Risk Management Policy

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Risk Management Policy	**Feb 2015**	**11-Feb-2015**
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Risk Management Policy	**Feb 2018**	**06-Feb-2018**
New Risk Limit 3.5(i)R	**Nov 2018**	

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ARTICLE 1
RISK MANAGEMENT POLICY OUTLINE

1.1 Purpose

Just Energy Group's ("JE") business primarily involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price, price-protected, flat-bill or variable-price contracts and green energy products. JE's business also includes sale of energy efficiency and conservation products that may be bundled with the commodity contract.

Risk is inherent in JE's business operations and risk management is also inherent in all decision making and management processes.

It is acknowledged that JE's retail sale commitments and wholesale supply procurement related activities are integrally associated with commodity price risk, volume & weather risk, foreign exchange, cash flow & interest rate risks, and customer and supplier credit & collateral risks. For clarity, JE recognizes that there are risks inherent in the energy markets and strives to minimize these but recognizes that complete elimination of all such risks is unachievable.

This document establishes the risk management policy, risk controls and risk limit guidelines related to JE's retail sale commitments and wholesale supply risks. It is also acknowledged that wholesale commodity procurement activities, along with competitor pricing and utility prices, directly impact customer pricing. The purpose of this document is to establish targets and thresholds for acceptable margins within the company.

1.2 Scope.

This policy specifically covers the management of wholesale supply risks and covers management's role in commodity price and volume hedging, hedging foreign exchange, hedging interest rates, setting hedge position guidelines, establishing strategy and controls around position management and establishing authorization requirements for hedges. The scope also covers the approval of new retail sales products, new market entries, establishing margin threshold, threshold for supplier credit and collateral risk, and customer credit risk.

1.3 Objective

Senior management is committed to an effective risk management function to ensure appropriate risk management and oversight. Risk management encompasses the acceptance and management of risk as well as the elimination or mitigation of risk.

Through effective governance, clear protocols and required reporting provided herein, the senior executives of the Company and the Board of Directors can confirm that:

- The financial risk taken on by business activities is in accordance with their financial expectations as set out in the business plan, forecast or other internal documents as well as the MD&A and Annual Information Form ("AIF").
- All approved policies and controls with regard to identified risks are clear, represent best practices and are complied with.

- Accountabilities and responsibilities are outlined and understood

1.4 Philosophy

It is the intent of JE to transact in the energy market place in a manner that mitigates the risks inherent in supplying energy commodities to retail customers. Retail customers require variable quantities of energy commodities due to usage patterns that are weather, economic, process, product or schedule dependent.

As a result, the Company may enter into wholesale transactions in the following situations:

- In order to protect customer contract economics from subsequent fluctuations in commodity prices

- In order to protect customer contract economics from subsequent fluctuations in non-energy cost components including but not limited to capacity, ancillary, renewable energy certificates, distribution, transmission, storage and transportation charges.

- In order to protect customer contract economics from subsequent variability that may alter the expected customer load

- To hedge the weather related and other volumetric or margin risks for gas and power risks, books and portfolios.

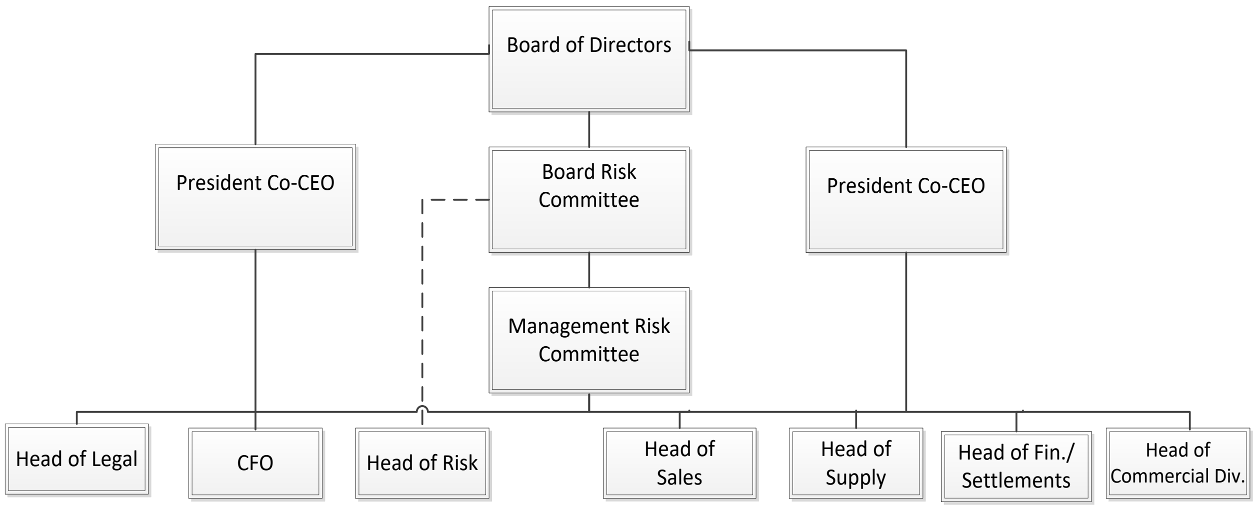
- In order to protect the company from variability in foreign exchange,

