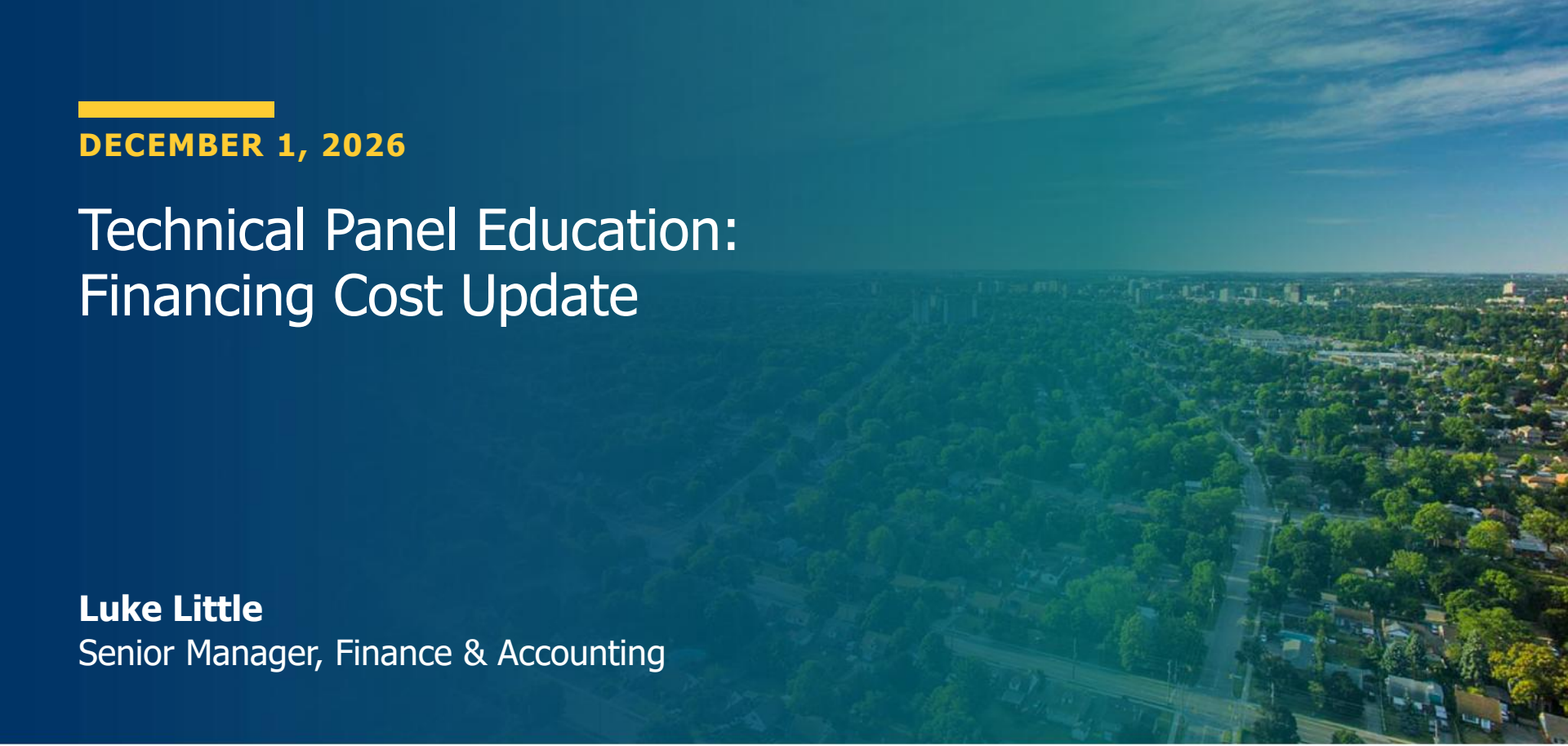

DECEMBER 1, 2026

Technical Panel Education: Financing Cost Update

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Overview

- The IESO utilizes the credit facility to manage the temporary timing differences between cash receipts and disbursements that occur while overseeing the settlement of the electricity market, global adjustment, and various programs.
- As a part of the IESO's tri-annual renewal of the credit facility, the IESO is now required to pay standby fees on the unutilized balance of the credit facility.
- The proposed market rule amendments establish a mechanism to recover the associated financing costs to manage the credit facility.

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Agenda

- Impact to Market Participants
- Overview and Changes to the Credit Facility
- Stakeholder Feedback
- Additional Revisions
- Next Steps and Timelines
- Appendix – Market Rule Amendments and Changes to Charge Types and Equations

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Impact to Market Participants

- Current market rules do not contemplate the mechanics of disbursing the costs associated with a standby fee.
- The proposed market rule amendment establishes a monthly mechanism to disburse the associated financing costs to manage the credit facility.

0.0027% per $*

Impact may vary depending on market conditions

* Calculated as the annual maximum of the standby fee over the sum of revenues and expenses (excluding interest) per the 2025 IESO Market Financial Statements excluding settlements with the Ministry of Energy and Mines.

Overview of the Credit Facility

- The IESO oversees the settlement of the electricity market, global adjustment, and various programs in a money-neutral function where cash receipts match cash disbursements.
- Through the settlement of the market, temporary timing differences occur, which can result in a cash deficit.
- To manage these timing differences, the IESO must borrow funds in cases where these timing differences cause cash outflows to exceed inflows.
- The purposes for which the IESO is authorized to borrow funds are prescribed under Ontario Regulation 280/14: IESO: Eligible Investments and Borrowing.
- The IESO maintains its credit facility with the Ontario Financing Authority (OFA),which is an agency of the Province of Ontario that provides the IESO access to competitively priced financing compared to rates available from the major Canadian banks.

