

March 13, 2018

Lessons Learned – OPG/FHT – IESO Asset Purchases Process

Description of Problem/Success	Impact	Recommendation	Comments
1. Transfer Notice			
<u>Decision to Purchase</u> – MTSA s. 2.1(d) provides FHT with option to purchase assets First asset purchase by FHT made to correspond with Province's establishment of regulatory framework under FHPA and implementation of the Financial Services Manager's approved Financing Plan. Going forward, FHT decision of go/no go to purchase assets will be primarily driven by aggregate dollar value of assets (other than March and December purchases).	"Go" decision starts transaction process with IESO, Province and lenders. MTSA s. 2.1(d) establishes binding agreement on "go" decision with payment of purchase price. Timely "go/no go" decision assures regulatory compliance	1. Continue to facilitate ability to make timely go/no go decisions 2. IESO to provide FHT with informal notice of value of proposed asset purchase prior to issue of Transfer Notice under s.2.1(c) of MTSA. 3. Enough prior notice to facilitate equity transaction with Province, ie as soon as aggregate dollar amount reasonably known by IESO but earlier than MTSA permitted 8 business days	
<u>Timing of Closing/Selection of Closing Date:</u> Closing Date is defined in MTSA s. 2.1 (c): Transfer Notice +5 business days (BD) to last BD of calendar month, or "<i>such other Business Day as may be agreed by the Transferor and the Issuer</i>" December 2017 (initial) purchase closing date was facilitated by parties working together to coordinate respective timing constraints and dependencies. Future purchases will need to formalize these dependencies/constraints into purchase process.	Choice of Closing Date impacts completion of respective Transferor and Issuer financing and equity processes: IESO is dependent on financing from OFA – which aligns with the 14th business day to pay generators and FHT carrying costs. FHT is dependent on equity from Province Successful timely completion and flow of funds only happens if all necessary notices and financial/other determinations can be made by parties to complete their respective dependencies.	1. IESO to provide Informal "notice" to FHT of proposed date of issue of Transfer Notice (TN) and proposed Closing Date – ie OPG recommends a discussion with IESO to confirm dependencies on both sides 2. Parties to arrive at 'standard' timing of closing date after discussion in 1. above to be used for all purchases going forward, except for ad hoc closing dates as both parties may agree per 2.1 (c) – ie mutually agreeable process map	

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2. Communications			
General: Communications between organizations generally successful. Multiple communications channels between IESO and OPG in initial transaction. Support for credit rating agency: Very good collective communication efforts from IESO and FHT to support needed credit rating Further communications/support may be required by FHT with CRAs in future	Delivery of messages /making decisions: with multiple players greater coordination efforts required to avoid miscommunications or conflicting communications. Could impact decision making – both quality of decision and timing CRA rating impacted by quality of information and information available outside of the FHT	OPG recommends streamlining communications by appointing/designating respective Single Points of Contact (SPOCs) and alternates. For OPG: SPOC – Matt Go; Alternate -- May Laureta Lapira For IESO: SPOC -- Anthony Martinello Alternate – Olga Whiteley Continue efforts with new SPOCs going forward as needed	IESO to confirm and advise regarding SPOC.
3. MTSA			
General: Parties recognized practical limitations of strict use of timelines by providing flexibility for first transaction	Timely completion of transactions	Continue to communicate any constraints and adopt practices as needed within terms of MTSA	
4. IESO Points			
USA Offering	Proper due diligence and timing.	OPG / FHT to give the IESO sufficient advance notice on any USA offering. IESO and OPG will need to communicate timelines and process milestones.	
IESO re-organization for 2018.	IESO is conducting a re-organization and will advise on matters in due course.	New authorizations.	
The post 2021 performance guarantee posting of collateral.	IESO prefers to provide letter of guarantee.	Need to work with ratings agencies in advance to seek alignment on this posting.	The quantum of the guarantee is also to be discussed.
Process and steps if the IESO's guarantee is drawn/called upon post 2021.	Need to establish a common documented understanding of what transpires if the IESO's collateral is called, specifically how it gets repaid.	The IESO should be repaid. FHT has the true-up mechanism to utilize. Need to ensure repayment does not get double counted.	

Need to work establishing a process and milestones regarding the MTSA: Implementation Plan	First delivery is January 2020, so work in 2019 is needed.		Progress reports: Jan 2020 June 2020 Oct 2020 Jan 2021
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