

## PRELIMINARY HIGH LEVEL TERM SHEET

TORONTO THIRD LINE  
TRANSMISSION FACILITY AGREEMENT

This high-level term sheet ("**Term Sheet**") is meant for discussion purposes only and is not an exhaustive summary of the terms and conditions of the transmission facility agreement ("**TFA**") to be awarded and entered into under the proposed competitive procurement for the Toronto Third Line ("**TTL**"), recommended in the Independent Electricity System Operator's Toronto Integrated Regional Resource Plan dated October 31, 2025.

Italicized terms have the meaning provided to such term in the IESO Market Rules ("**Market Rules**").

No.	Term	Description
1	<b>Overview of Obligations</b>	<p>The TTL procurement will establish a competitive request for proposals ("<b>RFP</b>") process for the selection of a transmitter (the "<b>Transmitter</b>") by the Independent Electricity System Operator (the "<b>Sponsor</b>", and collectively with the Transmitter, the "<b>Parties</b>"), to own, develop, finance, design, engineer, construct, and operate a network transmission facility (the "<b>Facility</b>") in accordance with good engineering and operating practices (to be defined consistent with IESO contracting convention), the Market Rules, the Transmission System Code and all other applicable laws.</p> <p>(i) The Transmitter must construct the Facility to satisfy the Facility specifications (the "<b>Specifications</b>") established by the RFP.</p> <p><b>[NTD: Specifications to be established by the RFP remain subject to discussion (e.g., applicable standards, equipment parameters, interconnection matters, etc.).]</b></p> <p>(ii) The Transmitter and the Sponsor will enter into a TFA which will:</p> <ul style="list-style-type: none"> <li>• Identify all Facility cost components as either "<b>Capital Cost Components</b>" or "<b>Non-Capital Cost Components</b>";</li> <li>• Establish the total cost in respect of all Capital Cost Components that may be recovered through inclusion in the Transmitter's rate base, based on the amount submitted by the Transmitter ("<b>Proposed Total Capital Cost</b>") in its proposal responding to the RFP (the "<b>Proposal</b>"), as adjusted in accordance with the TFA ("<b>Total Capital Cost</b>");</li> </ul>

		<ul style="list-style-type: none"> <li>• Establish cost adjustment mechanisms for certain specified Capital Cost Components (as contemplated in Section 4);</li> <li>• Require that in respect of the Capital Cost Components, only the Total Capital Cost be included in the Transmitter’s rate base for the Facility in the initial annual revenue requirement application (“<b>ARR1</b>”) to the Ontario Energy Board (the “<b>OEB</b>”); and</li> <li>• Require the Transmitter to adhere to a defined project delivery schedule.</li> </ul> <p>(iii) The Transmitter will apply to the OEB to have its annual revenue requirement (“<b>ARR</b>”) approved for inclusion in Uniform Transmission Rates (“<b>UTRs</b>”). The Transmitter will be entitled to receive its UTR payment from the date of Commercial Operation (“<b>COD</b>”), based on the existing process under the Market Rules for apportionment of UTR revenue collected by the IESO. The TFA will not itself provide for any payments from the Sponsor to the Transmitter separate from the existing process for OEB-regulated transmitters under the Market Rules. After the term of the TFA, the Transmitter will continue to operate the Facility under the oversight of the OEB.</p>
2	<b>Term</b>	<p>(i) <b>Term:</b> From the date of execution of the TFA by the Parties (the “<b>Effective Date</b>”) until the first (1<sup>st</sup>) anniversary of COD, unless terminated sooner.</p>
3	<b>Capital and Non-Capital Cost Components</b>	<p>(i) The RFP will require that the Transmitter submit an amount for the Proposed Total Capital Cost, as well as specified Capital Cost Components.</p> <p><b>[NTD: The specified Capital Cost Components for which amounts will be required to be submitted in the Proposal, and the adjustment mechanisms for such (as contemplated in Section 4), are being considered by the IESO.]</b></p> <p>(ii) Costs incurred by the Transmitter in respect of the Non-Capital Cost Components (“<b>Non-Capital Costs</b>”) (e.g. operations and maintenance costs) will not be restricted by the TFA and shall be included in the Transmitter’s ARR1 based on the Transmitter’s actual and projected expenditures for such items and shall be subject to review by the OEB according to its “just and reasonable” standard.</p>