Overview of the Credit Facility

The IESO acts as the settlement intermediary, collecting money from electricity consumers and disbursing money to suppliers

MONEY IN TO THE IESO
(From Consumers)

CONSUMERS

- Residential
- Commercial
- Industrial

$ Consumers pay for electricity and the money flows to the IESO

$

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Collects and disburses money in accordance with the Market Rules

$

MONEY OUT FROM THE IESO
(To Suppliers)

SUPPLIERS

- Generators
- Storage
- Transmitters

$ The IESO disburses payments to market participants

Overview of the Credit Facility

When Money Out Temporarily Exceeds Money In, **Borrowing is Required**

CONSUMER PAYMENTS

Money is received from consumers

BORROWING REQUIRED

When there is a temporary cash shortfall, the IESO borrows funds from the credit facility

SUPPLIER PAYMENTS

Suppliers are paid in full

Credit facility enables the suppliers to be paid **in full**

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Overview of the Credit Facility

- The financing of funds required for the IESO to manage the temporary timing differences are obtained through a credit facility with the Ontario Financing Authority ("OFA").
- The credit facility is renewed every three years and the terms of the agreement, such as fees, may change at the time of renewal.
- The most recent renewal was on June 30, 2026.
- The OFA serves as the IESO's principal lender, providing competitively priced financing that helps minimize the borrowing costs associated with supporting market settlement.

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Changes to the Credit Facility

BEFORE



Higher interest rate charged on borrowed funds under the old facility

No standby fee on the amount available but not drawn

NOW



Lower interest rate charged on borrowed funds under the new facility

New standby fee on the amount available but not drawn

Standby fee being charged to the borrower is common in commercial lending arrangements, and is **standard practice** with the OFA

Stakeholder Feedback – October 14, 2026

- Stakeholders expressed no concerns regarding the changes, and the IESO received one written comment.
- The written comment asked for confirmation whether the standby fee will be implemented in an existing month-end uplift charge code or a new one; the IESO responded that it will implement a new quarter-end uplift charge.
- IESO Response to Feedback following the October 14, 2026 webinar.

Additional Revisions

- Additional revisions to the proposed market rules language and Charge Types and Equations clarify that the first financing cost uplift will include total financing costs incurred by the IESO since the renewal of the Credit Facility on June 30, 2026.
- The required revisions are highlighted in red in Appendix A: Proposed Market Rule Changes – Ch. 9 and Appendix C: IESO Charge Types and Equations Changes.

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Next Steps

Timing	Engagement Activity
December 1, 2026	Technical Panel: Education
January 6, 2027	Technical Panel: Vote to Post
February 2, 2027	Technical Panel: Vote to Recommend
March 12, 2027	IESO Board Consideration
Q2 2027	Market Rules and Market Manual Effective

Appendix – Market Rule Amendments and Changes to Charge Types and Equations

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Appendix A: Proposed Market Rule Changes – Ch. 9

4.14.16 The *IESO* shall, at the end of each *energy market billing period*, calculate and collect from *market participants* any financing costs to maintain credit availability incurred by the *IESO* as further described in the applicable *market manual* on a pro-rata basis determined in accordance with the following:

$$FinCostU_k = \frac{\sum^T FinCost \times NetInv_k}{\sum_K^T NetInv_k}$$

Where:

(a) FinCost is the total financing costs payable by the *IESO* within the relevant *energy market billing period,* and for the first financing cost uplift *settlement amount* applied by the *IESO* shall also include the total financing costs paid by the *IESO* since June 30, 2026; and

(b) $NetInv_k$ is the absolute value of *market participant* 'k' net *invoice* amount, exclusive of any amounts payable on account of financial penalties or damages, in the *real-time market* and the *day-ahead market* for the relevant *energy market billing period.*

Note: Additional revisions to the proposed market rule amendments since the Oct 14, 2026 stakeholder engagement are shown in red.

Appendix B: Proposed Market Manual Changes – 5.9

3.6 Financing costs

(MR Ch.9 s.4.14.16)

Financing costs are required to maintain availability, maintenance, and servicing of credit necessary to support the ongoing liquidity of the *IESO-administered markets*. Financing costs do not include interest for amounts actually borrowed which, if incurred, will be recovered from the *defaulting market participant* or through the *default levy*.

Financing costs include but are not limited to the following:

- Fees charged by the lender based on the used portion, unused portion, or total size of a loan or debt;
- Fees charged by the lender that are activity-based, such as an event, transaction, or per advance of funds; and
- Fees charged by the lender where the borrower reimburses the lender based on the actual costs incurred.

Appendix C: IESO Charge Types and Equations Changes

- Financing Costs to the participant over the billing period

$$FinCostU_k = \frac{\sum^T FinCost \times NetInv_k}{\sum_K^T NetInv_k}$$

Where:

a) FinCost is the total financing costs payable by the *IESO* within the relevant *energy market billing period,* and for the first financing cost uplift *settlement amount* applied by the *IESO* shall also include the total financing costs paid by the *IESO* since June 30, 2026; and

b) $NetInv_k$ is the absolute value of *market participant* 'k' net *invoice* amount, exclusive of any amounts payable on account of financial penalties or damages, in the *real-time market* and the *day-ahead market* for the relevant *energy market billing period.*

Note 1: Governmental bodies and certain participant collections/payments are excluded from this charge.
Note 2: Additional revisions to the proposed changes to IESO Charge Types and Equations since the Oct 14, 2026 stakeholder engagement are shown in red.