- In order to protect the company from variability in interest rates, and

- In order to protect the company from transaction and liquidity risk, where scarcity in opportunity to purchase may drive decisions on timing and quantity

1.5 Management Risk Committee and Risk Management Structure

Risk Management Structure



Reporting

The Risk Department reports to the Board of Directors through the Board Risk Committee. The Risk Department also reports directly to the President & Co-CEO.

General Authorization

The Management Risk Committee has the general authority to develop appropriate policies and procedures to ensure an appropriate risk control environment. The Management Risk Committee has been delegated this authority from the Board of Directors and the Board Risk Committee.

Composition

The Management Risk Committee shall, at a minimum, include the Head of Risk Department, Chief Financial Officer ("CFO"), Head of Trading, Head of Financial Forecasting/Settlements, Head of Commercial Division, Head of Sales, and Head of Legal/Regulatory.

Responsibilities

The Management Risk Committee has responsibility for setting the day to day risk management policies including implementation and maintenance of an appropriate risk management organization structure. It is responsible for establishing procedures to implement this policy, designating authorized traders and the trade administrator, maintaining and reviewing at least annually Variable Price Contracts Hedge Policy, ensuring an appropriate structure to monitor the status of hedge positions and strategies, ensuring an appropriate control environment and communicating with the Board of Directors through the Board Risk Committee. At a minimum, there will be an independent review of all transactions and reports prescribed by this policy through the Risk Department including ensuring appropriate transaction approvals, market source information and monitoring of positions in relation to approved parameters. The Management Risk Committee is also responsible for the review and approval of new product structures, new market entries as well as new hedge strategies. From time to time, the Management Risk Committee may also review regulatory compliance, operations and retail risks.

The Supply Department is responsible for managing the commodity supply commitments of JE. This includes the forecasting of customer load, managing storage and pipeline assets, purchase of commodities and the hedging of market risk. This also includes managing the foreign exchange requirements associated with commodity purchases and transacting on corporate foreign exchange requirements as communicated by Treasury group. Finally, it includes the mitigation and avoidance of risk through adherence to this policy and the guidelines contained herein.

Structuring is responsible for calculating and communicating retail costs to regions/divisions for them to establish retail customer pricing that maintains margin targets.

The settlements team is responsible for validating counterparty invoices and communicating realized profit and loss numbers to finance back office teams.

The Treasury group is responsible for managing the foreign exchange requirements as they relate to corporate cash flows together with interest rate commitments of JE and overall management of related credit and collateral requirements. It is also responsible for monitoring all credit facility covenants and managing associated credit facility limits.

The Credit and Collections group and Commercial Structuring group are responsible for establishing and maintaining consumer and commercial customer credit policy, oversight that there are appropriate internal measures for the processing of customer credit checks as well as monitoring the creditworthiness of customers on an ongoing basis. For clarity, this policy addresses responsibilities and limits associated with commodity counterparties.

Meetings

The Management Risk Committee will meet no less than monthly to review past, current and proposed commodity price and volume risk, foreign exchange risk and interest rate risk management activities, in addition to review of limit excesses, policy breaches, new market proposals and new & existing product/structure reviews. However discussions at the meetings shall not be limited to these topics. This shall be supplemented by regular reporting that is disseminated to the members of the Management Risk Committee. Outside regularly scheduled meetings, members may recommend hedging instruments and structures for consideration and approval. Prior to implementation, these proposals are subject to the approval conditions of Appendix III.

