

This **MEMORANDUM OF UNDERSTANDING** (the "Memorandum of Understanding") is entered into on the Effective Date between HQ Energy Marketing Inc. ("HQEM") and the Independent Electricity System Operator (the "IESO"), hereinafter individually referred to as the "Party" and collectively referred to as the "Parties".

WHEREAS, Québec periodically has excess capacity during the summer months and increased capacity needs in the winter months;

WHEREAS, Ontario periodically requires additional capacity during the summer months and has excess capacity in the winter months;

WHEREAS, faced with the energy transition and ensuing increased electrification, the IESO and HQEM wish to help facilitate the diversification of electricity supply and maintain the reliability of the Ontario grid and the Québec grid, respectively, as well as the broader regional grid, in accordance with their policies, standards and applicable laws;

WHEREAS, the Parties entered into a Capacity Sharing Agreement effective as of May 8, 2015, which was amended and restated effective as of November 25, 2016 (the "Original CSA"), a Capacity Purchase Agreement effective as of November 25, 2016 (the "CPA"), and an Energy Sales and Energy Cycling Agreement effective as of November 25, 2016 (the "ESECA"), and together with the Original CSA and the CPA the "2015-2016 Agreements");

WHEREAS, each of the Parties wishes to enter into an additional capacity sharing arrangement for such excess respective seasonal capacity so as to support regional reliability and to facilitate the diversification of electricity supply in each of their respective grids in the near and intermediate term;

WHEREAS, each of the Parties wish to benefit from the other Party's respective seasonal capacity surpluses by assuring a MW for MW quantity of capacity will be available with no financial consideration unless otherwise agreed upon;

WHEREAS, each of the Parties sees the respective benefits of working together to provide better solutions and services to their respective control areas, and the Parties intend to continue cooperating toward improving the interties between their respective grids;

Now therefore, the Parties agree as follows:

The purpose of this Memorandum of Understanding is to summarize the general intent of the Parties to enter into a capacity sharing agreement and some of the elements that may be included in the final agreement, including the rights and obligations of the Parties, which will evidence the arrangement proposed hereunder.

ARTICLE 1 - Definitions

- 1.1 "2015-2016 Agreements" shall have the meaning set forth in the recitals hereof.
- 1.2 "2026-2027" shall have the meaning set forth in Section 3.3 hereof.
- 1.3 "Banked IESO Capacity Quantity" shall have the meaning set forth in Section 4.5 hereof.

- 1.4 "Capacity Resources" shall mean (i) in relation to HQEM, capacity in Hydro-Québec's control area and (ii) in relation to the IESO, capacity in the IESO control area.
- 1.5 "Capacity" shall mean capacity supplied by a Party's Capacity Resources, provided that such capacity shall not be included in the calculation of the net projected capacity in the supplying Party's control area for the relevant seasonal period.
- 1.6 "Contract Term" shall have the meaning set forth in Section 3.1 hereof.
- 1.7 "CPA" shall have the meaning set forth in the recitals hereof.
- 1.8 "Contract Year" shall mean the period from November 1 through October 31.
- 1.9 "Delivery Point" shall have (i) with respect to Capacity and, if requested, Firm Energy provided by IESO, the meaning ascribed to such term in Section 4.4 and (ii) with respect to Capacity and, if requested, Firm Energy provided by HQEM, the meaning ascribed to such term in Section 5.4.
- 1.10 "Effective Date" shall have the meaning set forth in Section 9.8 hereof.
- 1.11 "ESECA" shall have the meaning set forth in the recitals hereof.
- 1.12 "Extension Term" shall have the meaning set forth in Section 3.2 hereof.
- 1.13 "Firm Energy" shall mean, consistent with the curtailment provisions to be determined in the final agreement, non-recallable, firm energy associated with the Capacity.
- 1.14 "Governmental Authority" means any federal government, provincial government, administrative, judicial or regulatory person operating under any applicable laws and includes the Ontario Energy Board, the *Régie de l'énergie du Québec* and, for the avoidance of doubt, the IESO and Hydro-Québec in its electricity transmission activities.
- 1.15 "HQEM" shall have the meaning set forth in the opening paragraph hereof.
- 1.16 "HQEM Capacity Quantity" shall mean the Capacity specified by the IESO in accordance with the process set forth in Section 5.2 hereof.
- 1.17 "HQEM Delivery Period" shall, with respect to Capacity and associated Firm Energy provided by HQEM, have the meaning ascribed to such term in Section 5.1.
- 1.18 "IESO" shall have the meaning set forth in the opening paragraph hereof.
- 1.19 "IESO Capacity Increase" shall have the meaning set forth in Section 4.2 hereof.
- 1.20 "IESO Capacity Quantity" shall mean 600 MW of Capacity, as may be increased in accordance with Section 4.2.
- 1.21 "IESO Delivery Period" shall, with respect to Capacity and associated Firm Energy provided by the IESO, have the meaning ascribed to such term in Section 4.1.
- 1.22 "Memorandum of Understanding" shall have the meaning set forth in the opening paragraph hereof.

- 1.23 "Negotiation Period" shall have the meaning set forth in Section 3.2 hereof.
- 1.24 "Original CSA" shall have the meaning set forth in the recitals hereof.
- 1.25 "Party" and "Parties" shall have the meaning set forth in the opening paragraph hereof.
- 1.26 "Proposed Timeout" shall have the meaning set forth in Section 3.3 hereof.
- 1.27 "Summer Period" shall mean the period from May 1 to October 31.
- 1.28 "Winter Period" shall mean the period from November 1 to April 30.

ARTICLE 2 – The 2015-2016 Agreements

2.1 The final agreement and the rights and obligations thereunder shall be a separate arrangement as between the Parties in addition to the Parties' rights and obligations under the 2015-2016 Agreements, which for clarity shall continue to apply in accordance with their respective terms.

ARTICLE 3 - Contract Term

3.1 The final agreement shall be effective on November 1, 2024 and shall terminate on October 31, 2031 (the "Contract Term").

3.2 The Contract Term may be extended by one extension period of three (3) years (or such longer or shorter period as agreed by the Parties) (the "Extension Term") on the same terms and conditions except as provided for in the next sentence. Starting on June 1, 2028 for a period of three (3) consecutive months (the "Negotiation Period"), the Parties shall discuss diligently and in good faith with a view of agreeing on the IESO Capacity Quantity and the HQEM Capacity Quantity to be applicable during the Extension Term. If the Parties are unable to agree prior to the expiry of the Negotiation Period (as such Negotiation Period may be extended upon mutual agreement in writing by the Parties) on such quantities to be applicable during the Extension Term, the final agreement shall terminate at the end of the Contract Term.

3.3 It is IESO's expectation, acknowledged by HQEM, that it will not be able to provide Capacity during the period from November 1, 2026 to October 31, 2027 ("2026-2027") and that IESO will require a suspension of all obligations of both Parties under the final agreement during 2026-2027 (the "Proposed Timeout"). IESO commits to continuing to reassess its ability to provide Capacity during 2026-2027 with a view to identifying any future opportunities that may arise. Should the IESO determine, at its sole discretion, the final deadline for such determination being November 1, 2025, that it is able to provide Capacity to HQEM during 2026-2027, the Parties commit to negotiating in good faith to amend the final agreement to provide for delivery of such Capacity.

ARTICLE 4 - Supply by the IESO of Capacity and Firm Energy

4.1 Subject to the Proposed Timeout, during each hour of the Winter Period of each Contract Year (the "IESO Delivery Period"), the IESO shall: (1) assure that the IESO Capacity Quantity shall be committed to HQEM to assist HQEM in meeting the applicable reliability requirements related to resource adequacy as provided by the relevant reliability authorities; and (2) if requested

pursuant to Section 4.6, provide Firm Energy at the Delivery Point, in accordance with the terms and conditions set forth in this Article 4.

4.2 The IESO shall, on an annual basis, have the ability to increase the IESO Capacity Quantity above 600 MW up to the physical capacity of the Delivery Point for the Winter Period commencing November 1, 2024 and continuing through to the end of the Contract Term (an "IESO Capacity Increase"). The IESO must provide written notice to HQEM of an IESO Capacity Increase a minimum of 12 months prior to the commencement of the applicable Winter Period. HQEM may accept or refuse the IESO Capacity Increase at its discretion and HQEM must provide written notice of its acceptance or refusal within 30 days of receipt of such notice of an IESO Capacity Increase. The specifics of the notifications that the IESO will send to HQEM with respect to the increased IESO Capacity Quantity shall be as agreed in the final agreement.

