entity; ~~and (2)~~
- ~~the~~ IESO's role as servicer to the financing entity;
- P~~. It also provides for the p~~rovision 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~~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 in its role as Finance Service Manager. Specific responsibilities are noted below. ~~OPG will provide the services not being provided by the IESO, such as enforcement and auditing.~~

> **Commented [BJ2]:** Thought this was necessary to differentiate it from the Insurer.

> **Commented [BJ3]:** Moved this to the Servicer description as after reading what the IESO is not responsible for, I think the reader needs to know who is responsible for the activities.

Transfers of Regulatory Asset

The MTSA provides the processes to be followed ~~to effect~~by the IESO to~~a~~ transfer ~~of~~its ~~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 agreement of the dollar amount ~~the purchase price~~ from the financing entity, the IESO will reduce accordingly the balance in its Fair Hydro Variance Account ~~by an amount equal to the purchase price received~~. Upon payment of the ~~purchase price~~dollar amount, ~~by operation~~in accordance with ~~of~~ the *Ontario Fair Hydro Plan Act, 2017*, the financing entity will have acquired a corresponding investment interest.

> **Commented [BJ4]:** Thought introducing purchase price is unnecessary – trying to make it simply to understand.OPG)Financial Service Manager (noted below. it from the Insurer. IESO is not responsible for, I think the reader needs to know w

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 *Ontario Fair Hydro Plan Act, 2017*, ~~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 is permitted pursuant to regulation to recover its costs relating to this work from

> **Commented [BJ5]:** Was italicized everywhere but here

> **Commented [BJ6]:** If costs can be recovered we should say it – I just cannot remember if we can.

specified consumers. 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.

Commented [BJ7]: Sorry most of us who are not lawyers do not need the "manifest" wording

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. However, the Financial Service Manager (OPG) will provide the services such as enforcement and auditing.

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.

Financing Entity Carrying Costs during first four years

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.

Commented [BJ8]: The legislation for us not collecting ends May 2021. **Limitation:**
(3) The IESO shall not be entitled to collect all or part of the balance recorded in the variance account from specified consumers before May 1, 2021.
Carrying costs have different dates so is the CEA actually starting in July or May?

IESO security for electricity vendor defaults

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.

Development Plan with the financing entity

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.

Formatted: Space After: 10 pt, Line spacing: Multiple 1.15 li