IESO/SE Comment Jan. 18

This confidential shelf offering memorandum constitutes an offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This confidential shelf offering memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of these securities. ***No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this material or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.*** *Persons who acquire securities pursuant to this confidential shelf offering memorandum will not have the benefit of the review of this material by any securities commission or similar authority. The information contained in this confidential shelf offering memorandum has been furnished or supplied by the Issuer based on the most accurate information available as at the date hereof and there is no representation or warranty by the Agents as to the accuracy or completeness of such information. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "****U.S. Securities Act****") or any state securities laws and may not be offered or sold within the United States or to, or for the account of, U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. See "Plan of Distribution". This confidential shelf offering memorandum is confidential and contains certain information not publicly disclosed. No one is authorized to make any representation or give any warranty on behalf of the Issuer other than those representations and warranties made or referred to in this confidential shelf offering memorandum.*

The information contained in this confidential shelf offering memorandum and delivered in connection with the private placement of the Senior Notes by the Issuer is confidential, is for the confidential use of only those persons to whom it is delivered in connection with the offering solely for the purpose of considering the purchase of the Senior Notes and its use for any other purpose is prohibited. By accepting this confidential shelf offering memorandum, each prospective purchaser agrees that it will not transmit, reproduce or make available to anyone, other than their respective advisors (so long as they advise such advisors of the confidential nature of such document), this confidential shelf offering memorandum (including any Term Sheets) or any information contained herein, and will not use such information (or permit its advisors to use such information) for any purpose other than to evaluate an investment in the Senior Notes pursuant to an Offering.

CONFIDENTIAL SHELF OFFERING MEMORANDUM

New Issue By Way of Private Placement

January ■, 2018

FAIR HYDRO TRUST

Senior Secured Notes

Fair Hydro Trust (the "**Issuer**"), a special purpose trust established under the laws of the Province of Ontario by Computershare Trust Company of Canada, acting as trustee of the Issuer, **and caused to be established by Ontario Power Generation Inc. ("OPG"), as Financial Services Manager (as hereinafter defined),** has created a program providing for the offering and issuance of senior secured notes (the "**Senior Notes**"), in one or several offerings. The Issuer was established in connection with the *Ontario Fair Hydro Plan Act, 2017* (**together with the regulations promulgated thereunder,** the "**FHPA**")~~, legislation that reallocates certain electricity costs over time and provides immediate rate relief to Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms). Under the FHPA, Ontario Power Generation Inc. ("OPG")~~**. Under the FHPA, OPG** is appointed as financial services manager (in such capacity, the "**Financial Services Manager**") and is given the authority to, among other things, establish, or cause to be established, one or more financing entities (each, a "**Financing Entity**") to incur payment obligations (referred to as "**Funding Obligations**") for the purposes ~~of~~**prescribed under** the FHPA. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations being offered for the purposes of the FHPA.

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt**, liability** or ~~general~~ obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See *"Change of Law Protection Agreement"*. The Senior Notes will be ~~nonrecourse~~**limited recourse** obligations, secured only by the collateral described in this confidential shelf offering memorandum. See *"**Capital Markets Platform —Acceleration and Remedies — Limited Recourse" and** "Risk Factors"*.

- add - in performing their respective obligations under the FHPA and MTSA or/ as transferors and servicers
- see first para. 81
- (we are not principally liable for debt)

Servicing, Operating and Consumer Risks

- Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.
- Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager ~~of the Issuer~~.
- Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.
- Changes to billing and collection practices may reduce the amount of funds available for payments on the Senior Notes.
- Limits on rights to terminate service to Specified Consumers might make it more difficult to collect the Clean Energy Adjustment.
- It might be difficult for the Issuer to collect the Clean Energy Adjustment from Specified Consumers.
- Delinquent or partial payments of electricity bills may make principal payments on the Senior Notes occur later than expected.
- Indemnification obligations of OPG and the IESO are limited and might not be sufficient to protect the investments in the Senior Notes.
- ~~Delinquent or partial payments of electricity bills may make principal payments on the Senior Notes occur later than expected.~~
- Power outages could impair payment of the Senior Notes.
- Technological changes that make alternative energy sources more attractive in the future or significant population fluctuations may result in fewer Specified Consumers from whom to collect the Clean Energy Adjustment.

Insolvency-Related Risks

- If the Issuer were to become subject to Canadian Insolvency and Restructuring Laws, the Indenture Trustee's ability to enforce security granted by the Issuer may be significantly impaired or delayed.
- If the IESO ~~or~~**were to become subject to Canadian Insolvency and Restructuring Laws, the Transfers of specified portions of the Regulatory Asset by the IESO may not be respected as true sales of the Regulatory Asset.**
- **If** any Electricity Vendor **or the IESO** were to become subject to Canadian Insolvency and Restructuring Laws, collections that have been commingled may be unrecoverable and the Issuer's ability to enforce its rights against **such Electricity Vendor or** the IESO may be significantly impaired or delayed.
- If OPG were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to enforce its rights against OPG may be significantly impaired or delayed and the Issuer's assets and liabilities may be substantively consolidated with those of OPG.
- If the Issuer Trustee were to become subject to Canadian Insolvency and Restructuring Laws, the assets and liabilities of the Issuer may be substantively consolidated with the Issuer Trustee.
- If a Specified Consumer were to become subject to Canadian Insolvency and Restructuring Laws, the Issuer's ability to collect Clean Energy Adjustment amounts from such Specified Consumer may be adversely affected.
- If amounts in the Issuer Accounts for any Series are invested with entities that become subject to insolvency proceedings, the Issuer's ability to make payments to holders of Senior Notes may be adversely affected.

Other Risks:

- The credit ratings are not an indication of the expected rate of payment of principal on the Senior Notes.
- If the ratings on the Senior Notes are withdrawn or revised downward, the value of a holder's investment in the Senior Notes may be adversely affected.
- The credit ratings of the IESO, OPG and the Province of Ontario might affect the market value of the Senior Notes.
- The absence of an established market for the Senior Notes might limit the ability to resell or refinance the Senior Notes.
- Restrictions on resale might limit the ability to resell the Senior Notes.

SUMMARY

This summary does not contain all the information prospective purchasers should consider before investing in the Senior Notes. Prospective purchasers should read this entire confidential shelf offering memorandum carefully, including the section entitled "Risk Factors". Capitalized terms used and not otherwise defined in this summary have the meanings ascribed to them in the glossary starting on page [92] of this confidential shelf offering memorandum. ***An index of defined terms used in this summary is provided starting on page [104] of this confidential shelf offering memorandum.***

Issuer: Fair Hydro Trust, a special purpose trust established under the laws of the Province of Ontario.

Manager: Ontario Power Generation Inc. ("**OPG**"), pursuant to the terms of the Management Agreement.