4.3 Upon written request from HQEM, the IESO shall certify in writing to HQEM that the IESO Capacity Quantity committed by the IESO during the IESO Delivery Period is not committed elsewhere or used in the province of Ontario to satisfy any capacity requirements.

4.4 The Delivery Point for Firm Energy by the IESO is Outaouais intertie, or any other point on the Ontario-Québec interface, if that other point is selected by common agreement in writing of the Parties.

4.5 If the IESO Capacity Quantity is less than or equal to the HQEM Capacity Quantity during a Contract Year, the price for the Capacity committed during the IESO Delivery Period is \$0.00/kW-month. If the IESO Capacity Quantity exceeds the HQEM Capacity Quantity during a Contract Year, the IESO may elect to bank such excess Capacity for use during a subsequent Contract Year by providing written notice thereof to HQEM prior to the end of the Contract Year (the "Banked IESO Capacity Quantity"). The use of such Banked IESO Capacity Quantity shall not exceed a total aggregate amount in MW corresponding to the physical limit of the Delivery Point during any Contract Year. The process for using the Banked IESO Capacity Quantity in a subsequent Contract Year will be detailed in the final agreement. Unless otherwise agreed to by the Parties, any Banked IESO Capacity Quantity remaining at the end of the later of the Contract Term or, if applicable, the Extension Term will expire and will not be available for the IESO to use in subsequent years.

4.6 During the IESO Delivery Period, HQEM may request Firm Energy from the IESO for each hour up to the applicable IESO Capacity Quantity when needed for reliability purposes and the IESO shall schedule and provide such Firm Energy. Scheduling procedure and curtailment provisions will be detailed in the final agreement.

4.7 The price for the Firm Energy provided during the IESO Delivery Period shall be as agreed in the final agreement.

ARTICLE 5 - Supply by HQEM of Capacity and Firm Energy

5.1 Subject to the Proposed Timeout, during each hour of the Summer Period of each Contract Year (the "HQEM Delivery Period"), HQEM shall: (1) assure that the HQEM Capacity Quantity shall be committed to the IESO to assist the IESO in meeting the applicable reliability requirements

related to resource adequacy as provided by the relevant reliability authorities; and (2) if requested pursuant to Section 5.5, provide Firm Energy at the Delivery Point, in accordance with the terms and conditions set forth in this Article 5.

5.2 The IESO will notify HQEM in writing no later than 12 months prior to the applicable HQEM Delivery Period of the HQEM Capacity Quantity for that HQEM Delivery Period, provided that the HQEM Capacity Quantity is greater than or equal to 0 MW and less than or equal to the lesser of (i) to the physical capacity of the Delivery Point; and (ii) the IESO Capacity Quantity for that Contract Year plus any Banked IESO Capacity Quantity. The specific terms and conditions with respect to the HQEM Capacity Quantity shall be as agreed in the final agreement.

5.3 Upon written request from the IESO, HQEM shall certify in writing to the IESO that the HQEM Capacity Quantity committed by HQEM during the HQEM Delivery Period is not committed elsewhere or used in the province of Québec to satisfy any capacity requirements.

5.4 The Delivery Point is Outaouais intertie, or any other point on the Ontario-Québec interface, if that other point is selected by common agreement in writing of the Parties.

5.5 During the HQEM Delivery Period, the IESO may request Firm Energy for each hour up to the applicable HQEM Capacity Quantity when needed for reliability purposes. Scheduling procedure and curtailment provisions will be detailed in the final agreement. The final agreement will detail a process pursuant to which HQEM will be required to provide the HQEM Capacity Quantity in the IESO-administered markets, which process will be substantially similar to the capacity obligations which arise through the IESO's capacity auction process.

5.6 The price for the Firm Energy provided during the HQEM Delivery Period shall be as agreed in the final agreement.

ARTICLE 6 – Regulatory Event

6.1 As used in this Article 6, the term "Regulatory Event" means a statutory or regulatory change or issuance of an order by a Governmental Authority, including without limitation changes relating to an Open Access Transmission Tariff, Market Rules, protocols, manuals, user guides, operating guides, procedures and standards developed and utilized by Ontario and/or Québec for the scheduling, settlement and other provisions pertinent to the daily operation of the markets for the purchase and sale of energy, capacity and other products and that are administered by Ontario and/or Québec, as amended or modified from time to time, that causes a material change in (i) the meaning of a term defined herein or incorporated herein by reference, (ii) the manner in which a Party is required to perform its obligations under the final agreement or (iii) the balance of the rights, obligations or benefits that the Parties have negotiated as herein set forth such that it no longer reflect the intent of the Parties as reflected in the final agreement. The Parties agree that the final agreement will contain provisions addressing the implementation of changes effected through the IESO's current market renewal program.