At all meetings of the Management Risk Committee, a majority of its members is necessary to constitute a quorum for the transaction of business. Any action of the Management Risk Committee must be authorized by a majority of the members present. Between scheduled meetings, the Management Risk Committee is authorized to take action by written consent of a majority of its members.

Minutes of meetings will be kept by the Risk department to document decisions of the committee and made available within a week of each meeting.

1.6 Policy Amendment Authority

This document, including its appendices, shall be revisited annually, or as material changes occur to the business. The provisions of previous versions of this document will remain in effect until an updated version is fully adopted by JE's Board. In the interim and until the full adoption by Board, management risk committee may amend the policy for administration of risk limits consistent with the evolution of organization, wholesale commodity markets as well as best practices in risk management. New provisions in subsequent versions of this document will not be applied retroactively unless this is explicitly stated in the Policy update.

All approved changes to this document will require:

- Communication of changes to affected employees
- Review of those changes and giving individuals time to ask questions in regards to changes made
- Acknowledgement in writing by each employee covered under the risk management policy that he or she has;
    - Received communication of the changes
    - Confirmed understanding of requirements of the associated changes to the risk management policy
    - Agreed to fully comply with the updated risk management policy

Management Risk Committee may amend the risk policy in the interim, provided

- Such amendments are limited to revising calculation methods for Risk Limits mentioned under Article 3.6;
- Such modifications do not cure an existing limit violation that has not yet been reported to the Board Risk Committee; and
- Chair of the Board Risk Committee is made aware of the amendment within one business day of the change and the Board Risk Committee is made aware of any such modifications at the subsequent meeting

The head of the risk department is responsible for maintaining the master copy of this document and ensuring that updates are captured in a timely manner. Any public dissemination of these documents is also the responsibility of the head of the risk department.

ARTICLE 2
RISK CONTROLS, MEASUREMENT AND METRICS

2.1 Controls

Master Agreements required for Over-the-Counter Wholesale Contracts
All over-the-counter wholesale contracts that JE enters into are subject to contract provisions with counterparties contained within master agreements (or long form contracts that set out terms and conditions usually found in master agreements) unless otherwise approved by the Management Risk Committee.

Limited Basis Risk
Trades are limited to physical locations where supply or generation points and JE sales areas are connected.

Contracts Only by Authorized traders
Only persons who have been specifically authorized by the Management Risk Committee to execute contracts may do so.

Daily Reporting of Contracts:
Traders must record all new contracts and related transactions and all modifications to existing contracts in the deal capture system by the end of the business day on which the contract or modification was executed.

Independent reviews:
On an ongoing basis and at least annually and in conjunction with internal audit there will be independent testing of compliance with the procedures and controls implemented to comply with this policy.

Contract review:
On an ongoing basis, the Legal Department will review new standard contracts. Any non-standard contract or contracts, including confirmations, prepared by counterparties shall be approved by the Legal Department prior to execution.

Confirmation of all contracts
Risk Department will confirm all transactions. Risk Department may rely on an online platforms such as ICE e-Confirm to confirm transactions provided that where online platforms are utilized for confirmations, Risk Department shall notify the trading team and the counterparties in a timely manner for error resolution. All unresolved disputed transactions will be reported to the Management Risk Committee.

Recording of execution of contracts:
All transactions must be executed either on an online exchange platform or via written agreements, via a recorded telephone or via instant messaging. The recording of telephone lines or instant messaging is not intended to replace the confirmation process; rather it will serve as an additional back-up in case of disputes that are not resolved via the normal confirmation procedure.