Limitations: **The Senior Notes do not constitute a debt, liability or other obligation of, or ~~interest~~ in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not be insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates ~~or any other person or entity~~, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. See "*— Change of Law Protection Agreement*".**

The Senior Notes do not constitute ... the IESO or any IESO

Ontario~~'s~~ Fair Hydro Plan Act: ~~On March 2, 2017, the Province of Ontario announced its Fair Hydro Plan, proposing to lower the average electricity bill for certain eligible customers.~~ On June 1, 2017, the Ontario ~~government~~**Legislature** passed the Ontario Fair Hydro Plan Act, 2017 (the "FHPA")~~, legislation that reallocates certain electricity costs over time and provides immediate rate relief to~~**. The FHPA was enacted to: (i) ensure that Clean Energy Costs and Clean Energy Benefits are fairly allocated among present and future** Specified Consumers (a category of consumers that generally is comprised of residential consumers, small businesses and farms)~~. From~~**; (ii) recognize that Clean Energy Benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in Ontario; and (iii) align Clean Energy Costs with Clean Energy Benefits, in order to provide fairness for Specified Consumers over time. As a result, from** July 1, 2017 until April 30, 2018, electricity rates payable by Specified Consumers will in effect be the rate that would result in a representative consumer being charged an invoice amount that is 25%[1] less than the rate that would otherwise have been determined by the Ontario Energy Board (the "**OEB**") **under its Regulated Price Plan**[2] for that period.

Under the FHPA, OPG is appointed as ~~financial services manager (in such capacity, the "~~Financial Services Manager~~")~~ and is given the authority to, among other things, establish, or cause to be established, one or more ~~financing entities (each, a "~~Financing ~~Entity")~~**Entities** to

[1] The 25% reduction includes an 8% rebate equivalent to the provincial portion of the harmonized sales tax previously granted by the Ontario government.

[2] **Specified Consumers, as a class, are not a one-to-one equivalent class to the RPP consumer class.**

incur ~~payment obligations (referred to as "~~Funding Obligations~~")~~ for the purposes ~~of~~**prescribed under** the FHPA~~ and the Regulations~~. The Issuer is a Financing Entity under the FHPA~~ and the Regulations~~ and the Notes are Funding Obligations being offered for the purposes of the FHPA~~ and the Regulations~~. See *"Ontario's Fair Hydro Plan — Background"*.

Summary of the Fair Hydro Financing Program:

The implementation of the Fair Hydro Plan is intended to be financed by the Issuer through the Fair Hydro financing program. The program provides for the offering and issuance by the Issuer of Senior Notes, in any number of ~~series (each a "~~Series~~")~~, in one or several ~~offerings (each, an "**Offering**")~~**Offerings**. A Term Sheet will describe particulars of the terms of each Series of Senior Notes and will be incorporated by reference and form an integral part of this confidential shelf offering memorandum. Each Series of Senior Notes will be issued under the ~~master trust indenture dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "**Master Trust Indenture**") between the Issuer, as issuer, and BNY Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"), as supplemented by a supplemental indenture dated the date of the issuance of such Series between the Issuer and the Indenture Trustee (a "~~**Master Trust Indenture, as supplemented by a** Supplemental Indenture~~" and collectively with the Master Trust Indenture, the "**Indenture**")~~ authorizing that Series.

Transferor and Servicer:

non-share

The Independent Electricity System Operator (the "**IESO**") is a ~~not-for-profit~~ corporation established under the *Electricity Act, 1998* (Ontario). **As a non-share capital corporation, the IESO does not have any shareholders or owners and is governed by an independent board of directors appointed by the Minister of Energy.** The IESO manages the operation and reliability of Ontario's bulk power system and administers the wholesale electricity market.

Each month, the IESO will determine the shortfall resulting from the rate reduction mandated by the FHPA and record the amount in a variance account. The IESO has the right**, exercisable in accordance with the FHPA,** to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). The ~~IESO has entered into a master transfer and servicing agreement with the Issuer dated as of December 21, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the "~~**FHPA provides that the OEB shall, from time to time and in accordance with the Regulations, determine and set rates payable by Specified Consumers to allow for the IESO to recover the balance recorded in the variance account and that the IESO shall not be entitled to collect all or part of the balance recorded in the variance account from Specified Consumers before May 1, 2021. Pursuant to the** Master Transfer and Servicing Agreement~~") pursuant to which~~**,** the IESO may, on a monthly basis, offer to ~~transfer a~~**Transfer** specified ~~portion~~**portions** of the Regulatory Asset to the Issuer **in accordance with the FHPA**. See *"**The** Transferor and Servicer"*.

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reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for ~~such~~**a** Reference Period.

Commencing May 1, 2021, a charge in respect of the Clean Energy Adjustment will be included on invoices sent to Specified Consumers, and collected and remitted to the Issuer to pay amounts owing on the Senior Notes and all other administrative and other financing expenses of the Issuer. ~~From~~**Based on the Fair Allocation Amount provided by the Province, from** July 1, 2017 until April 30, 2021 (the "**Moratorium Period**"), no Clean Energy Adjustment amounts are permitted to be collected from Specified Consumers. During the Moratorium Period, ~~the sole source of funds for payment~~ on the Senior Notes, and the Issuer's other ~~carrying costs~~**Carrying Costs**, will be the amounts the IESO is obligated to pay under the Regulations during such period. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

of interest

Amounts so contributed by the IESO are not available to pay principal.

Non-bypassability:

The FHPA mandates that an amount in respect of the Clean Energy Adjustment shown on an invoice issued to a Specified Consumer is determinative of the amount of the consumer's indebtedness resulting from the Clean Energy Adjustment, and is irrevocable on invoicing such Specified Consumer and may not be set off or bypassed. See *"Ontario's Fair Hydro Plan — Clean Energy Adjustment"*.

Payment of Carrying Costs ~~during the Moratorium Period~~until July 31, 2021:

~~During the Moratorium Period and extending to July 31, 2021, the~~**The** IESO, which is rated A(high) by DBRS ~~Limited ("DBRS")~~ and Aa2 by Moody's ~~Investors Services, Inc. ("Moody's")~~, is required under the Regulations to pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of ~~its carrying costs.~~**Carrying Costs incurred in respect of the period from June 1, 2017 to July 31, 2021.** Under the Regulations, ~~"carrying costs"~~**Carrying Costs** include all funding costs, such as interest on the Senior Notes, and other expenses of the Issuer, other than repayment of principal on any debt obligations of the Issuer (such as principal on the Senior Notes).

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of ~~carrying costs~~**Carrying Costs** estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's carrying costs statement, the IESO is required to deliver the amount specified therein to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ~~■, 20■~~ **September 30, 2022,** which ~~can~~**is permitted to** be used to pay the Issuer's ~~carrying costs~~**Carrying Costs**. The amounts paid by the IESO to fund these ~~carrying costs~~**Carrying Costs** will be recorded by the IESO in ~~a~~**the** variance account and form part of the Regulatory Asset that the IESO is expected to ~~transfer~~**Transfer** to the Issuer in a subsequent period ~~and, upon~~**. Upon** such ~~transfer, will become part of~~**Transfer,** the Issuer~~'s~~ **will acquire a corresponding** Investment Interest ~~pursuant to the Regulations~~.

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the OEB. See *"— Statutory and Servicing Duties of the IESO"* below.

Statutory Duties of Electricity Vendors:

Electricity is distributed to almost all Specified Consumers in Ontario through a network of local distributors. See "*The Electricity Industry in Ontario*" and the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding the Ontario electricity market and these local distributors.

The FHPA ~~and the Regulations require~~**requires** Electricity Vendors to invoice **their** Specified Consumers for a charge in respect of the Clean Energy Adjustment ~~commencing May 1, 2021.~~, as determined by applying the rate set by the OEB, which is required to be included ~~as a~~ separate line item on each invoice sent to Specified Consumers. Electricity Vendors are also required to collect, as agent of **all Financing Entities**, ~~of which the Issuer is the first~~, amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts~~,~~ **and** hold such amounts in trust for the benefit of the ~~Issuer until deposited with the IESO and remit such amounts~~**Financing Entities until remitted** to the IESO for the benefit of the **Financing Entities (initially, only the** Issuer**)**. If an Electricity Vendor does not receive payment in full of an invoice issued to a Specified Consumer, the Electricity Vendor shall allocate ~~the~~**any** payment received ~~on a *pro rata* basis~~ to the Clean Energy Adjustment and the other amounts payable under the particular invoice **in the manner set out in the FHPA**. It is a deemed condition of their distribution license **issued by the OEB** that Electricity Vendors comply with the FHPA.

(initially only the Issuer)

(no priority among financing entities)

As security for any failure of an Electricity Vendor that does not have an investment grade rating from DBRS and Moody's to remit Clean Energy Adjustment amounts collected under the FHPA, the IESO is required, pursuant to the Master Transfer and Servicing Agreement, to provide to the Issuer on or prior to the first day of the first billing period when the Clean Energy Adjustment is being invoiced to Specified Consumers, a letter of credit from a provider that satisfies the Rating Agency Condition or a performance guarantee or such other form of security that is acceptable to the Issuer and that satisfies the Rating Agency Condition. The amount of the security required ~~from the IESO~~ is based on a formula as set out in the Master Transfer and Servicing Agreement and will **be** equal **to**: **(a)** (i) 50% of ~~forecasted~~**estimated** Clean Energy Adjustment amounts that are to be collected ~~by~~**over a twelve-month period by all** such non-investment grade rated Electricity Vendors ~~and held for 45 days prior to the funds~~**, (ii) multiplied by a fraction equal to 45/365 (representing the 45-day period during which funds are expected to be held by such non-investment grade rated Electricity Vendors prior to** being remitted to the Issuer**)**; or (~~ii~~**b**) such other **lesser** amount that satisfies the Rating Agency Condition. See *"The Transferor and Servicer."*

Management Duties of OPG:

~~OPG has entered into a management agreement (the "~~**Pursuant to the** Management Agreement~~") with the Issuer pursuant to which~~, the Issuer has delegated to OPG, as ~~manager (the "~~Manager~~")~~, all of the powers and duties of managing the Issuer, including determining indebtedness issued by the Issuer from time to time pursuant to the Indenture, without discrimination or preference. See "*Capital Markets Platform — Subordination Provisions*", "*Capital Markets Platform — Acceleration and Remedies — Payment Waterfall Upon Acceleration*".

Security:

All indebtedness and other obligations of the Issuer, including the Senior Notes, will be secured by a first ranking charge against all property and assets of the Issuer, including each Issuer Account (and all funds and property credited thereto), all rights and benefits, and powers of the Issuer under the FHPA and all rights, benefits and power under all Program Agreements, including under the Limited Guarantee.

Under the Master Trust Indenture, the Issuer is required to maintain certain reserves: the IESO Cash Reserve Deposit Amount (an amount equal to the aggregate of (i) 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of April 15, 2021, and (ii) an amount estimated as the amount of ~~carrying costs~~**Carrying Costs** payable during May, June and July 2021, provided such amount in (ii) satisfies the Rating Agency Condition) will be deposited by the IESO by April 30, 2021. There is also a Program Cash Reserve Account which will begin to be funded from Clean Energy Adjustments following the Moratorium Period until it reaches the Program Cash Reserve Required Amount (on each Payment Date on and after May 15, 2021, an amount equal to 0.50% of the aggregate amount of all outstanding senior, subordinated and junior subordinated funding obligations determined as of such date, or such lesser amount that satisfies the Rating Agency Condition). Funds in the IESO Cash Reserve Account will be applied to pay ~~carrying costs~~**Carrying Costs** after April 2021 to the extent that funds can be so applied such that the aggregate amount of funds in the IESO Cash Reserve Account and Program Cash Reserve Account is maintained at the Program Cash Reserve Required Amount.

Funds in the IESO Cash Reserve Account will be released to the IESO after November 2021, to the extent amounts are contributed to the Program Cash Reserve Account

In connection with the incurrence of any Series of Notes, the Issuer may (i) establish a Series Account for purposes of accumulating funds used to make principal payments or for purposes of reserving funds to pay finance charges, and/or (ii) enter into a credit enhancement agreement or liquidity agreement. Whether a Series of Senior Notes has the benefit of a Series Account or any credit enhancement agreement or liquidity agreement will be determined from time to time by the Issuer and set out in the Term Sheet applicable to such Offering.

See "*Capital Markets Platform — Security*".

Priority of Payments:

Prior to an Event of Default and acceleration of the Issuer Funding Obligations (other than Derivative Funding Obligations), amounts available for disbursement will generally be applied in the following order of priority:

- taxes;

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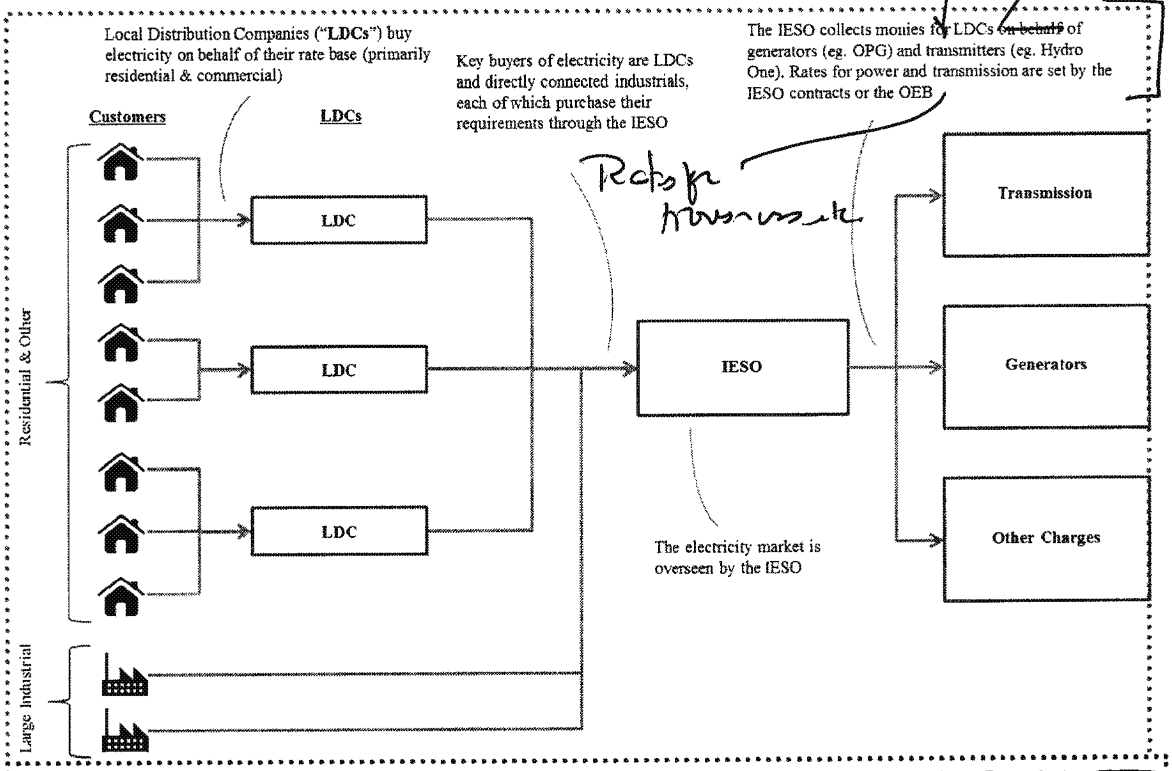
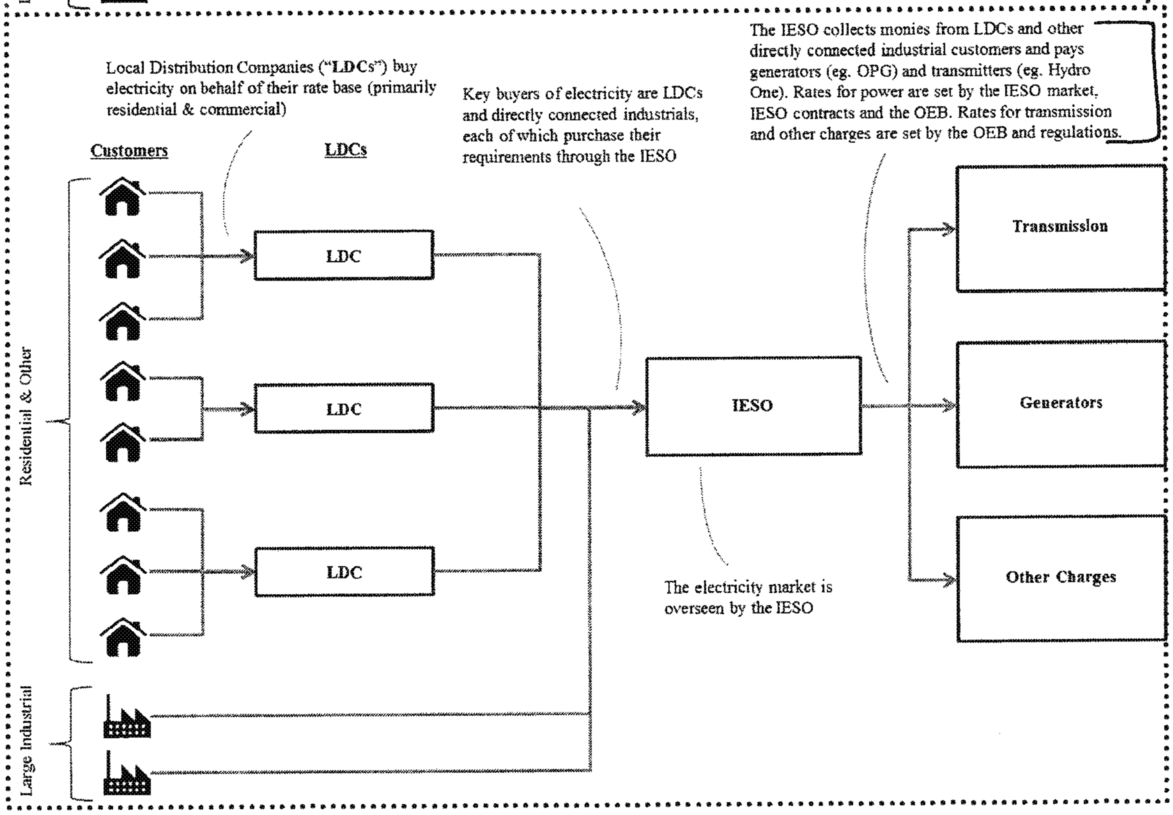
and other directly connected industrial customers and pay

from



Rates for transmission

should conform



See the Investor Presentation attached as Exhibit 1 to this confidential shelf offering memorandum for more details regarding LDCs.

Under the FHPA, a "**Specified Consumer**" is:

(a) a person who has an account with an Electricity Vendor for the supply of electricity in the Province of Ontario and meets any one of the following criteria:

  (i) the person has a demand for electricity of 50 kilowatts or less, or such other amount as may be prescribed by the Regulations;

  (ii) the person annually uses not more than 250,000 kilowatt hours of electricity, or such other amount as may be prescribed by the Regulations;

  (iii) the person carries on a business that is a farming business for the purposes of the *Farm Registration and Farm Organizations Funding Act, 1993* and either holds a valid registration number assigned under that Act or has had the obligation to file a farming business registration form waived pursuant to an order made under subsection 22(6) of that Act;

  (iv) the person's account with the Electricity Vendor relates to

    (A) a dwelling;

    (B) a property within the meaning of the *Condominium Act, 1998*;

    (C) a residential complex within the meaning of subsection 2(1) of the *Residential Tenancies Act, 2006*, without regard to section 5 of that Act; or

    (D) a property that includes one ~~of~~**or** more housing units and that is owned or leased by a co-operative within the meaning of the *Co-operative Corporations Act*; or

  (v) the person satisfies such criteria as may be prescribed by the Regulations; or

(b) such other person as may be prescribed by the Regulations.

Electricity bills for Specified Consumers for the period between May 1, 2018 and April 30, 2019 are to increase by the rate of inflation (or remain unchanged in the event inflation is negative). Permitted increases after April 30, 2019 will be determined by the Ontario government through additional regulations, though the Ontario government has indicated that rate increases will be held to the rate of inflation until 2021.

Under the FHPA, OPG is appointed as Financial Services Manager and given the authority to, among other things, establish, or cause to be established, one or more ~~financing entities (each, a "~~Financing ~~Entity")~~**Entities** to incur ~~payment obligations (such obligations, "~~Funding Obligations~~")~~ to fund the acquisition of an Investment Interest. The Issuer is a Financing Entity under the FHPA and the Senior Notes are Funding Obligations under the FHPA.

Regulatory Asset

Under the FHPA, each month the IESO determines the shortfall that results from the Fair Adjustment as compared to what the IESO would have been entitled to receive without the Fair Adjustment and records this amount, together with the costs of financing the shortfall, **the amounts charged to the IESO by the Issuer in respect of the Carrying Costs of the Issuer [and certain other amounts]** ~~*[NTD: IESO to confirm what other amounts are included]*~~ in a variance account. The IESO has the right**, exercisable in accordance with the FHPA and the Regulations,** to recover the balance recorded in the variance account from Specified Consumers (such right, the "**Regulatory Asset**"). **The FHPA provides that the OEB shall, from time to time and in accordance with the Regulations, determine and set rates payable by Specified Consumers to allow for the IESO to recover the balance recorded in the variance account and that the IESO shall not be entitled to collect all or part of the**

(iv) the principal amount of Funding Obligations incurred by the Issuer that are applied to refinance existing Funding Obligation during the ~~Reference Period~~**period**;

(v) any payments received in connection with a derivative agreement, including ordinary course receipts, payments received on termination and payments received in connection with margining or collateral arrangements, in each case during the ~~Reference Period~~**period**;

(vi) amounts received by **or on behalf of** the Issuer as a refund of tax during the ~~Reference Period~~**period**; and

(c) subtracting the sum calculated under (~~a~~**b**) from the sum calculated under (~~b~~**a**).

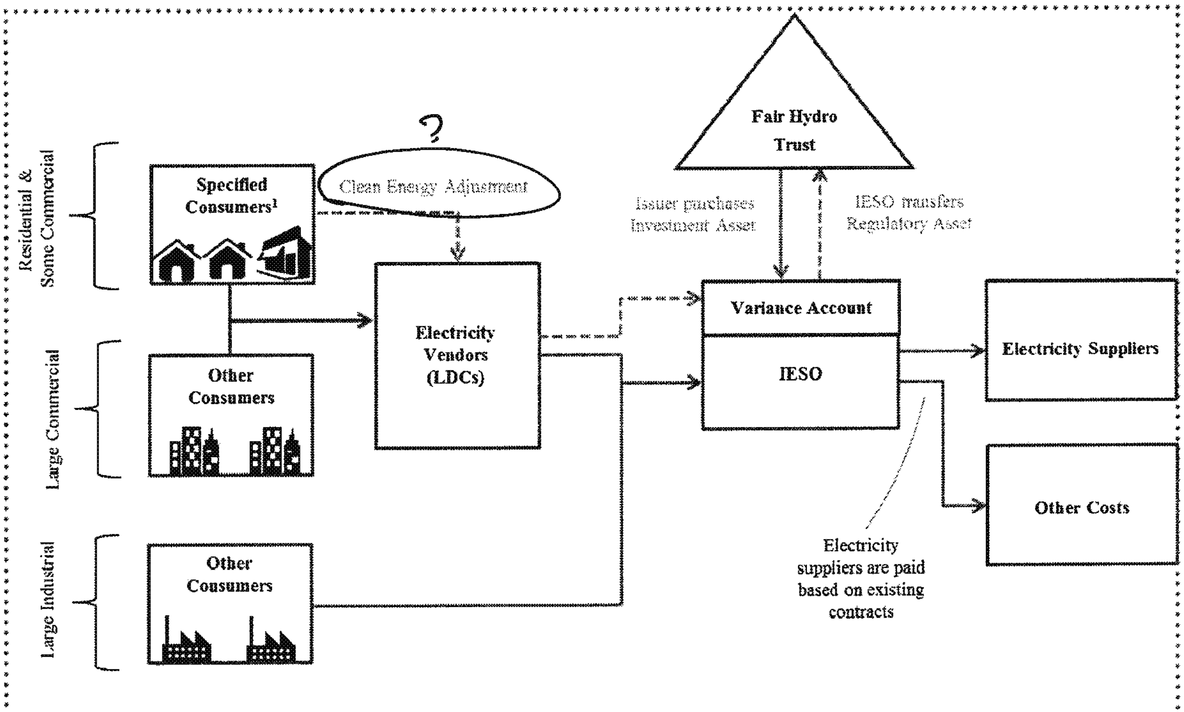
~~The~~**In determining the** Clean Energy Adjustment ~~will also take into account a true-up comprised of any~~**, the Financial Services Manager must also calculate a "True-up Amount" in accordance with the Regulations. The True-up Amount is comprised of the cumulative** Finance Amounts ~~not previously received~~ in respect of ~~the~~**all preceding Reference Periods less the cumulative** Clean Energy Adjustment **amounts remitted to the Issuer in respect of all preceding Reference Periods** plus other anticipated shortfalls ~~(the "True-up Amount"). The True-up Amount accounts for~~**. The True-up Amount may also reflect** historical and reasonably foreseeable differences between the ~~required Clean Energy Adjustment~~**estimated and actual Finance Amount; between amounts invoiced** and amounts collected due to various factors, including applicable taxes, consumer defaults and delays, billing lags and write-offs~~;~~**; and** variations in billings due to variations in electricity consumption ~~and~~**. In determining such differences, the Financial Services Manager is required to have regard to amounts payable that were not collected and any amounts in respect of which an overpayment was made, which may include** amounts resulting from a default of Specified Consumers, an Electricity Vendor or the IESO, whether in its capacity as an Electricity Vendor or its activities as agent or otherwise under the FHPA. The Regulations obligate the Financial Services Manager to calculate the True-up Amount in respect of each Reference Period so long as all Funding Obligations and other Finance Amounts have not been paid in full. After the final scheduled payment date of the Funding Obligation that has the latest maturity date of all outstanding Funding Obligations, the Financial Services Manager will calculate the True-up Amount quarterly. The Financial Services Manager may also at any time during a Reference Period determine an interim True-up Amount if**, among other things,** it reasonably forecasts that the collection of the Clean Energy Adjustment will be insufficient to pay the estimated Finance Amount for a Reference Period.

