ACKNOWLEDGEMENT AND INDEMNITY AGREEMENT

TO: BNY Trust Company of Canada, in its capacity as Indenture Trustee of Fair Hydro Trust (in such capacity, the "**Indenture Trustee**")

RE: Master Transfer and Servicing Agreement dated as of ~~■,~~December 21, 2017 (the "**MTSA**") made between Independent Electricity System Operator (the "**IESO**"), as servicer (in such capacity, the "**Servicer**") and Fair Hydro Trust (the "**Issuer**")

AND RE: Warehouse Senior Series 2017-1 Supplemental Indenture dated as of ~~■,~~December 21, 2017 (as in effect on the date hereof, the "**Supplemental Indenture**") made between, *inter alios*, the Issuer and the Indenture Trustee

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WHEREAS the Government of Ontario has enacted the *Ontario Fair Hydro Plan Act*, 2017 (the "**Act**") for the purpose of, among other things, ensuring that clean energy costs and clean energy benefits (each as defined in the Act) are fairly allocated among present and future Specified Consumers;

AND WHEREAS, under the Act, the IESO is required to establish and maintain the Fair Hydro Variance Account, and has the right under the Act and the Regulations to record certain amounts in the Fair Hydro Variance Account and recover the balance from time to time of the Fair Hydro Variance Account from Specified Consumers (such right, the "**Regulatory Asset**");

AND WHEREAS the IESO may from time to time, in accordance with the Act, Transfer Specified Portions of the Regulatory Asset to the Issuer pursuant to Section 26(1) of the Act;

AND WHEREAS the Issuer and the Indenture Trustee are parties to a master trust indenture dated as of ~~■,~~December 21, 2017 (as amended, restated, modified or supplemented (including by way of Supplemental Indentures) from time to time, the "**Indenture**");

AND WHEREAS the Issuer may finance the acquisition from the IESO, from time to time, of an Investment Interest through the incurrence of Funding Obligations under the Indenture;

AND WHEREAS in connection with its ownership of the Issuer Investment Interest and in order to collect the associated Clean Energy Adjustments in accordance with the Act, pursuant to the MTSA the Issuer has engaged the Servicer to carry out the services described therein;

AND WHEREAS, pursuant to the Indenture, the Issuer has granted a security interest (the "**Security Interest**") over, *inter alia*, all rights, benefits and powers of the Issuer under the MTSA, to and in favour of the Indenture Trustee on behalf of the Specified Creditors, as security for the due payment of all Obligations Secured;

AND WHEREAS the Servicer has agreed to execute this Acknowledgement and Indemnity Agreement to (i) acknowledge that the Security Interest has been granted to the Indenture Trustee, on behalf of the Specified Creditors, thereby assigning as security all of the rights, benefits and powers of the Issuer under the MTSA to the Indenture Trustee, and (ii) provide certain indemnities with respect to its duties and obligations under the MTSA.

IN CONSIDERATION OF the mutual covenants and agreements herein and the sum of $1.00 and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties hereto agree as follows:

1. Unless otherwise defined in this Acknowledgement and Indemnity Agreement, all capitalized terms used herein shall have the meanings ascribed thereto, either directly or by incorporation therein, in the MTSA.

2. The Servicer hereby acknowledges receipt of notice that (i) the Issuer has granted the Security Interest to the Indenture Trustee, on behalf of the Specified Creditors, and (ii) as a result of the grant of the Security Interest, the Issuer has assigned as security all of its rights, benefits and powers under the MTSA to the Indenture Trustee, on behalf of the Specified Creditors, and the Servicer hereby consents to such assignment.

3. The Servicer acknowledges and agrees that (i) the Indenture Trustee has the right to exercise remedies against, and enforce the duties and obligations of, the Servicer under the MTSA in place of the Issuer in all circumstances in which the Indenture Trustee is entitled to do so under the Indenture, (ii) upon receipt of notice from the Indenture Trustee that the Indenture Trustee is entitled to instruct the Servicer under the Indenture, the Servicer shall take instructions from the Indenture Trustee with respect to the performance of the Servicer's duties and obligations under the MTSA, and (iii) the Indenture Trustee has not assumed any of the obligations of the Issuer pursuant to the MTSA.