4	Capital Cost Adjustment and Containment	<p>[NTD: The IESO is considering incorporating various Proposed Total Capital Cost adjustments into the TFA, each to be applicable to one or more categories of specified Capital Cost Components, and which would be reflected in the Total Capital Cost included by the Transmitter in its ARR1 rate base for the Facility, including:</p> <p>(i) <b>Pre-MCOD Index Adjustment(s):</b> Between the Effective Date and the MCOD (as defined in Section 8), ● percent (● %) of the [specified Capital Cost Components] will be adjusted in proportion to the change (increase or decrease) in [specified index or blend of indices] over such period.</p> <p><b>NTD: The IESO is considering providing a Pre-MCOD Index Adjustment for inflation, and adjustments for indices representing other macroeconomic factors.</b></p> <p>(ii) <b>Target Pricing with Cost Sharing:</b> The RFP would require the Transmitter to submit a target price (“Target Price”) for one or more specified Capital Cost Components (“TPCCC”). The TFA would establish a positive/negative shared amount (“Shared Amount”) based on a specified proportion of any difference between the Transmitter’s actual cost for the TPCCC and their corresponding Target Price. The Shared Amount would be added/subtracted, as applicable, to the Proposed Total Capital Cost reflected in the Total Capital Cost. A Target Price may be eligible for a Pre-MCOD Index Adjustment if the Capital Cost Component to which the Target Price applies is subject to a Pre-MCOD Index Adjustment.</p> <p><b>NTD: The IESO is considering what Capital Cost Components should be subject to a Target Price; whether/how Target Prices would be evaluated in the RFP; and what proportion of cost changes should be shared between the Transmitter and the ratepayer.</b></p> <p><b>NTD: The IESO is also considering whether any Capital Costs Components, or events that result in material capital cost increases, should be eligible for other risk-sharing or cost relief mechanisms with or without a ceiling or cost sharing.</b></p>
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5	<b>Completion and Performance Security</b>	<p>The Transmitter must provide completion and performance security (the “<b>Completion and Performance Security</b>”) to the Sponsor as follows:</p> <ul style="list-style-type: none"> <li>(i) \$● from the Effective Date until the MDev (as defined in Section 8);</li> <li>(ii) \$● from the MDev to the MPC (as defined in Section 8);</li> <li>(iii) \$● from the MPC to COD</li> <li>(iv) \$● from COD to end of Term.</li> </ul> <p><b>[NTD: The initial Completion and Performance Security will be in the amount of the Proposal Security submitted by the Transmitter with their Proposal, which will be in an amount established by the IESO and set out in the RFP.]</b></p>
6	<b>Additional Sources of Government Support</b>	<p>In the event the Transmitter or any of its beneficial owners are awarded any direct capital funding in respect of the Facility pursuant to any future government support program, not including investment tax credits or capital advanced as debt (the “<b>Additional Source of Funding</b>”) during the Term, the TFA will require the transmitter to recognize the Additional Source of Funding in the ARR1 calculation it presents to the OEB.</p>
7	<b>ARR1 Application</b>	<p>In the year prior to COD, the Transmitter will apply to the OEB to have the Transmitter’s ARR1 included in UTRs.</p> <ul style="list-style-type: none"> <li>(i) For the Capital Cost Components, the Transmitter will be required to include only the Total Capital Cost.</li> <li>(ii) The Non-Capital Costs submitted to the OEB for inclusion in ARR1 are to be determined by the Transmitter as it would in the usual course for a rate regulated asset.</li> <li>(iii) The Transmitter will be prohibited from shifting capital costs attributable to Capital Cost Components addressed by the Total Capital Cost (see Section 3, above) to the Non- Capital Costs portion of its ARR1. Similarly, the Transmitter will be prevented from shifting capital costs between categories of the specified Capital Cost Components that may be subject to different adjustment mechanisms.</li> </ul>

