DRAFT SE OPINION

We have acted as counsel for Independent System Operator (the "**IESO**") in connection with a Master Transfer and Services Agreement dated **[DATE]** (the "**Master Agreement**") entered into between the IESO and ■ (the "**Trust**").

The opinions expressed herein relate only to the laws of the Province of Ontario (the "**Province**") and the federal laws of Canada applicable therein in effect on the date hereof, and no opinions are expressed as to the laws of any other jurisdiction.

Interpretation

Terms with initial capital letters in this opinion have the meanings given to them in the Master Agreement unless otherwise defined herein. Terms both underlined and in italics have the meanings given to them in the *Fair Hydro Plan Act* (Ontario) (the "Act").

Documents

As such counsel, we have participated in the preparation of and examined an executed copy of each of:

(a) the Master Agreement;

(b) a Transfer Notice dated ■ executed by the Trust and accepted by the IESO (the "**Initial Transfer Notice**"); and

(c) an acknowledgment dated ■ entered into between the IESO, the Trust and ■ (the "**Indenture Trustee**") (the "**Acknowledgment**").

The Master Agreement and the Initial Transfer Notice are referred to as the "**Initial Transfer Documents**." The Initial Transfer Documents and the Acknowledgment are referred to as the "**Documents**".

Assumptions

For the purposes of the opinions expressed herein, we have assumed:

(a) the genuineness of all signatures of all parties and the legal capacity of all individuals signing any documents;

(b) the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as certified or photostatic or electronically transmitted copies or facsimiles thereof and the authenticity of the originals of such certified, photostatic or electronically transmitted copies or facsimiles;

(c) that each of the parties, other than the IESO, to the Documents has all requisite capacity, power and authority to execute and deliver the Documents and to perform its obligations thereunder, and has taken all necessary action to authorize the execution and delivery of each of the Documents and the performance of its obligations thereunder;

(d) the Trust has all requisite capacity, power and authority to acquire and hold an investment asset;

(e) that each of the parties, other than the IESO, to the Documents has duly executed and delivered the Documents;

(f) that each of the Documents is a legal, valid and binding obligation of each of the parties thereto, other than the IESO, enforceable against each such party by each other party thereto, in accordance with its terms;

(g) that, as at the date of the *transfer*, all of the conditions precedent to a "Transfer" under the Master Agreement have been satisfied or waived;

(h) that the Trust is a *financing entity*; and

(i) that all relevant statutes and regulations are constitutional, have been duly enacted and are in full force and effect and in the event of any conflict or inconsistency between the Act and the regulations thereunder (the "Regulations") and any other legislation, guidelines or rules, such inconsistency will be resolved in favour of the Act and the Regulations.

For greater certainty, a specific assumption, limitation or qualification in this opinion is not to be interpreted to restrict the generality of an assumption, limitation or qualification expressed in general terms that include the subject matter of the specific assumption, limitation or qualification.

Opinions

Based on and subject to the foregoing and the assumptions and qualifications set out at the end of this opinion, we are of the opinion that:

1. The IESO is a corporation without share capital continued under Part II of the *Electricity Act*.

2. The IESO has the necessary legal corporate authority and capacity to execute and deliver the Documents and to perform its obligations thereunder.

3. All necessary corporate action has been taken to authorize the execution and delivery of the Documents by the IESO and the performance of its obligations thereunder.

4. The Documents have been duly executed and delivered on behalf of the IESO.

5. Each of the Documents constitutes a legal, valid and binding obligation of the IESO, enforceable against the IESO in accordance with its terms.

6. The execution and delivery by the IESO of the Documents and the performance by the IESO of its obligations thereunder, do not and will not violate or result in a breach of any statute or regulation of the Province or of Canada that is applicable to the IESO.

7. The execution and delivery by the IESO of the Documents and the performance of its obligations thereunder do not require the IESO to obtain under the laws of the Province any consent, authorization or approval of any governmental authority or any court or tribunal, in the Province, or to make any filing or provide any notice to any such entity, other than such consents and approvals as have been obtained or filings or notices that have been made, in each case copies of which have been provided to you.