The Financial Services Manager must notify the OEB of the Clean Energy Adjustment for each Reference Period. The OEB must accept this amount and will determine the rates at which Specified Consumers are to be invoiced to recover the Clean Energy Adjustment. The rates are expressed as a ~~$/~~**cent per** kWh amount and **are** determined by the OEB by dividing (i) the Clean Energy Adjustment ~~in respect of the relevant period of time~~ provided by the Financial Services Manager in respect of the relevant period of time by (ii) ~~the~~**a** forecast **of** electricity consumption ~~provided by the IESO~~ of Specified Consumers in respect of ~~the~~**such** period **based on forecast information provided by the IESO**. Electricity Vendors are required to invoice **their** Specified Consumers for the Clean Energy Adjustment, as determined by applying the rate set by the OEB, which is required to be included as a separate line item on each invoice. Electricity Vendors are required to collect, as agent of the ~~Issuer~~**Financing Entities (of which the Issuer is currently the only one)**, amounts in respect of the Clean Energy Adjustment, deposit such amounts into a segregated account established for the purpose of receiving those amounts, **and** hold such amounts in trust for the benefit of the **Financing Entities (of which the** Issuer ~~until deposited with the IESO and remit such amounts~~**is currently the only one) until remitted** to the IESO for the benefit of the ~~Issuer~~**Financing Entities (of which the Issuer is currently the only one)**. If an Electricity Vendor does not receive payment in full ~~of an~~ invoice issued to a Specified Consumer, the Electricity Vendor shall allocate ~~the~~**any** payment received on *a pro rata* basis to the Clean Energy Adjustment and the other amounts payable under the particular invoice **in the manner set out in the FHPA**. It is a deemed condition of their licenses that Electricity Vendors comply with their obligations under the FHPA. ~~If there are any amounts that are collected by the Electricity Vendor, but not remitted to the IESO to remit to the Issuer during a Reference Period, such shortfall will be included in the True-up Amount for the subsequent period.~~

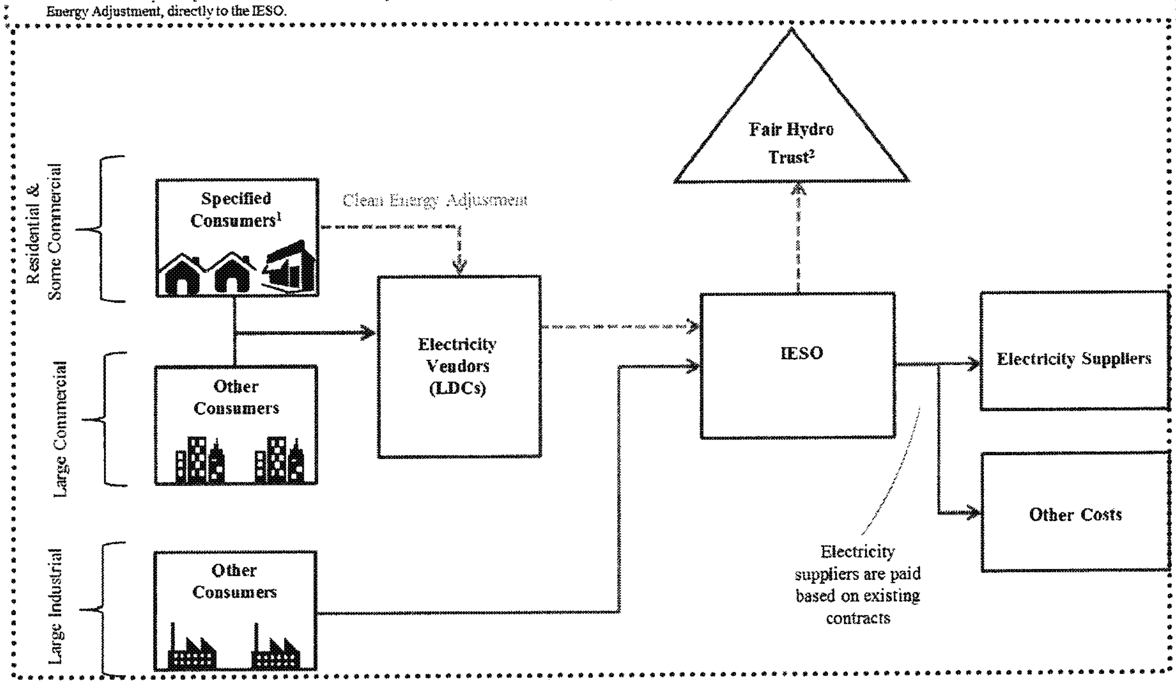
note this term deleted in "Stat Duties of Elec Vendors". at para. 6

the calculation is broader and uncollected amounts do not necessary generate a true up.

- conflates pre and post payment
- CEA does not go to variance account



[1] There is currently one Specified Consumer that is directly connected to the IESO and, accordingly, makes payments, including in respect of the Clean Energy Adjustment, directly to the IESO.



[1] There is currently one Specified Consumer that is directly connected to the IESO and, accordingly, makes payments, including in respect of the Clean Energy Adjustment, directly to the IESO.

[2] Pursuant to the Master Transfer and Servicing Agreement, the IESO may periodically Transfer specified portions of the Regulatory Asset to the Issuer for a corresponding purchase price. Upon completion of a Transfer by the IESO of a specified portion of the Regulatory Asset following payment by the Issuer of the corresponding purchase price, the Issuer will acquire an Investment Interest.

that the IESO is expected to ~~transfer~~**Transfer** to the Issuer in a subsequent period~~ and, upon~~**, Upon** such ~~transfer, will become part of~~**Transfer,** the Issuer~~'s~~ **will acquire a corresponding** Investment Interest pursuant to the ~~Regulations~~**FHPA**.

Add ref. to alt. invoicing

Pursuant to the Master Transfer and Servicing Agreement, on or before the fourth business day of each calendar month, the Issuer will submit a carrying costs statement to the IESO certifying the amount of ~~carrying costs~~**Carrying Costs** estimated to be incurred by the Issuer in the following month. On or before the 14th business day following receipt of the Issuer's statement, the IESO is required to deliver the amount specified in the carrying costs statement to the Issuer. See *"The Transferor and Servicer"*. The IESO has a $2 billion unsecured credit facility provided by the Ontario Financing Authority, expiring ~~■, 20■,~~ **September 30, 2022,** which ~~can~~**is permitted to** be used to pay the Issuer's ~~carrying costs~~**Carrying Costs**. Furthermore, as security for the performance of its obligations under the Regulations to pay the Issuer's ~~carrying costs~~**Carrying Costs**, the IESO has granted the Issuer a first-priority security interest in all ~~of its~~ accounts receivable~~, which includes the amounts receivable by~~ **owing to** the IESO from Electricity Vendors**, including amounts owing** with respect to the global adjustment charge. See *"The Transferor and Servicer"*.