2.2 Code of Conduct and Business Ethics

Annual acknowledgement to Code of Conduct and Ethics policy enforces a control environment for employees to adhere to strong ethical standards and be honest and fair in any business dealings on behalf of Just Energy. All staff, regardless of division, are prohibited from receiving compensation including cash, gifts, favourable bid/ask spreads or other profit-sharing arrangements from counterparties as part of the corporate Code of Conduct and Ethics Policy. During the course of business, there will be various supplier events. For clarity, these events would be considered a kickback if they were the cause for granting additional business to one counterparty over another where the result is detrimental to the JE Group of companies. For example, if commodity price quotes between two counterparties are significantly different, the trader should be awarding the contract to the counterparty with the best price, all other factors being equal. Where all other factors are not equal, in addition to best price, consideration shall be made as to the overall counterparty risk of the book and grant the trade to alleviate counterparty concentration risk and take any contractual requirements into consideration with the counterparty. If there is ever a question as to whether a supplier event could pose a conflict under this article, the Legal Department or Risk Management Department must be consulted.

2.3 Risk Tolerance Controls

Individual limits may be established and revised by the Management Risk Committee on the basis of permitted risk tolerance. Risk tolerances of the Company are established by this policy. Any change to established risk tolerances and associated limits as described by this policy require prior approval of the Board Risk Committee which shall report any change to the Board of Directors at its next meeting. For clarity, under no circumstances may the limits established by this policy be overridden without prior approval of the Board Risk Committee.

The Management Risk Committee is responsible for ensuring the Company is within risk tolerances established by this policy. The Management Risk Committee may establish tighter limits to manage risk within Board established limits. The Management Risk Committee can, at any time, establish additional reporting requirements to ensure Company limit compliance.

The Management Risk Committee also has the authority to set trade limits for individual transactions and traders. Appendix III details the levels of authority required for an individual to transaction on behalf of JE.

2.4 Limit Violation Notification and Repercussions

Limit violations can fall into one of two categories; a compliance violation or a market-sourced/changed situation violation.

Compliance Violations

Compliance violations are the result of intentional or unintentional violation of the limits established by this policy such as trading without appropriate authorization. All compliance violations must be reported within three business days of discovery to the Chair of the Board Risk Committee together, if appropriate, with a recommendation for remedial action. Any suspected cases of non-compliance by a member of the Management Risk Committee or executive management shall be reported to Internal Audit or the Chair of the Board Risk Committee directly within three business days of discovery. Any instance of non-compliance may also be reported through the Whistleblower website www.justenergy.ethicspoint.com. Failure to report a compliance violation is in itself considered a compliance violation. The Board Risk Committee has final authority as to the remedial action. Such remedial action may include consequences up to and including termination of the individual responsible.

Market sourced/changed situation violations

Market sourced/changed situation violations are usually the result of factors beyond the control of the Supply and Risk Departments such as forward curve movement and unexpected changes to the retail commitment forecast. The change in these factors may occur after a valid trade has been appropriately approved and transacted. Violation may also be caused by inability to transact due to poor market liquidity. In addition, these types of violations can arise from improvement of modeling; particularly forecast modeling. Market sourced/changed situation violations require reporting to the Board Risk Committee at its regularly scheduled meetings together with a review of the factors resulting in the violation. If the review indicates a fundamental change in market factors impacting the Company on an on-going basis, recommendations for policy revision may be developed and recommended. Changed situation violations from unexpected changes in retail commitments or a natural gas storage plan commitment shall have a 3 day holding period before reporting any limit violation. If the violation is cured during the holding period, no limit violation will be recorded. The holding period is to accommodate operational and system dependencies.

The members of the Management Risk Committee, Risk Department, Supply Department, Treasury, Credit and Collections groups, as well as individuals from the retail division have the responsibility for complying with the terms of the Risk Policy. The Risk Department has the responsibility of identifying and reporting breaches that occur. The Management Risk Committee shall determine whether recommendations for remedial action are appropriate. The Board Risk Committee shall make the final decision as to the recommended remedial action.

Any violations to the limits set in Article 3.6 must be brought to the attention of the Board of Directors through the Board Risk Committee together with a proposed/enacted resolution to the violation. If the exception are as a result of administering under Market Liquidity framework in Article 3.4, provisions3 for reporting under Article 3.4 shall apply. Proposed resolutions may include, but are not limited to:

- Eliminating the position through entering an offsetting purchase or sale
- Holding the position for a certain period of time, with the approval of the Management Risk Committee
- Remedial actions to be pursued with the trader as recommended and approved by the Management Risk Committee

2.5 Risk Measurement and Reporting

JE's wholesale risk shall be measured at a portfolio level for purpose of this policy however, the Management Risk Committee may choose to prepare measurements at a more granular level. Reports will be generated at least weekly with daily preparation preferred. Reports shall accommodate at least the required measurements of this policy.

Board of Directors

The Board of Directors, through the Board Risk Committee, will receive reports on the Company's measured risk exposure at each regularly convened meeting. These reports shall, at a minimum, exhibit the risk exposure to the end of each commodity portfolio measured in accordance with the Major Policy Guidelines of Article 3 and the related Appendices. The measured risk exposure for each of foreign exchange and interest rates will also be reported.

All items shall be measured in accordance with Article 3 and require specific reference at the regularly scheduled meetings of the Board Risk Committee;
(i) status at the time of the current report, and
(ii) any violations experienced since the last report, and
(iii) remediation taken of

The following requires immediate reporting:

- Any intentional unapproved violations of contracting limits, including permitted instruments

- Limit violations wherein management recommends leaving the violation uncorrected for a period of time.

These specific items shall be prepared for at least each commodity portfolio and also for foreign exchange and interest rates as applicable.

The Board Risk Committee Chair is granted the authority to approve exception transactions together with management recommendations between Board Risk Committee meetings. Should the Board Risk Committee Chair determine that full Board Risk Committee approval is required; a special meeting of the Board Risk Committee will be held to process such approval.

Executive Committee

The Executive Committee will receive reports on commodity, volume and margin risk, foreign exchange risk and interest rate risk management activities including volumes hedged and the market value of hedges in such form and at such times as the Executive Committee shall determine. The Risk Department and Supply Department shall independently prepare their reports for dissemination as requested. At a minimum, the hedge position over the entire portfolio shall be reviewed monthly. In addition, the Executive Committee shall receive all internal audit findings relating to commodity price risk, foreign exchange risk and interest rate risk management issues at such time as they are prepared. Any breach of the existing Major Policy Guidelines of Article

3 shall be reported to the Executive Committee and the Board Risk Committee.

Disclosure Committee

The Management Risk Committee is obliged to report any material matter which could impact public disclosure to the Disclosure Committee for consideration.

Management Risk Committee

The Management Risk Committee shall receive regular reporting at least at the level required for the Board of Directors but may determine more detailed reporting is appropriate. In addition, the Management Risk Committee shall receive the results of other analyses such as stress testing, back testing, risk adjusted performance, Cash Flow at Risk or Value at Risk that may be prepared by either the Supply or Risk Departments. The Risk Department will endeavour to provide reporting at least weekly or more frequently.

All limit violations are reported immediately to members of the Management Risk Committee through the dissemination of the regular report.

2.6 New Market/ Product/Structure/Strategy Approval

For purposes of this document:

- Market:
  a new jurisdiction or local distribution company (LDC) market area where JE does not have any retail energy contracts, or sale of a new commodity that JE has not previously sold in the jurisdiction or LDC market area. (For example, sale of electricity in IL Ameren utility market area is considered a new market even though JE has been selling electricity in IL state in ComEd market area. Sale of natural gas in MA jurisdiction where JE has been selling electricity is also considered a new market.)

- Product/Instrument:
  a new type retail product or a financial or physical derivative or asset not previously considered by this policy or utilized by the company

- Structure:
  utilizes approved instruments in a new configuration to reduce risk in either the supply portfolio or in proposing products

- Strategy
  an approach to the risks of the business wherein the key underlying goals of risk mitigation are changed. (For example, consolidating price risk to NYMEX Henry Hub from management risk individually by market is a new strategy that requires approval.)

All new market entry, instruments, structures and strategies must be approved by the Management Risk Committee. The Board Risk Committee shall be informed of all new hedging strategies and any materially new instruments or structures.

The Board Risk Committee shall be provided a presentation assessing the upcoming season together with a strategy as to how best mitigate risk within the applicable commodity portfolio along with a review of the strategy at the subsequent meeting. Board Risk Committee approval is required prior to placement of a weather hedge structure that is considered a new structure as per the requirements listed in Article 2.6 or if the cost of the weather hedge structure is greater than the approved budget for weather hedge.

2.7 Counterparty Credit Approval & Scoring

The retail organization is predominantly a purchaser of energy. It contracts for commodities to meet its retail sales requirements and closely aligns its supply purchases with these sales. Sales to counterparties are generally made to balance portfolio open positions and are short-term in nature. As a result, the Company has minimal receivables from counterparties at any given time however to the extent that the counterparty transactions are financially settled, the Company may carry a large receivable balance for a short duration between invoicing and payment of financial cash settled transactions. The majority of the commodity counterparty exposure is in the risk of future non-performance by a counterparty in a transaction where all or a portion of the price has been fixed. Total company exposure, particularly where receivables are included, shall be contemplated in the limits assigned in these circumstances.

JE's decision to enter into transactions with counterparties must include consideration of credit risk. JE generally limits its commodity transactions to entities with a high degree of financial viability which generally hold significant physical or contractual assets and are therefore able to enter the Intercreditor facility. JE seeks to conduct the majority of its commodity transactions with these suppliers while limiting transactions with smaller suppliers. JE must balance the need to acquire economically beneficial supplies while being assured of physical and financial performance by a counterparty. Subject to the exception of Article 3.6(v), the Company may not transact with any counterparties below a 'Baa2' rating by Moody's, 'BBB' by S&P, BBB by DBRS or the equivalent rating of other agencies without advance Board Risk Committee approval. Such approval must consider the associated limitations of the Credit Facility.

Management Risk Committee approval is required for all collateral posting requirements associated with hedges to the extent that they are unique in nature. If collateral posting is according to formula within a master agreement or other regular and independently verifiable means such as is required by wire service operators, explicit Management Risk Committee approval is not required.

2.8 Customer Credit Approval and Scoring

Customer credit policies are addressed by the Credit Policies that are monitored and maintained by Credit and Collections and the Commercial Structuring groups. The Risk Group is responsible for reporting potential credit exposure for JE's top retail customers.

2.9 Measurements and Metrics

The limits of this policy are associated with a variety of measurements that require definition to ensure consistency and accuracy. All limits contemplate the overall position of JE regardless of how it is recorded internally (i.e. through a wholesale book, retail book, storage book or any other form of separation).

Total Expected Retail Obligations

Obligations shall include the following components when evaluating JE's commodity exposure. (Please refer to Appendix IV for definitions)

i. Expected weather normalized gross consumption forecast for customers under fixed price contract

ii. Expected weather normalized gross consumption forecast for customers under variable price contracts as per the Variable Price Contract Hedge Policy requirements

iii. Expected weather normalized consumption for push marketing channel campaigns

iv. Expected weather normalized consumption for customers linked to a commodity price index net of their costs for their transportation fuel and basis requirements.

v. Expected injection/withdrawal requirements associated with natural gas storage facilities

vi. Expected receipt/delivery requirements associated with natural gas pipeline facilities

The base calculations for all commodity portfolios shall start with the net open position calculated by taking the net of total expected retail obligation and contract supply inclusive of all options and applicable assets. The risk policy shall be applied to this base calculation.

Factors that influence expected retail margin (including but not limited to) beyond what is captured under the risk limits in Article 3.6 are Retail Risks such at attrition rates and sales run rates, Legal & Regulatory Risk, Financial Risks such as M&A. Management Risk Committee from time to time shall request a stress test for such factors as specified in the Risk Management Procedures document.

ARTICLE 3
MAJOR POLICY GUIDELINES

3.1 Risk Limits

The fundamental control over market risks inherent in JE's portfolio is the imposition of risk limits. Risk limits are dollar denominated or volume based values that define boundaries of permissible derivative purchase and sales activities as a result of sales requirements, foreign exchange, and interest rates and restrict unauthorized derivative purchase and sales activities. Risk limits are developed based on tolerances of management and the Board of Directors for margin impairment due to uncovered positions with influences from credit agreements and availability of the products.

3.2 Instruments

The Company may elect to manage its commodity, foreign exchange and interest rate risks through derivative instruments. The use of derivative instruments is authorized for hedging activities only. Hedges may consist of multiple contracts which, in combination, reduce the Company's risk exposure. Hedges may only be transacted using the instruments outlined in this Article or the related appendices. The Company may not, at any time, write uncovered options to hedge its position without express approval by the Management Risk Committee. (For clarity, the sale of a previously purchased option or combination of options is permitted, at strike prices that may not match those of initial transaction. As well, the writing of an option that is covered by a customer option is permitted. However writing an entirely new option that is not covered is prohibited.) At no time is the sale or writing of an option to be considered a balancing transaction**.**

The Management Risk Committee must consider the availability of Treasury lines, cost benefit of each new hedging structure and strategy as it relates to both the risk being hedged and its impact on counterparty collateral requirements in its recommendations to the Board.

