Message

From: Rayhan Malik [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=E37B6A6F611D4718AFC70148FD49AD58-RAYHAN MALI]
Sent: 2017-11-30 9:11:41 AM
To: Susan Nicholson [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=f668e601bd2b4865a5c31dca531047c8-Susan Nicho]
CC: Lia Kosic [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=73708c51cf2349cfb6fb2106d496b3ab-Lia Kosic]
Subject: FW: Follow Up On OFHP for Board

Hi Susan,

In the email trail below, Jeannette had suggested that your input would be helpful in defining the factors used in arriving at the impact rating so that it aligns with your thinking.

The excerpt from below is pasted here. Please feel free to provide any further details.

1. A more in-depth discussion of the risk 'Accounting treatment for Ontario Fair Hydro Plan in disputed'. The discussion is focused on the impact of the risk as there are differing views regarding whether the impact is accurately stated. My plan is to define the factors (e.g. reputation, impedes effective delivery of OFHP, potential litigation, financial impact, reduction in service quality / inefficiencies) used to arrive at the impact rating and allow the board to discuss. Outcome would be a final decision of the overall rating for the risk. I am not sure Alex is asking Michael, Anthony or me to do anything here. Susan do you want to provide him help in defining the factors used in arriving at the impact rating so you two align?

Thanks,
Rayhan

From: Michael Boll
Sent: November 29, 2017 3:16 PM
To: Jeannette Briggs; Anthony Martinello; Susan Nicholson
Cc: Lia Kosic; Rayhan Malik
Subject: RE: Follow Up On OFHP for Board

I am fine with removing reference to the legal opinions.

From: Jeannette Briggs
Sent: November 29, 2017 11:24 AM
To: Michael Boll; Anthony Martinello; Susan Nicholson
Cc: Lia Kosic; Rayhan Malik
Subject: RE: Follow Up On OFHP for Board

In my mind, this changes the risk entirely from us providing it and the likelihood of it being triggered to the MPs perception risk and the impact on them directly which is quite different – not wrong of course but different from how we structure the mitigation initially. I suggest that the words following the semi-colon are repeated in further bullets. I wonder if the support of legal advice still has value to mitigate MPs perceived adverse impact. No disrespect to the value of legal opinions Michael, just not sure it would be perceived as valuable to an MPs unless you feel that it is in the capacity of MRs and contract language review – the board memo that says MRs and contracts do not restrict us doing it so MPs should not have an expectation that we never do it.

Regards,

Jeannette Briggs Director, Settlements - Corporate Services

Independent Electricity System Operator (IESO)| T: 905-855-6364 | C: 416-997-6364
Station A, Box 4474, Toronto, ON, M5W 4E5
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

---

From: Michael Boll
Sent: November 29, 2017 10:32 AM
To: Jeannette Briggs; Anthony Martinello; Susan Nicholson
Cc: Lia Kosic; Rayhan Malik
Subject: RE: Follow Up On OFHP for Board

For risk 11 I think the concern was that the risk definition was confusing. Since the IESO is definitely providing the security, the risk is not that we provide the security. Much of the discussion was focused on the impact, or perceived impact, of providing the security such as adverse impact on market participants and contract counterparties. Should the risk therefore be redefined as follows? I have also suggested changes to the other columns.

11	Market participants perceive there to be an adverse impact due to the IESO providing security to the financing entity that it has priority over IESO receivables.	Significant [What leads to this being significant?Should we revisit the excel risk register to see if this changes?]	Rare	- negative reputational impact on the IESO - Increased workload and operational cost - Legal risk	Increased support by Ontario Financing Authority for credit; ~~and IESO's provincial indemnity/support letter~~ IESO's ability to provide the security is supported by legal advice of internal and external counsel. The Province has provided an indemnity to the IESO. IESO is seeking a contingent support agreement from the Province. The IESO's costs relating to providing security to the financing entity are recoverable through Global Adjustment due to recent regulation amendment.

From: Jeannette Briggs
Sent: November 29, 2017 9:32 AM
To: Michael Boll; Anthony Martinello; Susan Nicholson
Cc: Lia Kosic; Rayhan Malik
Subject: RE: Follow Up On OFHP for Board
Importance: High

All,

Rayhan is looking to finalize this in Alexander's absence.

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
Independent Electricity System Operator (IESO)| T: 905-855-6364 | C: 416-997-6364
Station A, Box 4474, Toronto, ON, M5W 4E5
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

---

From: Alexander DeAngelis
Sent: November 24, 2017 9:40 AM
To: Michael Boll; Anthony Martinello; Jeannette Briggs; Susan Nicholson
Cc: Lia Kosic
Subject: Follow Up On OFHP for Board
Importance: High

All,

I thought I would kick off the conversation regarding the items the board asked for follow up to be brought to the December 6 meeting.

As per my notes, the board wanted:

1. A more in-depth discussion of the risk 'Accounting treatment for Ontario Fair Hydro Plan in disputed'. The discussion is focused on the impact of the risk as there are differing views regarding whether the impact is accurately stated. My plan is to define the factors (e.g. reputation, impedes effective delivery of OFHP, potential litigation, financial impact, reduction in service quality / inefficiencies) used to arrive at the impact rating and allow the board to discuss. Outcome would be a final decision of the overall rating for the risk. I am not sure Alex is asking Michael, Anthony or me to do anything here. Susan do you want to provide him help in defining the factors used in arriving at the impact rating so you two align?

2. For risk 11, 'The IESO provides security to the financing entity that it has priority over IESO receivables', a better definition of this risk is required. I look to you all to define what the ultimate wording of the risk should be describing the implications of the IESO providing the security. So I added why it would be triggered as a means to make it more understandable. – feel free to edit

11	The IESO provides security to the financing entity that it has priority over IESO receivables in the event that the IESO cannot pay requested carrying costs during moratorium	Significant	Rare	- negative reputational impact on the IESO - Increased workload and operational cost	Continued support by Ontario Financing Authority for credit; and IESO's provincial indemnity/support letter IESO's ability to provide the security is supported by legal advice of internal and external counsel.

3. There was an in-depth discussion driven by Carole Workman regarding the reputational risk that MPs are no top of list for receivables, the likelihood that MPs could lose financially (concept of financial winners and losers), what the potential magnitude of loss could be and whether MPs will challenge this due to fiscal concerns. Michael / Jeannette, I'd ask you to take the lead on this. The question is whether we need an additional risk here, but at the very least, it breaks down to providing the board the potential impact and likelihood of this risk occurring. If you could define the risk, then I could circulate the assessment template to assess it. We have memo for Board discussion and I am confident a new risk is not required here beyond risk 11. In the memo, we suggested, it unlikely that the granting of the security will have a material impact on market participants (MPs) due to carrying costs are small relative to what we process through the market each month, triggering is unlikely as it would require the IESO not paying carrying costs (we have Provincial funding back up), no guarantee in MRs and contracts that IESO would never do this, MP and contracts will continue to be settled as normal. In other words, no other risk need be identified for MPs challenging the decision to provide security over receivables during moratorium. Risk 11 identifying it exists is all that is required.

I'm not clear whether we need to submit something with board materials that will be due on Monday , but I think it would be best that we have the information ready by Monday just in case.

If I've mischaracterized anything or have directed items to the wrong individuals, please let the group know.

Thank you,

Alexander De Angelis | Manager, Enterprise Risk & Corporate Performance
Independent Electricity System Operator (IESO) | T: (905) 855-6299
Station A, Box 4474, Toronto, ON M5W 4E5
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"