6.2 Upon the occurrence of a Regulatory Event, the Parties shall endeavor, in good faith and using commercially reasonable efforts, to agree to make the necessary changes to the final

agreement in order to give effect to the original intention of the Parties as reflected in the final agreement. It is the intent of the Parties to agree to make such changes to the final agreement if a Regulatory Event occurs rather than for the Regulatory Event to discharge a Party's duty to perform its obligations under the final agreement.

ARTICLE 7- Cooperation on Transmission

7.1 It is the Parties' common intention to collaborate in exploring opportunities to both strengthen and increase transmission connections between Ontario and Québec, including but not limited to:

(a) expansion of transmission infrastructure in the Abitibi-Témiscamingue-Kirkland Lake regions that would create a new connection between the two grids to support economic development in those regions; and

(b) increasing the capability of transmission infrastructure in the Montréal-Toronto corridor.

ARTICLE 8- Capacity Auction

8.1 For clarity, the Parties acknowledge that HQEM has, and shall continue to have, the ability to participate in any of the IESO's capacity auction program(s) and that, except in respect of the HQEM Capacity Quantity which will not be eligible to participate in any IESO capacity auction program(s) during the applicable HQEM Delivery Period, this Memorandum of Understanding and the final agreement shall not be construed in any way to preclude HQEM from participating in any such program(s).

ARTICLE 9- Miscellaneous

9.1 It is the Parties' common understanding that curtailment of Firm Energy by a control area will be made based on such control area protocols, procedures and guidelines in line with reliability standards.

9.2 Each Party agrees that it will schedule Firm Energy only for reliability reasons and not for economic reasons or to take advantage of arbitrage opportunities.

9.3 The Parties acknowledge that when Firm Energy is scheduled to be provided to either Party, such Firm Energy will only be curtailed for reasons set out under the curtailment provisions of the final agreement and shall have priority over any other energy-only transactions.

9.4 For clarity, the Parties acknowledge that this Memorandum of Understanding does not represent or otherwise constitute a binding legal commitment on either Party, except for the obligations set forth in Section 9.5, 9.6 and 9.7 that shall be binding upon the Parties.

9.5 The Parties agree to continue negotiations in good faith with a view to preparing and concluding a definitive final agreement on or before October 31, 2024, which final agreement shall contain the usual provisions relating to representations, warranties, covenants, force

majeure, a party's failure to perform its obligations and all other conditions and indemnities as each of the Parties considers necessary or appropriate to an arrangement of this nature and magnitude. If the Parties are unable to conclude a definitive final agreement on or before October 31, 2024, this Memorandum of Understanding shall terminate, unless otherwise agreed to by the Parties.

9.6 Except as and to the extent required by law, neither Party shall disclose or use, and both Parties shall cause its representatives not to disclose or use, any confidential information with respect to information furnished, or to be furnished, by either party, or their respective representatives, to the other Party or its representatives in connection herewith at any time or in any manner other than in connection with the arrangement contemplated in this Memorandum of Understanding. Each Party: (i) agrees that they may disclose a full copy of this Memorandum of Understanding to their respective representatives of the provincial governments and will otherwise only disclose any information about the terms of this Memorandum of Understanding with the prior written consent of the other Party; (ii) acknowledges that their respective representatives of the provincial governments may in turn disclose information about the terms of this Memorandum of Understanding.

9.7 This Memorandum of Understanding shall be construed and enforced in accordance with the laws in force in the State of New York, without regard to the principle of conflict of law.

9.8 This Memorandum of Understanding shall become effective on the date and at the place it is signed by the duly authorized representative of the IESO, as the last party to sign it (as indicated by the date and place associated with such representative's signature) (the "Effective Date").

9.9 The Parties agree to enter into a Non-Disclosure Agreement that will address the disclosure of confidential information. The Non-Disclosure Agreement will contain such terms, conditions and covenants as each of the Parties considers necessary or appropriate to an arrangement of this nature and magnitude.