**DEVELOPMENT AND CONSTRUCTION OF THE FACILITY**

8	Milestones	<p>(i) The TFA will include scheduled dates for achievement of the following milestones:</p> <ol style="list-style-type: none"> <li>a. Development Completion;</li> <li>b. Pre-Construction Completion; and</li> <li>c. Commercial Operation.</li> </ol> <p>(ii) <b>Development Completion:</b> Within ● months of the Effective Date (the “MDev”), the Transmitter must submit the prescribed documents, and supporting materials, which are acceptable to the Sponsor, acting reasonably, including:</p> <ol style="list-style-type: none"> <li>a. a prescribed form, signed by an independent Professional Engineer licenced in the Province of Ontario (an “<b>Independent Engineer</b>”) confirming the baseline engineering design meets the Specifications;</li> <li>b. baseline project documents (schedule, engineering design, single line drawing);</li> <li>c. current cost estimates for all Capital Cost Components;</li> <li>d. permitting plan that includes details of all material project permits, consistent with the baseline project schedule;</li> <li>e. the Transmitter’s license from the OEB; and</li> <li>f. confirmation the Transmitter has entered into manufacturing booking agreements and paid deposits for prescribed major components.</li> </ol> <p>(iii) <b>Pre-Construction Completion:</b> Within ● months of the Effective Date (the “MPC”), the Transmitter must submit the prescribed documents, and supporting materials, which are acceptable to the Sponsor, acting reasonably, including:</p> <ol style="list-style-type: none"> <li>a. a prescribed form, signed by an Independent Engineer confirming that the final engineering design meets the Specifications;</li> <li>b. evidence that the Transmitter has obtained all material land rights and regulatory approvals;</li> <li>c. evidence that the Transmitter has entered into all material project agreements required to proceed with the construction of the Facility (i.e., engineering, procurement and construction agreement(s) (including equipment supply agreements, construction and balance of plant agreements, as</li> </ol>
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		<p>applicable), connection and connection cost recovery agreements) and that schedules or deadlines for completion of such agreements are consistent with the baseline project construction schedule that will enable COD to be achieved by MCOD;</p> <p>d. updates to the baseline project documents provided for MDev and current cost estimates for all Capital Cost Components, with supporting documentary evidence.</p> <p>(iv) <b>Commercial Operation:</b> Within ● months of the Effective Date (the “MCOD”), the Transmitter must achieve Commercial Operation under the TFA by submitting the prescribed documents, and supporting materials, which are acceptable to the Sponsor, acting reasonably, including:</p> <p>a. a prescribed form, signed by an Independent Engineer, including:</p> <ul style="list-style-type: none"> <li>i. a final single line diagram;</li> <li>ii. confirmation that the Facility has been completed in all material respects and has been constructed in a manner that satisfies the Specifications</li> <li>iii. confirmation that the Facility is synchronized to the IESO-Controlled Grid and the full capacity of the Facility is available for service in accordance with the Market Rules, the Transmission System Code and all other applicable laws; and</li> </ul> <p>b. evidence that the Transmitter has entered into operations and maintenance agreements.</p>
9	<b>Liquidated Damages</b>	<p>If the requirements for Development Completion or Pre-Construction Completion have not been met by the MDev and the MPC, respectively, then until each requirement has been met, the Transmitter must pay the Sponsor, as liquidated damages and not as a penalty, the following amounts:</p> <ul style="list-style-type: none"> <li>(i) \$● per day for each day until the ● day after MDev or MPC (as applicable); and</li> <li>(ii) \$● per day from the ● day after MDev or MPC (as applicable) until the total amount of Completion and Performance Security is reached.</li> </ul>

		<p>If Commercial Operation has not been achieved by the MCOD, then until Commercial Operation is achieved, the Transmitter must pay the Sponsor, as liquidated damages and not as a penalty, the following amounts:</p> <p>(iii) \$● per day for each day until the ● day after MCOD; and</p> <p>(iv) \$● per day from the ● day after MCOD until the total amount of Completion and Performance Security is reached.</p>
10	<b>Termination</b>	<p>In addition to standard termination rights (consistent with IESO contracting convention), the following will apply to the TFA:</p> <p>(i) Subject to delays due to events of force majeure (to be defined consistent with IESO contracting convention) and system conditions (as further described in Section 15), if the Transmitter has not satisfied the requirements for Development Completion or Pre-Construction Completion within ● months after the MDev or MPC, respectively, it shall be a Transmitter event of default and the Sponsor may terminate the TFA and retain ● percent (●%) of the Transmitter's Completion and Performance Security as liquidated damages and not as a penalty.</p> <p>(ii) Subject to delays due to events of force majeure and system conditions, if the Transmitter has not achieved Commercial Operation within ● years after the MCOD (the "<b>Longstop Date</b>") it shall be a Transmitter event of default and the Sponsor may terminate the TFA and retain ● percent (●%) of the Transmitter's Completion and Performance Security as liquidated damages and not as a penalty.</p> <p><b>[NTD: The IESO is considering whether an IESO termination for convenience should be included in the TFA to address a significant increase in the Total Capital Cost above the Proposed Total Capital Cost prior to MPC, with compensation paid to the Transmitter for its necessarily and prudently incurred costs.]</b></p>
11	<b>Interconnection Costs</b>	<p>The connection points for a Facility will be established by the RFP and will be located adjacent to an existing transmission station. The costs incurred by the Transmitter and the incumbent transmitter to connect the Facility to the incumbent transmitter's transmission station will be recovered by the Transmitter and/or incumbent transmitter through an application to the Ontario Energy Board to include</p>