4. The Servicer shall indemnify the Indenture Trustee, on behalf of itself and on behalf of the Administrative Agent, each Funding Agent, each CP Conduit Purchaser, each Group Bank and each Non-Conduit Purchaser (in each case, in their respective capacities as such under the Supplemental Indenture) (each, an "**Indemnified Person**") and defend and hold harmless each such Indemnified Person from and against, any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, of any kind whatsoever (collectively, "**Indemnified Losses**") imposed on, incurred by or asserted against each such Indemnified Person in connection with the Supplemental Indenture or the Series 2017-1 Notes issued thereunder, as a result of (i) the failure of the Servicer to perform its covenants and other obligations under the MTSA or any other Program Agreement to which the Servicer is a party; or (ii) the breach by the Servicer of any of its representations or warranties under the MTSA or any other Program Agreement to which the Servicer is a party and, except to the extent of Indemnified Losses resulting from the willful misconduct, bad faith or gross negligence of such Indemnified Person seeking indemnification hereunder; provided that, in each case, the Servicer shall not be required to indemnify an Indemnified Person for any amount paid or payable by such Indemnified Person in the settlement of any Proceeding or investigation without the

written consent of the Servicer, which consent shall not be unreasonably withheld or delayed. Promptly after receipt by an Indemnified Person of notice of the commencement of any Proceeding or investigation, such Indemnified Person shall, if a claim in respect thereof is to be made against the Servicer under this Section 4, notify the Servicer in writing of the commencement thereof. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 4 only to the extent that the Servicer suffers actual prejudice as a result of such failure. With respect to any Proceeding or investigation brought by a third party for which indemnification may be sought under this Section 4, the Servicer shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Person, the defence of any such Proceeding or investigation (in which case the Servicer shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person except as set forth below); provided, that the Indemnified Person shall have the right to participate in such Proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the Servicer's election to assume the defence of any Proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel, and the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel, if (i) the defendants in any such action include both the Indemnified Person and the Servicer and the Indemnified Person shall have reasonably concluded that there may be legal defences available to it that are different from or additional to those available to the Servicer, (ii) the Servicer shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action, (iii) the Indemnified Person shall have been advised by counsel to the Indemnified Person that there may be a conflict of interest between the Servicer and the Indemnified Person, or (iv) the Servicer authorizes the Indemnified Person to employ separate counsel at the expense of the Servicer. Notwithstanding the foregoing, the Servicer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons other than one local counsel, if appropriate. The Servicer will not, without the prior written consent of the Indemnified Person, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim or Proceeding in respect of which indemnification may be sought under this Section 4 (whether or not the Indemnified Person is an actual or potential party to such claim or action) unless such settlement, compromise or consent includes an unconditional release of the Indemnified Person from all liability arising out of such claim or Proceeding.

Indemnification under this Section 4 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Act and shall survive the termination of the MTSA or this Acknowledgement and Indemnity Agreement and will rank pari passu with other general, unsecured obligations of the Servicer.

Notwithstanding anything contained in the MTSA or this Acknowledgement and Indemnity Agreement, it is expressly understood that the Servicer is not agreeing to indemnify or hold any Indemnified Person harmless with respect to any of the following: (i) any losses resulting from any breach or failure to perform by the Servicer caused by a breach or failure to perform on the part of any other third party under any Program Agreement, the Act or the Regulations; provided that this provision shall not apply to limit the liability of the IESO in respect of any appointments as provided for in Section 3.10 of the MTSA; (ii) any losses resulting from changes in law after the date hereof, whether such changes in law are effected by means of any legislative enactment or any final and non-appealable judicial decision; or (iii) any liability of the Indemnified Person incurred after the termination of the MTSA and this Acknowledgement and Indemnity Agreement unless attributable to the actions or omissions of the Servicer prior to such termination or in respect of a representation, warranty or covenant of the Servicer that survives termination of the MTSA or this Acknowledgement and Indemnity Agreement.

To the fullest extent permitted by applicable law, no Specified Creditor (other than the Indenture Trustee) will have any right to institute any proceeding, judicial or otherwise, or to make any claim for indemnification, with respect to this Acknowledgement and Indemnity Agreement, or for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, except in accordance with Section 8.12 of the Indenture.

The parties hereto agree that the IESO is not providing any representations, warranties or covenants in the MTSA or this Acknowledgement and Indemnity Agreement, and shall have no liability to any Indemnified Person, with respect to the collectability of the Clean Energy Adjustment, or whether the Clean Energy Adjustment Amounts or Carrying Costs collected will be sufficient to satisfy the Funding Obligations.

