

Financing Cost Update – FAQ

Frequently Asked Questions

Overview

Why are financing costs, such as standby fees, being introduced now?

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 markets, global adjustment, and various programs. This credit facility is renewed every three years with the Ontario Financing Authority (“OFA”). At every renewal or refinancing, terms of the agreement may be updated, which include fees. In the most recent renewal on June 30, 2026, terms regarding the standby fees were added. Standby fee being charged to the borrower is common in commercial lending arrangements and is standard practice with the OFA.

Why are the Market Rules and Market Manual changes required?

Current Market Rules and Market Manual do not contemplate the costs of maintaining the credit facility. The changes ensure the recovery of all financing costs associated with the settlement of the electricity market driven by the temporary cash shortfalls.

Structure and Application

How will the financing costs be allocated to market participants?

Financing costs will be allocated based on the participant’s net invoice.

How did the IESO determine the basis for allocating financing costs to market participants?

All market participants whose transactions are settled through the market benefit from the credit facility. The credit facility ensures that even if the timing differences between cash receipts and disbursements cause a temporary cash shortfall, the IESO is able to facilitate the settlement of the market by temporarily accessing its credit facility. The allocation basis of net invoice amount was selected as it best reflects the relative amount of the underlying financial risk covered for and benefit received by each market participant.

Implementation

When will the new Market Rules and Market Manual come into effect, and will there be any transition period?

The new Market Rules and Market Manual requirements are expected come into effect in Q2 2027. This date establishes the point at which the market participants will start to see financing costs on their invoices.