Message

Sent: 2018-03-05 12:28:11 PM
To: Jane Leckey [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=2d516eef12b444edaca0ee56126664b3-Jane Leckey]
Attachments: FS Notes_2017_Draft_030518.docx; FS Notes_2017_Draft_030518.pdf

---

From: Mansoor Ahmad
Sent: March 05, 2018 11:08 AM
To: Natalie Schaus
Cc: Susan Nicholson
Subject: RE: Liquidity note *2 changes required

Hi,

Updated for the minor change.

Regards,
Mansoor

From: Mansoor Ahmad
Sent: March 05, 2018 10:40 AM
To: Natalie Schaus
Cc: Susan Nicholson
Subject: RE: Liquidity note *2 changes required

Hi Natalie,

Attached are the updated Notes.

Regards,
Mansoor

From: Natalie Schaus
Sent: March 05, 2018 10:30 AM
To: Mansoor Ahmad
Cc: Susan Nicholson
Subject: FW: Liquidity note *2 changes required

Hi Mansoor, 2 changes are required:

1/
Change this line:
required to borrow to fund the amounts to be recorded in the Deferred

to:

required to borrow the amounts to be recorded in the Deferred

2/

under ii) Fair Hydro – regulatory asset
In accordance with the Ontario Fair Hydro Plan Act, 2017,

Add this:
·**The IESO will establish a regulatory asset as the** IESO continues to settle the market and recover Global Adjustment

If I have confused you please let me know and we can walk thru it.
Please send Susan and I a revised copy as soon as you can. I will need to give the change to our communications dept and Matt.
Thanks, Natalie

From: Mansoor Ahmad
Sent: March 05, 2018 9:06 AM
To: Natalie Schaus; Susan Nicholson
Subject: RE: Liquidity note

Hi Natalie and Susan,
As per M. Boll's wording (ver2), we updated the Notes (see attached).

Pls advise the correction.

Regards,
Mansoor

From: Natalie Schaus
Sent: March 05, 2018 8:04 AM
To: Susan Nicholson; Mansoor Ahmad
Subject: RE: Liquidity note

Mansoor you have my originals so please double check.
Thanks,

From: Susan Nicholson
Sent: March 05, 2018 8:02 AM
To: Mansoor Ahmad; Natalie Schaus
Subject: FW: Liquidity note

Please check the first sentence in the last paragraph, is it supposed to be "to borrow" or "to fund" (should not be both).

As a result of the Fair Hydro Plan, the IESO will be required to borrow to fund

Thanks, Susan

From: Kim Marshall
Sent: March 05, 2018 7:15 AM
To: Susan Nicholson
Cc: Anthy Lovachis
Subject: RE: Liquidity note

Let's talk about this for a couple of minutes, would like to understand why some of the language changed, thx

Kimberly Marshall | VP, Corporate Services & CFO
Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202
120 Adelaide Street West, Suite 1600, Toronto, ON M5H 1T1

Web: www.ieso.ca | Twitter: IESO_Tweets | LinkedIn: IESO

Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals.

Conservation: www.saveONenergy.ca | Twitter: saveONenergyOnt | LinkedIn: saveONenergy

---

From: Susan Nicholson
Sent: March 02, 2018 2:13 PM
To: Kim Marshall
Cc: Anthy Lovachis
Subject: Liquidity note

a) Liquidity Risk

Liquidity risk refers to the risk that the IESO will encounter financial difficulty in meeting obligations associated with its financial liabilities when due. The IESO manages liquidity risk by forecasting cash flows to identify cash flows and financing requirements. Cash flows from operations, short-term investments, long-term investments and maintaining appropriate credit facilities help to reduce liquidity risk. The IESO's long-term investments are normally able to be redeemed within two business days; however, the investment manager of the pooled funds has the authority to require a redemption in-kind rather than cash and has the ability to suspend redemptions if deemed necessary.

i) Market Settlements

In cases where a market participant fails to pay, the IESO will utilize credit facilities to settle the market. If the IESO has exhausted the availability of its credit facilities, then the IESO will pay market creditors on a pro rata basis in proportion to the amounts owed to each market creditor.

ii) Fair Hydro – regulatory asset

In accordance with the Ontario Fair Hydro Plan Act, 2017,

- IESO continues to settle the market and recover Global Adjustment from customers, but as a result of the fair adjustment applicable to specified consumers the IESO collects less than the full amount of the Global Adjustment. The IESO records the shortfall together with the costs of financing the shortfall, the amounts charged to the IESO by the Fair Hydro Trust in respect of the carrying costs of the Fair Hydro Trust, when applicable, and certain other amounts, in a Deferred Global Adjustment Variance account (such amount a regulatory asset)
- IESO utilizes its credit facilities to fund the amounts recorded in the Deferred Global Adjustment variance account, and
- IESO is permitted to: a) transfer all or a portion of the regulatory asset to a financing entity, and b) after May 2021 fully recover any non-transferred asset from specified consumer.

As a result of the Fair Hydro Plan, the IESO will be required to borrow to fund the amounts to be recorded in the Deferred Global Adjustment Variance Account (see the bulletin above). The IESO has a current $2 billion line of credit with the OFA (see Debt Note 7) with a maturity date of September 30, 2022, to fund these amounts. The IESO expects to continue to transfer the regulatory asset to the financing entity and use the funds of such transfer to reduce the amounts borrowed. However, the financing entity is not obligated to purchase any transfer(s) offered by the IESO, and therefore the IESO is potentially subject to liquidity risk.

Susan Nicholson | Corporate Controller, IESO | Station A, Box 4474, Toronto, Ontario M5W 4E5
T: 905.855.6290| C: 905.301.6499 |Email: susan.nicholson@ieso.ca
Web: www.ieso.ca | Twitter: IESO_Tweets | LinkedIn: IESO
Conservation: www.saveONenergy.ca | Twitter: saveONenergyOnt | LinkedIn: saveONenergy

"Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals"