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## **IESO SENIOR MANAGEMENT UPDATE**

**To:** Stakeholder Advisory Committee

**Date:** October 26, 2010

**Subject:** **IESO Sale of Asset-Backed Commercial Paper holdings**

Information Item

The purpose of this memorandum is to provide the Stakeholder Advisory Committee (SAC) with an update on the IESO's holdings in asset-backed commercial paper (ABCP).

### **Background**

In its administration of the IESO-Administered Markets, the IESO directs the investment of market funds in highly-rated short-term investments. In 2007 the IESO had investments in asset-backed commercial paper (ABCP). The Canadian market for non-bank sponsored ABCP was frozen in August 2007, leaving the IESO with holdings of \$59.5 million of the affected investments: \$35.0 million in transmission rights market holdings; \$23.1 million in real-time market holdings; and \$1.3 million in corporate holdings.

Ultimately, the initial investments were restructured into new investment vehicles – master asset vehicles (MAVs) and the IESO received its restructured notes in early 2009. Prior to the issuance of the notes, the IESO Board of Directors approved a policy that provided robust governance over disposition of any MAV holdings.

### **Update**

In September 2010, the IESO sold its entire holdings of MAVs for proceeds of \$35.3 million.

The IESO had last valued its holdings in the transmission rights market at \$15.6 million. The sale proceeds for this market totalled \$20.8 million, thus \$5.2 million investment income was added to the Transmission Rights Clearing Account in September.

The proceeds of the sale of real-time ABCP holdings were \$14.0 million. Any revenue received from the real-time market holdings helps to fund work in the business through something other than the IESO usage fee. The IESO plans to commence recognition of market-related investment income starting in 2012, as indicated in the 2011-2013 Business Plan.



Lastly, on the corporate side, the IESO had valued its remaining holdings at \$0.2 million. The sale proceeds were \$0.5 million, allowing the IESO to recognize an investment gain in the third quarter of 2010.