Message

From: Tom Li [TLi@dbrs.com]
Sent: 2018-03-09 10:27:29 AM
To: Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]; Hamlet Alexanian [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d0fcff8aeea84848ba5a12380ec04460-Hamlet Alex]
CC: James Park [jpark@dbrs.com]; Eric Eng [eeng@dbrs.com]
Subject: RE: DBRS Confirms Independent Electricity System Operator at A (high) with a Stable Trend
Attachments: IESO RR March 2018 EDITS.pdf

Good morning Anthony and Hamlet,

As mentioned, please find attached a copy of the IESO rating report. We would appreciate any comments that you have.

Please let me know if you have any questions/concerns.

Thanks!

The contents and draft documents, if attached to this email include references to DBRS rating opinions, which are the confidential information of DBRS and must not be disclosed prior to their public release by DBRS.

The draft documents are being provided to you in advance of general publication to allow you to confirm the following:

1. **There are no factual errors.**
2. **They do not contain any confidential information belonging to your organization that should not be disclosed.**

The contents of this email may constitute inside information. As an insider you are prohibited from using this information to deal in, or procure any third party to deal in, any qualifying or related investment for the purposes of the Financial Services and Markets Act 2000, or price affected securities for the purposes of the Criminal Justice Act 1993, or engaging in any other activity or behaviour that would constitute market abuse.

Your cooperation is much appreciated.

Tom Li
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From: Tom Li
Sent: March-08-18 2:38 PM
To: Anthony Martinello (Anthony.Martinello@ieso.ca); Hamlet Alexanian (hamlet.alexanian@ieso.ca)
Cc: James Park; Eric Eng (eeng@dbrs.com)
Subject: FW: DBRS Confirms Independent Electricity System Operator at A (high) with a Stable Trend

Hi Anthony and Hamlet,

We have now published the IESO PR on our website. Please find attached a pdf copy of the final version for your records as well.
We will have a draft report for your comments tomorrow.

Thanks!

Tom Li
Assistant Vice President, Energy
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From: DBRS [mailto:info.p3@dbrs.info]
Sent: Thursday, March 08, 2018 2:17 PM
To: James Park <jpark@dbrs.com>
Subject: DBRS Confirms Independent Electricity System Operator at A (high) with a Stable Trend

DBRS® As It Happens
MARCH 8, 2018 02:07 PM
Press Releases

DBRS Confirms Independent Electricity System Operator at A (high) with a Stable Trend

DBRS Limited (DBRS) confirmed the Issuer Rating of the Independent Electricity System Operator (IESO) at A (high) with a Stable trend. The rating is based on (1) the implicit support provided by the Province of Ontario (the Province; rated AA (low) with a Stable trend by DBRS); (2) the comprehensive legislative framework; and (3) the reasonable regulatory regime for the IESO, under which it can recover all its operating costs. The IESO also maintains sufficient liquidity in the form of credit facilities to meet its objectives. DBRS notes that as the IESO is a non-profit entity, the key credit metrics under DBRS's "Rating Companies in the Regulated Electric, Natural Gas and Water Utilities Methodology" are not applicable to the rating of the IESO.

On March 2, 2017, the Province announced the Fair Hydro Plan. Under the Fair Hydro Plan, electricity rates in the Province decreased 25% beginning July 1, 2017, with the IESO recording the monthly shortfall (as a result of the rate reduction) in a regulatory variance account and funding this by drawing on a $2 billion credit facility provided by the Ontario Financing Authority (the OFA, an agency of the Province). Any drawn balance on the credit facility is expected to be reduced as the IESO transfers the regulatory asset to the Fair Hydro Trust (rated AAA (sf) by DBRS) in exchange for cash equal to the amounts transferred. For any regulatory asset balance not transferred, the IESO will be allowed to levy a charge on consumers, subject to approval by the Ontario Energy Board, for its full recovery beginning May 1, 2021.

The Fair Hydro Plan is not expected to have a material impact on the IESO's rating as (1) the regulatory asset balance accumulated to the IESO is expected to be transferred on a periodic, if not monthly, basis and is not expected to exceed the credit facility limit; and (2) under Bill 132, "Fair Hydro Act, 2017" (the Fair Hydro Act), the IESO has the right to fully recover any amount recorded in its regulatory variance account from consumers. DBRS notes that, while unlikely, the balance accumulated to the IESO could increase beyond the current credit facility limit as the Fair Hydro Trust is not obligated to purchase the regulatory asset from the IESO. The current rating factors in DBRS's expectation that in the event the accumulated regulatory asset does grow toward, or above, $2 billion, the IESO can increase the limit on its Province-provided credit facility due to the strategic importance of the IESO and the Fair Hydro Plan to the

Province, and as any disruptions to the IESO could negatively affect the functioning of the electricity market and the Province.

Additionally, with the implementation of the Fair Hydro Plan, DBRS now believes that the Province provides implicit support to the IESO as: (1) the Province had historically provided indirect financial support in the form of credit facilities and debt through its agents, the OFA and the Ontario Electricity Financial Corporation (rated AA (low) with a Stable trend by DBRS); (2) the right for the IESO to recover any shortfall accumulated in its regulatory variance account was enacted by the Province through legislature (the Fair Hydro Act); and (3) the Province provided the $2 billion credit facility, through the OFA, to the IESO.

Notes:
All figures are in Canadian dollars unless otherwise noted.

The principal methodologies are Rating Companies in the Regulated Electric, Natural Gas and Water Utilities Industry and DBRS Criteria: Guarantees and Other Forms of Support, which can be found on dbrs.com under Methodologies.

The related regulatory disclosures pursuant to the National Instrument 25-101 Designated Rating Organizations are hereby incorporated by reference and can be found by clicking on the link under Related Documents or by contacting us at info@dbrs.com.

The rated entity or its related entities did participate in the rating process for this rating action. DBRS had access to the accounts and other relevant internal documents of the rated entity or its related entities in connection with this rating action.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Click here for the full document.
See list of Associated Documents below.

Issuer	Debt Rated	Rating Action	Rating	Trend	Notes	Latest Event
Independent Electricity System Operator	Issuer Rating	Confirmed	A (high)	Stb		Mar 8, 2018

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Issuers in the Press Release

- Independent Electricity System Operator

Associated Documents

- Independent Electricity System Operator - DBRS 17g-7 Disclosure Report - Other March 8, 2018
- Independent Electricity System Operator - DBRS Limited Regulatory Disclosure - Other March 8, 2018
- DBRS Criteria: Guarantees and Other Forms of Support - Methodology January 26, 2018
- Rating Companies in the Regulated Electric, Natural Gas and Water Utilities Industry Methodology - Methodology September 22, 2017

Recently Published Press Releases

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- DBRS Discontinues Rating on Class M Notes Issued by Sunrise S.r.l. – Series 2014-2 March 8, 2018
- DBRS Releases Ready Capital Mortgage Trust 2018-4 on DBRS Viewpoint March 8, 2018
- DBRS Assigns Provisional Ratings to Ready Capital Mortgage Trust 2018-4 March 8, 2018

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