Other Statutory Protections

The FHPA provides certain protection and assurances in respect of the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment. Generally, no action or omission by the OEB, the Minister of Energy or the ~~Ontario government~~**Crown**, and no regulation under the FHPA, will be effective to reduce, impair, postpone or terminate the obligations of Specified Consumers to pay amounts in respect of the Clean Energy Adjustment or to impair or postpone the invoicing, collection or remittance of the Clean Energy Adjustment. If an Electricity Vendor, the IESO or the Financial Services Manager, has failed, or will fail, to comply with the FHPA ~~or the Regulations~~, the Issuer may apply to an Ontario court to make an order directing such party to comply and requiring compensation to be provided to the Issuer by such non-compliant party. Additional contractual protections are provided in the Change of Law Protection Agreement described below.

CHANGE OF LAW PROTECTION AGREEMENT

The following brief summary of certain provisions of the Change of Law Protection Agreement does not purport to be comprehensive or definitive. All references in this confidential shelf offering memorandum to the Change of Law Protection Agreement are qualified in their entirety by reference to the Change of Law Protection Agreement and the detailed provisions thereof. The Change of Law Protection Agreement may be reviewed at the principal office of the Issuer Trustee in Toronto, Ontario during normal business hours while any Senior Notes are outstanding.

Pursuant to the Change of Law Protection Agreement ~~in favour of the Issuer and the Indenture Trustee~~, upon a Protection Event **and delivery by the Indenture Trustee of a written payment demand**, the Province of Ontario is required to make payments **of amounts that are due and payable** in respect of all Approved Obligations when due and payable **into the Protection Account. The Issuer and Indenture Trustee must ensure that amounts deposited into the Protection Account are applied to pay Specified Creditors to whom amounts are due and payable under an Approved Obligation in accordance with the provisions of the Master Trust Indenture. See *"Capital Markets Platform"***. The Province of Ontario's obligation to make such payments under the Change of Law Protection Agreement upon a Protection Event **and delivery by the Indenture Trustee of a written payment demand** is referred to as the "**Limited Guarantee**".

The payment obligations of the Province of Ontario under the Limited Guarantee differ depending on whether an Acceleration has occurred. If no Acceleration has occurred in respect of any Senior Notes on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Change of Law Protection Agreement provides that the Province of Ontario is to pay the amounts due and payable on such date in respect of Approved Obligations. If an Acceleration has occurred in respect of any Senior Notes on or before a date on which the Province of Ontario is to perform the Limited Guarantee, the Province of Ontario is to pay the amounts that would be available to be paid on such date in respect of the Approved Obligation on an applicable payment date in respect of the Approved Obligation under the applicable payment provisions of the Master Trust Indenture, determined on the assumption that the amount available for

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Principal Accumulation Account**"). The Indenture Trustee will hold the Principal Accumulation Account for the benefit of the Indenture Trustee and the Specified Creditors. The Principal Accumulation Account has ~~an~~ been established for the purpose of accumulating funds to be used to make repayments in respect of all Issuer Funding Obligations.

IESO Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**IESO Cash Reserve Account**"). The Indenture Trustee will hold the IESO Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the IESO Cash Reserve Deposit Amount in the IESO Cash Reserve Account on the earlier of (x) April 30, 2021, and (y) the receipt by the Issuer of the IESO Cash Reserve Deposit Amount from the IESO. **Amounts in the IESO Cash Reserve Account are not available to pay principal on the Senior Notes.** Beginning in November 2021, the balance in the IESO Cash Reserve Account will be returned to the IESO as the Program Cash Reserve Account is funded.

Program Cash Reserve Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Program Cash Reserve Account**"). The Indenture Trustee will hold the Program Cash Reserve Account for the benefit of the Indenture Trustee and the Specified Creditors. The Issuer will deposit the Program Cash Reserve Required Amount in the Program Cash Reserve Account during the Reference Period commencing May 1, 2021 pursuant to the application of amounts available ~~therefor under the~~ Collection Account Waterfall.

Refinancing Account

Pursuant to the Master Trust Indenture, the Issuer has established an Eligible Deposit Account in the name of the Indenture Trustee (the "**Refinancing Account**"). The Indenture Trustee will hold the Refinancing Account for the benefit of the Indenture Trustee and the Specified Creditors. All proceeds arising from Notes and Borrowings related to Refinancings will be credited to the Refinancing Account.

Protection Account

Pursuant to the Master Trust Indenture, before the making of any demand for payment under the Change of Law Protection Agreement, the Issuer will establish an Eligible Deposit Account in the name of the Indenture Trustee (the "**Protection Account**"). The Indenture Trustee will hold the ~~Collection~~**Protection** Account for the benefit of the Indenture Trustee and the Specified Creditors. ~~All~~**On the occurrence of a Protection Event and a written payment demand from the Indenture Trustee to the Province of Ontario, all** payments received from the Province of Ontario ~~pursuant to~~**under** the Change of Law Protection Agreement will be credited to the Protection Account.

Series Accounts

Series Capital Reserve Account

In connection with the creation of a Series of Issuer Funding Obligations, the Issuer may establish an Eligible Deposit Account in the name of the Indenture Trustee (a "**Series Capital Reserve Account**"). The Indenture Trustee will hold each Series Capital Reserve Account for the benefit of the Indenture Trustee and the applicable Debtholders or Derivative Counterparties. A Series Capital Reserve Account may be established for the sole purpose of allowing the Issuer to accumulate funds to be used to make repayments in respect of a Series of Issuer Funding Obligations. Details of any period of accumulation and the amounts to be accumulated will be specified in the applicable Funding Obligation Agreement.

Series Finance Reserve Account

Limitation language should extend to the IESO

Limitations

The Senior Notes do not constitute a debt, liability or other obligation of, or interest in, OPG or any of its other affiliates (other than the Issuer). The Senior Notes are not a debt, liability or obligation of the Province of Ontario or any of its political subdivisions, agencies or instrumentalities. The Senior Notes will not insured or guaranteed by the Province of Ontario, OPG or any of their respective affiliates or any other person or entity, except that the Province of Ontario has agreed to provide a limited guarantee in respect of the Senior Notes following the occurrence of certain events. *See "Change of Law Protection Agreement".*

Payments of Principal and Interest

Interest will accrue on the principal balance of each Series or Tranche of Senior Note at the interest rate specified in the related Term Sheet and will be payable on the Interest Payment Date(s) specified in the related Term Sheet. Principal of each Series or Tranche of Senior Notes will be payable in the amounts and on the Principal Payment Date(s) specified in the related Term Sheet. The Term Sheet applicable to a Series or Tranche of Senior Notes will also set out the Principal Payment Default Date for such Senior Notes, which is the date on which failure to pay the principal amount of such Senior Notes will result in an Event of Default.

