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December [21], 2017

BNY Trust Company of Canada, as Indenture Trustee One York Street, 6th Floor Toronto, Ontario M5J 0B6	Fair Hydro Trust, as Issuer c/o Computershare Trust Company of Canada 100 University Avenue 11th Floor Toronto, Ontario M5J 2Y1
Ontario Power Generation Inc., as Manager 700 University Avenue Toronto, Ontario M5G 1X6	Computershare Trust Company of Canada, as Issuer Trustee 100 University Avenue 11th Floor Toronto, Ontario M5J 2Y1
Moody's Investors Service Inc. 70 York St Toronto, Ontario M5J 1S9	DBRS Limited DBRS Tower 181 University Avenue, Suite 700 Toronto, Ontario M5H 3M7 Canada

Dear Sirs:

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 ■Fair Hydro Trust (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 *Ontario 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 ■December 21, 2017 executed by the Trust and accepted by the IESO (the "**Initial Transfer Notice**");

(c) an acknowledgment and indemnity agreement dated ■December 21, 2017 entered into between the IESO~~,~~ and the Trust ~~and~~ ■ (the "**Indenture Trustee**") (the "**Acknowledgment**"); and

(d) a security agreement dated **December 21, 2017** made by the IESO in favour of the Trust (the "**Security Agreement**").

The Master Agreement and the Initial Transfer Notice are referred to as the "**Initial Transfer Documents**." The Initial Transfer Documents, the Acknowledgment and the Security Agreement 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 specified in the Initial Transfer Notice, 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*;

(i) that the parties to the Security Agreement have not agreed orally or in any written agreement to postpone the time for attachment of any security interest expressed to have been created under the Security Agreement;

(j) that the property and assets subject to security interests created by the Security Agreement do not include consumer goods (as defined in the *Personal Property Security Act* (Ontario) (the "**PPSA**");

(k) that the Act and the regulations thereunder (the "**Regulations**", and together with the Act, the "**Fair Hydro Legislation**") are constitutional, have been duly enacted and are in full force and effect and in the event of any conflict or inconsistency between the Fair Hydro Legislation and any other legislation, guidelines or rules, such inconsistency will be resolved in favour of the Fair Hydro Legislation;

(l) the IESO has received payment by the Trust pursuant to the Initial Transfer Notice of an amount equal to the portion of the *regulatory asset* set out in the Initial Transfer Notice;

(m) the value of the portion of the *regulatory asset* set out in the Initial Transfer Notice is not greater than the consideration received for it by the IESO.

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.

Searches

We have conducted, or have caused to be conducted, the searches identified in Schedule "A" for filings or registrations made in those offices of public record, in each case as of the dates set forth in Schedule "A". These searches were conducted in respect of the current name of the IESO. The results of these searches are set out in Schedule "A".

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 corporate power and authority 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, and the performance by 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 therein.

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 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. The Security Agreement creates a valid security interest in favour of the Trust in the personal property described in the Security Agreement as being subject to a security interest (the "**Collateral**") in which the IESO now has rights and is sufficient to create a valid security interest in favour of the Trust in any such Collateral in which the IESO acquires rights after the date of this opinion when those rights are acquired by the IESO, in each case to secure payment and performance of the obligations described in the Security Agreement as being secured by it.

9. Registration has been made in all public offices provided for under the laws of Ontario where such registration is necessary at this time to perfect the security interests created by the Security Agreement with respect to the personal property of the IESO and particulars of the registration are set forth in Schedule ~~A~~**"B"** hereto.

10. 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*.

11. 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", regardless of whether such persons having 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".

Insolvency

For the purposes of our opinions below, "Insolvency Statutes" means the Bankruptcy and Insolvency Act (Canada) (the "BIA"), the Companies' Creditors Arrangement Act (Canada) (the "CCAA"), the Assignments and Preferences Act (Ontario), the Winding-Up and Restructuring Act (Canada) (the "WURA") and the Fraudulent Conveyances Act (Ontario).

For purposes of our opinions in paragraphs 12 and 13 below, we have assumed that,

(a) the IESO is not an insolvent person, in insolvent circumstances or on the eve of or in contemplation of insolvency or unable to meet its engagements, as applicable, within the meaning of any of the Insolvency Statutes;

(b) the IESO will not become an insolvent person or be put in insolvent circumstances or become unable to meet its engagements, as applicable, within the meaning of any of the Insolvency Statutes by entering into, or immediately after completing the transactions contemplated by the Documents;

(c) there has not been filed by or in respect of the IESO a petition for a receiving order, an assignment in bankruptcy, a notice of intention to file a proposal in bankruptcy, a proposal, an application to hold a meeting of creditors, an application seeking to propose a plan to creditors or an application seeking to obtain a stay, or any similar proceedings under any of the Insolvency Statutes;

(d) at the date of the *transfer*, no person shall have assumed control of any portion of the *regulatory asset* through execution, attachment, garnishment, charging order, equitable execution or other legal process;

(e) the IESO has entered into the Initial Transfer Documents for the purpose of effecting a *transfer* of the portion of the *regulatory asset* set out in the Initial Transfer Notice in return for payment by the Trust of an amount equal to the portion of the *regulatory asset* set out in the Initial Transfer Notice;

(f) the IESO has entered into the Documents in good faith and not with a view to giving the Trust or any other person a preference over creditors of the IESO and not for the purpose or with the intent of injuring, obstructing, impeding, defeating, hindering, delaying, prejudicing or defrauding the rights and claims of Creditors or others against the IESO, providing payment or security for payment to the Trust or for any other purpose relating in any way to the claims of Creditors or others against the IESO; and

(g) the (i) consideration given by the Trust for the portion of the *regulatory asset* set out in the Initial Transfer Notice represents fair and reasonable value for such portion of the *regulatory asset* as at the time of the *transfer*; and (ii) lesser of the value and fair market value of such consideration is not less than the approximate value or fair market value of such portion of the *regulatory asset* as at the time of the *transfer.*

For purposes of our opinion in paragraph 13 below we have assumed that:

(a) the IESO is not a party to any agreement with the Trust under which the Trust would be legally responsible for the obligations of the IESO;

(b) the creditors of the Trust will on a timely basis oppose any attempt to obtain (and will not consent to) the substantive consolidation of the assets and liabilities of the Trust with the assets and liabilities of the IESO and the creditors of the Trust would be materially prejudiced by substantive consolidation; and

(c) the IESO will not be involved in the day-to-day management of the Trust;

(d) the IESO will maintain separate organizational records and books of account from the Trust;

(e) the IESO's consolidated financial statements made available to the public will not consolidate the Trust;

(f) the IESO will maintain its funds and assets separately from the assets of the Trust, and, except for current collections not yet remitted to the Trust, the Trust's assets, funds, and records relating thereto, have not been, are not, and will not be, commingled with those of the IESO or any other Person;

(g) none of the Trust's business correspondence and other communications will be conducted in the name of the IESO;

(h) except as servicer under the Master Agreement and the Fair Hydro Legislation, the IESO will not act as an agent for the Trust, and will not present itself to the public as an agent for the Trust and will present itself as a legal entity separate from the Trust;

(i) the IESO will not directly pay any liabilities of the Trust out of its own funds or assets;

(j) the IESO will not assume or guarantee or become obligated for the debts of the Trust; and

(k) except pursuant to the Fair Hydro Legislation, the IESO will not enter into, or be a party to, any transaction with the Trust, except in the ordinary course of its business and on terms which are intrinsically fair and not less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party.

12. The *transfer* by the IESO of the specified portion of the *regulatory asset* provided for in the Initial Transfer Notice would not be declared void or be set aside by a court as a preference or a fraudulent conveyance upon the application of a Creditor pursuant to the applicable preferences and fraudulent conveyances provisions of any of the Insolvency Statutes and would not be held by a court to constitute a transfer at undervalue under the Insolvency Statutes.