8. Section 26(3) of the Act provides that upon receipt by the IESO of payment by the Trust pursuant to the Initial Transfer Notice of an amount equal to the portion of the IESO's *regulatory asset* set out in the Initial Transfer Notice, (a) the balance in the *variance account* shall be reduced by the amount of the payment; (b) the *regulatory asset* shall be adjusted accordingly; (c) the Trust shall acquire a corresponding *investment interest*; and (d) the IESO shall retain no further right, title or interest in the corresponding *investment interest*.

9. Section 27(1) of the Act, provides that a *transfer* in favour of the Trust of a specified portion of a *regulatory asset* under Section 26 of the Act constitutes a "valid and enforceable absolute assignment, conveyance and sale by the IESO to the Trust of the corresponding *investment interest*". Pursuant to Section 27(3) and (4) of the Act such *transfer* "shall be deemed to have been and shall be perfected, vested, valid and binding as against the IESO and all other persons who have any claim of any kind against the IESO", regardless of whether the persons who have claims "have received notice of the *transfer*, and the property rights and interests acquired by the Trust in the corresponding *investment interest* shall have priority over any liens in favour of those persons".

Assumptions, Limitations and Qualifications

The foregoing opinions are subject to the following assumptions, limitations and qualifications:

(a) enforceability of the rights and remedies provided in the Documents may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent preference and conveyance, transfer at undervalue, assignment and preference and other similar laws of general application relating to or affecting creditors' rights;

(b) the availability of equitable remedies, including, without limitation, the remedies of specific performance and injunctive relief, may only be granted in the discretion of a court of competent jurisdiction;

(c) indemnification provisions set out in any of the Documents may be unenforceable to the extent that a court decides that any payment required thereunder would derogate from the court's discretion in respect of indemnified amounts, or would be inconsistent with the court's determination by whom and to what extent indemnified amounts shall be paid;

(d) the awarding of costs of or incidental to proceedings authorized to be taken in court or before a judge are in the discretion of the court or judge and the court or judge has the full power to determine by whom and to what extent such costs shall be paid;

(e) the provisions contained in any of the Documents which purport to sever any provision therein which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of such Agreement would be enforced only to the extent that a court determined that such prohibited or unenforceable provision could be severed without impairing the interpretation and application of the remainder of such Document;

(f) the effectiveness of terms exculpating a party from a liability or duty otherwise owed by it to another may be limited by law;

(g) enforcement may be limited to the extent that a court construes any provision of the Documents to constitute a penalty or forfeiture;

(h) the records or a certificate, determination, notification or opinion of a party to the Documents as to any matter provided for in the Documents may be held by a court not to be conclusive if it can be shown to have an unreasonable or arbitrary basis or in the event of manifest error;

(i) a court may give effect to waivers or amendments notwithstanding that they are not in writing and executed by the parties;

(j) no opinion is expressed as to the enforceability of Section 7.2 of the Master Agreement (i) as it relates to the right of the Trust to appoint a Successor Servicer by reason that the IESO is insolvent or that a notice of intention or a proposal has been filed in respect of the IESO pursuant to the BIA; or (ii) in the face of any applicable order made by a court of competent jurisdiction pursuant to the CCAA;

(k) the *Personal Property Security Act* (Ontario) may affect the enforcement of certain rights and remedies under the Initial Transfer Documents to the extent that these rights and remedies are inconsistent with or contrary to such legislation;

(l) no opinion is expressed as to the creation or perfection of a security interest in any property, nor have we effected any registrations under the *Personal Property Security Act* (Ontario);

(m) no opinion is expressed regarding the ranking or priority of any interest of the IESO or the Trust in any *regulatory asset*, *investment interest* or other property;

(n) no opinion is expressed with respect to the effectiveness of any covenant of any party to any Document not to institute bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or take any action to appoint a receiver or order the winding-up or liquidation of another Person;

(o) no opinion is expressed as to compliance with the *Personal Information Protection and Electronic Documents Act* (Canada) or any other privacy laws; and

(p) the enforceability of the Agreements is subject to the limitations contained in the *Limitations Act, 2002* (Ontario).

This opinion is given in connection with the transactions contemplated by the Agreements, for the benefit of the addressees, and is not to be relied upon for any other purposes or by any other party (except the permitted assigns of the addressees), nor is it to be quoted from or made public in any way, without our prior written consent. **[NTD: Should be addressed to the Trust, the Indenture Trustee (in its capacity as such) and the applicable rating agencies.]**

Yours truly,