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Interest Accumulation Account the aggregate amount of interest that has accrued on each Series of Senior Notes (together with all other amounts to be accrued for other Issuer Funding Obligations). On each Interest Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes interest then due on such Senior Notes using amounts available therefor from the Interest Accumulation Account, the Principal Accumulation Account, the IESO Cash Reserve Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*".

On each Payment Date, the Issuer will, to the extent funds are available therefor from the Collection Account (see "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration — Collection Account*"), transfer to the Principal Accumulation Account the aggregate of the amounts the Issuer is required to accumulate for each Series of Senior Notes (together with all other amounts to be accumulated for other Issuer Funding Obligations). The Term Sheet applicable to a Series or Tranche of Senior Notes will set out the Principal Accumulation Amount(s) and the ~~Principal Accumulation Date(s)~~**Payment Dates on which such amount are to be accumulated** for such Senior Notes. On each Principal Payment Date for a Series or Tranche of Senior Notes, the Paying Agent will pay to the holders of such Senior Notes the principal then due on such Senior Notes using amounts available therefor from the Principal Accumulation Account, the Program Cash Reserve Account and the Protection Account. See "*Change of Law Protection Agreement*" and "*Capital Markets Platform — Payment Waterfalls Prior to Acceleration*". Holders of Senior Notes may receive principal payments earlier than ~~a~~**an expected** Principal Payment Date if an optional redemption occurs and may receive principal payments later than ~~a~~**an expected** Principal Payment Date if there are insufficient Available Collections. See "*Risk Factors*" for a discussion of factors that may affect the timing of principal payments on a Series or Tranche of Senior Notes. It is not an Event of Default if the stated principal amount of a Series or Tranche of Senior Notes is not paid in full on ~~a~~**an expected** Principal Payment Date. If the stated principal amount of a Senior Note is not paid in full by its Principal Payment Default Date, an Event of Default will occur. See "*Capital Markets Platform — Events of Default*".

Unless otherwise specified in a Term Sheet, the Issuer has designated the Indenture Trustee as its Paying Agent for all Senior Notes having a place of payment in Toronto, Ontario.

Optional Redemption of Senior Notes

If a Supplemental Indenture for any Series or Tranche of Senior Notes states that such Senior Notes will be redeemable, in whole at any time or in part from time to time, such Senior Notes will be redeemable at the option of the Issuer at the redemption price specified in the Supplemental Indenture. If less than all the Senior Notes of any Series or Tranche are to be redeemed at one time, the Senior Notes of such Series or Tranche to be redeemed will be selected by the Indenture Trustee on a pro rata basis according to the principal amount of such Senior Notes

Servicing, Operating and Consumer Risks

Payments on the Senior Notes depend on the performance of Electricity Vendors and the IESO.

The Issuer's receipt of Clean Energy Adjustment amounts, which will be used to make payments on the Senior Notes, will depend in part on the skill and diligence of Electricity Vendors and the IESO and their respective successors in performing their respective duties under the FHPA~~, the Regulations~~ and, with respect to the IESO, the Master Transfer and Servicing Agreement.

The FHPA~~, the Regulations~~ and the ~~Program Agreements~~**Master Transfer and Servicing Agreement** impose new duties and obligations of the IESO and Electricity Vendors. There can be no assurances that the new duties and obligations of the IESO and the Electricity Vendors will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA~~, the Regulations~~ and the ~~Program Agreements~~**Master Transfer and Servicing Agreement**. If the IESO ceases to perform, or inadequately performs, its collection, remittance, forecasting and other functions under the terms of the FHPA~~, the Regulations~~ and the Master Transfer and Servicing Agreement, it might be difficult to enforce these obligations against the IESO. While the Indenture Trustee has the right to replace the IESO, as servicer, on an Event of Default upon receipt of an Ordinary Resolution, it might be difficult to find a replacement for the IESO or a successor servicer. Also, any successor servicer might have less experience and ability than the IESO and might experience difficulties in collecting Clean Energy Adjustment amounts or ~~forecasting consumption~~**providing forecast information**, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor servicer would likely charge fees for the provision of such services and such fees could be material.

If an Electricity Vendor ~~or the IESO~~ fails to collect or remit sufficient Clean Energy Adjustment amounts for any reason, then the IESO's payments to the Issuer in respect of the Clean Energy Adjustments might be delayed or reduced. In that event, payments on the Senior Notes might be delayed or reduced. In addition, any person into which the IESO may be merged, converted or amalgamated or that may succeed to the properties and assets of the IESO substantially as a whole will assume the role of servicer under the Master Transfer and Servicing Agreement, subject only to the satisfaction of the conditions set forth therein. These conditions do not include either the consent of holders of Senior Notes or satisfaction of the Rating Agency Condition.

Payments on the Senior Notes depend on the performance of OPG as Financial Services Manager and as Manager ~~of the Issuer~~.

The FHPA~~, the Regulations~~ **imposes new duties and obligations of OPG, as Financial Services Manager,** and the Program Agreements impose new duties and obligations of OPG, as ~~Financial Services~~ Manager ~~and as Manager of the Issuer~~. There can be no assurances that the new duties and obligations of OPG will be assumed and implemented without difficulty and in accordance with the provisions of the FHPA~~, the Regulations~~ and the Program Agreements. If OPG, as Financial Services Manager, ceases to perform, or inadequately performs, its statutory duties under the FHPA ~~and the Regulations~~, including determining the Clean Energy Adjustment (inclusive of the True-~~Up~~**up** Amount), the Indenture Trustee will have no right to replace OPG as Financial Services Manager. If OPG ceases to perform, or inadequately performs, its management duties under the Management Agreement, the Indenture Trustee has the right to replace the Manager on an Event of Default upon receipt of an Ordinary Resolution but it might be difficult to find a replacement for OPG or a successor manager. Also, any successor manager might have less experience and ability than OPG, resulting in delays or disruptions to the setting and collection of the Clean Energy Adjustment. Any successor manager would likely charge fees for the provision of such services and such fees could be materially higher than the fees charged by OPG.

Inaccurate consumption forecasting or unanticipated delinquencies or write-offs might reduce or delay scheduled payments on the Senior Notes.

Clean Energy Adjustment amounts will be calculated based upon a forecast of Specified Consumer usage to be newly developed **based on forecast information provided** by the IESO~~[, adjusted for expected billing lags and charge-offs] [including the effect of delinquencies and write-offs] [Confirm whether the IESO forecast takes into account items noted in square brackets.]. Under the FHPA~~**, Under the Regulations**, the IESO is required to **provide** ~~a~~ forecast ~~**of** electricity consumption of Specified Consumers~~. The amount ~~and the rate~~ of the Clean Energy

information