13. The Trust is a separate entity from the IESO, and absent an agreement to the contrary or a further transfer of the *investment interest*, (i) in a bankruptcy or insolvency proceeding under the Insolvency Statutes in relation to the IESO, the corresponding *investment interest* would not constitute property of the IESO within the meaning of the applicable Insolvency Statutes (ii) the Trust would not be legally responsible for the general obligations of the IESO and (iii) creditors of

the IESO could not look successfully to the corresponding _investment interest_ to satisfy a claim which they may have against the IESO.

Assumptions, Limitations and Qualifications

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

(a) with respect to opinions 1 to ~~12,~~ **11,** inclusive, 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 and the Security Agreement to the extent that these rights and remedies are inconsistent with or contrary to such legislation;

(l) we express no opinion as to the creation or perfection of a security interest in, nor have we effected any registrations or given any notices in respect of, any security interest in any property to which the PPSA does not apply pursuant to Section 4 of the PPSA;

(m) we express no opinion as to (i) the title of the IESO to any property; or (ii) the rank or priority of any security interest created by the Security Agreement;

(n) we express no opinion as to whether any security interest is created by the Security Agreement with respect to any property or assets which are not identifiable or traceable;

(o) 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;

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

(q) 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.

Yours truly,

SCHEDULE "A"

SEARCHES

1. **Registration No.:** 20171214 1653 1862 1867

Term: 99 (Perpetual)

Business Debtors: INDEPENDENT ELECTRICITY SYSTEM OPERATOR

SOCIETE INDEPENDANDANTE D'EXPLOITATION DU RESEAU D'ELECTRICITE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR SOCIETE INDEPENDANDANTE D'EXP LOITATION DU RESEAU D'ELECTRICITE

SOCIETE INDEPENDANDANTE D'EXPLOITATION DU RESEAU D'ELECTRICITE INDEPE NDENT ELECTRICITY SYSTEM OPERATOR

Secured Parties: Fair Hydro Trust

Collateral: Accounts, Other

General Collateral: A Security Interest Is Granted By The Debtor In Favour Of The Secured Party In All Of The Following, (I) All Accounts (As Defined In The Personal Property Security Act (Ontario), Which Are Now Due, Owing Or Accruing Or Growing Due To, Or Which May Hereafter Become Due, Owing Or Accruing Or Growing Due, To The Debtor By A Licensed Distributor And A Licensed Retailer, Each As Defined In The Ontario Fair Hydro Act, And (Ii) All Proceeds (As Defined In The Personal Property Security Act (Ontario), And Renewals Of The Foregoing, In Whatever Form, Together With All Substitutions Therefore.

2. **Registration No.:** 20160112 1435 8077 8193

Term: 5 years

Business Debtor: Independent Electricity System Operator (IESO)

Secured Parties: Dell Financial Services Canada Limited

Collateral: Equipment, Accounts, Other

General Collateral: All dell and non dell computer equipment and peripherals wherever located heretofore or hereafter leased to debtor by secured party pursuant to a master lease agreement number 2146577 together with all substitutions, additions, accessions and replacements thereto and thereof now and hereafter installed in, affixed to, or used in conjunction with such equipment and proceeds thereof together with all rental or installment payments, insurance proceeds, other proceeds and payments due or to become due and arising from or relating to such equipment. Proceeds all present and after-acquired personal property

3. Registration No.: 19980923 1042 1529 0180

Maturity Date: September 18, 2003

Term: 5 years

Business Debtor: Ontario Hydro Corporation

Secured Parties: Dell Financial Services Canada Limited

Collateral: Equipment, Accounts, Other

General Collateral: All dell and non dell computer equipment and peripherals wherever located heretofore or hereafter leased to debtor by secured party pursuant to a master lease agreement number 2146577 together with all substitutions, additions, accessions and replacements thereto and thereof now and hereafter installed in, affixed to, or used in conjunction with such equipment and proceeds thereof together with all rental or installment payments, insurance proceeds, other proceeds and payments due or to become due and arising from or relating to such equipment. Proceeds all present and after-acquired personal property.

Amended to add IESO as a debtor and renewed.

SCHEDULE “B”

PPSA REGISTRATIONS

SCHEDULE "C"

REGISTRATION RENEWALS OR AMENDMENTS

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Padding cell	

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Deletions	25
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	90