		<p>such costs in the Transmitter or incumbent transmitter's revenue requirement.</p> <p><b>[NTD: The RFP will specify that the connection costs of any incumbent transmitter(s) are not to be included in a Transmitter's Proposed Total Capital Cost or Non-Capital Costs]</b></p>
12	<b>Reports to Sponsor</b>	<p>During the Term, the Transmitter must submit quarterly reports to the Sponsor. The reports will summarize the state of development or construction of the Facility (as applicable), including providing:</p> <ul style="list-style-type: none"> <li>(i) a description of project completion level and progress made since the most recent report;</li> <li>(ii) an updated construction schedule, including projected COD;</li> <li>(iii) a description of progress toward fulfillment of the Indigenous Engagement and Participation Plan ("IEPP") submitted with the Transmitter's Proposal;</li> <li>(iv) source or sources of equity and debt financing for the Facility and the status of such funding commitment(s);</li> <li>(v) progress towards requirements for Development Completion, Pre-Construction Completion and Commercial Operation;</li> <li>(vi) current cost estimates for all Capital Cost Components;</li> <li>(vii) status of any Additional Source of Funding;</li> <li>(viii) ●; and</li> <li>(ix) any other items the Sponsor may reasonably request.</li> </ul> <p>The Transmitter shall also be required to promptly notify the Sponsor of any material incident, loss, casualty, fine, event or concern impacting the Facility, and will be subject to audit and facility inspection provisions.</p>
13	<b>IEPP Accountability</b>	<ul style="list-style-type: none"> <li>(i) <b>Engagement:</b> Transmitters are reminded of the important role that effective engagement with Indigenous and local communities, including municipalities, play in the successful planning, development and operation of their Facility and must be prepared to undertake their appropriate role in such engagement and address the interests or concerns of such communities in good faith and in compliance with applicable laws and regulations. Transmitters are also reminded that certain permits and approvals for the Facility may trigger consultation requirements with Indigenous communities.</li> </ul>

		<p>(ii) A Transmitter’s Proposal will be required to include an IEPP, setting out economic commitments to Indigenous communities to be fulfilled by the end of the Term. The Transmitter will consent to the publication of these commitments on the Sponsor’s website, and to the disclosure on the Sponsor’s website of any information submitted to the Sponsor in satisfaction of the Transmitter’s obligation to report on progress toward fulfillment of the IEPP submitted with the Transmitter’s Proposal (Item (iii) in Section 12 above). The Transmitter may also be required to publish their IEPP, and progress towards fulfillment of the IEPP, on its project website.</p>
14	<b>Force Majeure</b>	<p>(i) The TFA will include Force Majeure provisions relating to events outside the Transmitter’s reasonable control which could not have reasonably been anticipated and which prevent the Transmitter from meeting its contractual obligations.</p> <p>(ii) In the event of Force Majeure, the Transmitter may submit an application to the Sponsor to request an adjustment to its project milestone dates, as determined by the Sponsor, acting reasonably.</p>
15	<b>System Conditions</b>	<p>The TFA will include provisions relating to conditions or system constraints on the IESO-Controlled Grid or decisions, actions, or inactions of the System Operator, the incumbent transmitter, or other regional transmission operators or owners, that are not caused by the fault or negligence of the Transmitter, that result in the Transmitter not being able to achieve Commercial Operation (“<b>System Conditions</b>”). In the event of a System Condition, the Transmitter may submit an application to the Sponsor to request an adjustment to MCOD, as determined by the Sponsor, acting reasonably.</p>