Message

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Sent: 2018-03-02 2:12:50 PM
To: Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshal]
CC: Anthy Lovachis [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=42a8bb25d4b341b6aa9c16b1ddbc0790-Anthy Lovac]
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

[redacted]

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 [redacted] line of credit with the OFA (see [redacted]) with a maturity date of [redacted] 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.

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