



Financing Cost Update

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Territory Acknowledgement

The IESO acknowledges the land from where we are delivering today's webinar is the traditional territory of many nations including the Mississaugas of the Credit, the Anishinaabeg, the Chippewa, the Haudenosaunee and the Wendat peoples, and is now home to many diverse First Nations, Inuit and Métis peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit First Nation.

As we have attendees from across Ontario, the IESO would also like to acknowledge all the traditional territories across the province, which include those of the Algonquin, Anishinaabeg, Ojibwe, Cree, Oji-Cree, Huron-Wendat, Haudenosaunee, Métis, and Inuit peoples.

Shared Commitment to Respectful Participation

To support a focused and constructive discussion:

- We will take questions one at a time; please use the raise-hand feature to enter the speaking queue
- We encourage concise and focused comments to allow time for multiple perspectives
- Participants are encouraged to raise relevant points during the discussion and provide more detailed feedback through the written submission process
- We ask that all participants maintain a respectful and professional tone throughout the session
- Facilitators will guide the discussion and manage participation to stay aligned with today's focus and agenda
- Where necessary, we may disable a participant's microphone to manage participation

Participation

- For questions and comments click on the “Raise hand” icon (hand symbol) at the top of the application window. This will indicate to the host you would like to speak
- To unmute audio, click on the microphone icon at the top of the application window
- Audio should be muted when not asking a question
- Connection issues contact engagement@ieso.ca or Microsoft Office Support

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.

Agenda

- Impact to the Market Participants
- Overview of the Credit Facility
- Changes to the Credit Facility
- Next Steps and Timelines

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](#).

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



Connecting Today.
Powering Tomorrow.

Collects and disburses
money in accordance
with the Market Rules



MONEY OUT FROM THE IESO (To Suppliers)



SUPPLIERS



Generators



Storage



Transmitters



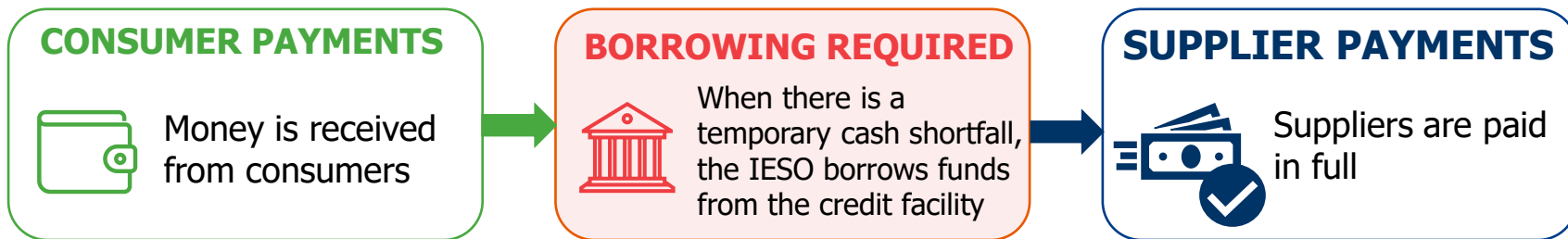
Consumers pay for electricity and
the money flows to the IESO



The IESO disburses payments to
market participants

Overview of the Credit Facility

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



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

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.

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

Summary

- Credit facility is used to manage temporary cash shortfalls due to timing differences between cash receipts and cash outflows, and enables the settlement of the market.
- There are costs related to maintaining the credit facility.
- The proposed Market Rule amendments establish a mechanism to recover the associated financing costs to manage the credit facility.

Request for Feedback

- The IESO will consider all input on this engagement and a feedback form is posted on the [Financing Cost Update](#) engagement webpage
- Feedback is due by October 30, 2026
- Please contact engagement@ieso.ca if you have questions following this session

Next Steps

Timing	Engagement Activity
December 2026	Technical Panel: Education
January 2027	Technical Panel: Vote to Post
February 2027	Technical Panel: Vote to Recommend
March 2027	IESO Board Approval
Q2 2027	Market Rules and Market Manual Effective



Q&A

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
- (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*.

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
- 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: Governmental bodies and certain participant collections/payments are excluded from this charge

Disclaimer

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