I am writing in relation to the Independent Electricity System Operator's (IESO) request to the Ontario Financing Authority (OFA) for a new revolving credit facility in an amount of up to $2 billion (the "New Credit Facility") to support the IESO's role in the implementation of and participation under the *Ontario Fair Hydro Plan Act, 2017.*

Under the OFA Lending Policy, the OFA requires an intercept provision in respect of loans made by the OFA to public bodies on an unsecured basis. The intercept provision allows the Minister of Finance to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts the public body fails to pay the OFA under a loan agreement. The OFA, IESO and the Ministry of Energy ("MOE") acknowledge and confirm that at this time there are no amounts appropriated by the Legislature for the IESO [Energy to confirm] and the intent of such intercept provision is that it would apply if and when amounts were to be appropriated for payment to the IESO in the future.

Prior to entering into a loan agreement with the IESO for the New Credit Facility (the "OFHP Credit Facility Agreement"), on an unsecured basis, the OFA requires the Ministry of Energy ("MOE") and the IESO to agree to the terms and conditions set out below in relation to the above OFA Lending Policy intercept provision requirement.

These terms and conditions shall also apply to the IESO's existing $975 million credit facility, established in a credit agreement entered into between the OFA and the Ontario Power Authority dated January 1, 2005, as amended (the "Original Credit Facility Agreement").

- The OFA, the IESO, and MOE agree as follows in respect of any advances made by the OFA to the IESO pursuant to the OFHP Credit Facility Agreement or the Original Credit Facility Agreement (each a "Loan Agreement"; together, the "Loan Agreements"):
    - Pursuant to section 23 of the *Capital Investment Plan Act, 1993*, the IESO and MOE agree that in the event that the Legislature appropriates any funds for payment to the IESO for any purpose ("Appropriated Funds"), the Minister of Finance would be entitled to deduct from such Appropriated Funds amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under a Loan Agreement (the "intercept provision").
    - Under the intercept provision, which shall be included in the Loan Agreements, the IESO also agrees that any notice from the OFA to the Minister of Finance in relation to its failure to pay under a Loan Agreement may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance.
    - Prior to recommending to the Minister of Finance that the intercept provision be exercised, the OFA will raise the issue with MOE and seek MOE's support in getting the IESO to pay the amounts owing within a reasonable cure period.

- Upon receipt of notice from the OFA that the IESO has failed to pay in accordance with the provisions of a Loan Agreement, MOE will provide the OFA with all information requested by the OFA respecting amounts appropriated by the Legislature for payments to the IESO, including the intended purpose and expected timing of such payments to be made by MOE. Upon request, MOE will provide similar information to the Minister of Finance.

- MOE acknowledges and agrees that, upon receipt of a direction from the Minister of Finance that an amount is to be deducted from money appropriated by the Legislature for payment to the IESO, MOE will take all necessary action required by it in order to effect such deduction and payment to the OFA in accordance with the Minister of Finance's direction.

This letter agreement may be executed in counterparts. Therefore, if you are in agreement with the above terms and conditions in relation to the Loan Agreements, kindly sign this letter agreement below in triplicate and send back two copies to my attention.