5. The parties hereto acknowledge and agree that the duties, liabilities and obligations of the IESO ~~under the MTSA~~ are limited as provided in this Section 5.[1]

(a) IESO is not responsible for, or in respect of, any amounts not collected by Electricity Vendors from their customers or not remitted by Electricity Vendors to the Servicer.

(b) IESO is not responsible to confirm, verify or audit the amount of the Clean Energy Adjustment invoiced by Electricity Vendors or the Electricity Vendor CEA Collections collected by Electricity Vendors and reported to the IESO.

(c) IESO is not responsible for enforcing the obligations of Specified Consumers to pay, or the obligations of Electricity Vendors to invoice, collect or remit Clean Energy Adjustments or any other amounts, or to establish a segregated account into

[1] ~~The language included in this Section tracks Section 3.8 of the MTSA.~~

which Electricity Vendor CEA Collections are to be deposited, and IESO is under no obligation to initiate or prosecute any legal action relating to the collection of the Clean Energy Adjustments or the Issuer Investment Interest.

(d) IESO is not responsible or liable for the performance by Electricity Vendors of their duties and responsibilities under the Act or the Regulations including (i) the invoicing of Specified Consumers in respect of the Clean Energy Adjustment and ancillary matters related thereto; (ii) the collection from Specified Consumers of amounts due in respect of such invoices and the remittance of such payments to the Servicer; (iii) the accuracy of any information provided by the Electricity Vendors; and (iv) any reporting by the Electricity Vendors, including the reporting to the Servicer of the total CEA Consumer Invoice Amounts invoiced by such Electricity Vendor to its Specified Consumers in respect of the Clean Energy Adjustment, the total Electricity Vendor CEA Collections received by such Electricity Vendor and the Issuer Share of Electricity Vendor CEA Collections received by such Electricity Vendor and any other reporting in the Electricity Vendor Billing Period Report.

(e) IESO is under no responsibility or obligation to ~~the Issuer~~any Person with respect to the nature or extent of the Issuer Investment Interest, the collectability of the Issuer Share of Servicer CEA Receipts or that the Issuer Share of Servicer CEA Receipts will be sufficient to satisfy the Issuer's Funding Obligations.

(f) IESO may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under the MTSA.

(g) IESO shall have no liability or responsibility to any Person in respect of any forecasts or other information provided pursuant to the MTSA, provided only that such forecasts or other information has been prepared and provided in good faith.

(h) None of the directors, officers, employees or agents of IESO shall be liable to any Person for any action taken or for refraining from the taking of any action pursuant to the MTSA or this Acknowledgement and Indemnity Agreement or for good faith errors in judgment.

6. The Servicer and the Indenture Trustee shall execute and deliver, or cause to be executed and delivered, such instruments or further assurances as may be necessary or desirable to give effect to the provisions of this Acknowledgement and Indemnity Agreement.

7. This Acknowledgement and Indemnity Agreement may be amended in writing by the IESO and the Indenture Trustee, and with satisfaction of the Rating Agency Condition, such satisfaction to be confirmed by the Indenture Trustee at the time of such amendment.

Promptly after the execution of any such amendment, the Indenture Trustee shall furnish copies of such amendment to each of the Rating Agencies.

8. This Acknowledgement and Indemnity Agreement shall enure to the benefit of and shall be binding upon the Servicer and the Indenture Indemnified Parties and their respective successors and assigns.

9. If one or more provision of this Acknowledgement and Indemnity Agreement is for any reason whatever held invalid, such provision will be deemed severable from the remaining covenants, agreements and provisions of this Acknowledgement and Indemnity Agreement and will in no way affect the validity or enforceability of such remaining provisions or the rights of any parties hereto.

10. This Acknowledgement and Indemnity Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

11. This Acknowledgement and Indemnity Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and the counterparts together shall constitute one and the same instrument. Delivery of an executed signature page to this Acknowledgement and Indemnity Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Acknowledgement and Indemnity Agreement by such party.

[Signature page follows.]

IN WITNESS WHEREOF the undersigned have executed this Acknowledgement and Indemnity Agreement as of ~~●,~~ December 21, 2017.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By: ______________________________

Name:

Title:

BNY TRUST COMPANY OF CANADA, in its capacity as Indenture Trustee of **FAIR HYDRO TRUST**, and not in its personal capacity

By: ______________________________

Name:

Title:

By: ______________________________

Name:

Title:

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