The Company may elect to manage its commodity volume, and price risks, foreign exchange risk and interest rate risk through instruments listed in Appendix I and II (noting that naming conventions may differ by market or counterparty)

See Appendix I for current permitted commodity hedge instruments and Appendix II for current permitted foreign exchange and interest rate hedge instruments. These instruments may be updated from time to time at the discretion of the Management Risk Committee provided such updated terms are in accordance with this policy.

In certain circumstances, either due to specific market/regulatory constructs, or as a result of market liquidity and/or other limitations/characteristics, a situation may exist where the most appropriate hedging strategy may involve the use of a fuel proxy hedge or other related alternative hedge strategy. Thus, the use of fuel/alternative hedging strategies will be permitted, where deemed appropriate and approved by the Management Risk Committee, on a case by case basis only and approval from Chair of Board Risk committee is required prior to executing new fuel/alternative hedge strategy. Details of such hedging strategies will be brought forward in the subsequent Board Risk Committee meeting and the instruments shall be added to Appendix I.

3.3 Tenors (Duration or length of time of transacted Instruments)

The overall term for hedges in connection with any commodity risk shall not exceed the term of the hedged item or portfolio.

To the extent the JE enters into Power Purchase Agreements ("PPA's"), generation tolling agreements, storage or pipeline capacity agreements or ownership of natural gas assets or any other long term transaction that exceeds the term of the hedged item or portfolio, approval from Board Risk Committee is required before executing the transactions. Between Board Risk Committee meetings, the Chair of the Board Risk Committee may approve the transaction on behalf of the Committee. Any strategies associated with these agreements are subject to requirements of Article 2.6. All such transactions will be included in the net open position and net open position shall comply with all applicable limits in Article 3.6.

The overall term for hedges in connection with foreign exchange or interest rate risk shall not, without prior approval by the Board of Directors, exceed the approved budget or outlook scenarios.

3.4 Market Liquidity

A key consideration for the Company is protection from transaction and liquidity risk, where scarcity in opportunity to purchase or sell may drive commercial decisions on execution timing and quantity. Though, Just Energy has set its volumetric limits to account for market liquidity and tradable wholesale products, there are instances within certain markets at specific time periods where limited market liquidity materially restricts execution opportunities or promotes commercially unfavorable price execution, relative to market.

In these situations, where appropriate, an evaluation of market illiquidity shall be conducted to assess the risks of not executing, due to low liquidity, versus waiting to execute at a point in time where market liquidity is at an suitably deemed level. This liquidity analysis will take into consideration not only the appropriate economic analysis but also other qualitative factors, including anticipated behavior of market participants and the perceived nature of market depth. A measure of typical representative liquidity, will be derived using an appropriate measure of the historical bid-offer spread for the instrument and will be compared against the expected bid-offer spread during the period of illiquidity. The total dollar impact, if executed, will be calculated and evaluated against the Value at Risk (“VaR”) for that specific position for the particular period of time where no execution is anticipated to occur. The total dollars at risk will fall under the corporate risk policy outlining the Board approved VaR limit for Just Energy as determined in Article 3.6 (A) and Article 3.6 (M).

The Management Risk Committee will provide oversight in the administration of this liquidity risk framework including exceptions to the limits in Article 3.6 except for 3.6(A) and 3.6(M). In any event, any such exception is reported to the Board Risk Committee at the next quarterly meeting.

3.5 Authorities

The Management Risk Committee is responsible for coordinating authorization for trade execution within the limits set by the Board of Directors. Such authorization shall only be granted to those familiar with these risk policy guidelines. Increasing levels of authorization are required within the Company and are included in Appendix III together with the procedures required when authorities overlap.

3.6 Limits

The following are the limits for JE. The Management Risk Committee may choose to measure risk at a more granular level and impose more restrictive limits than those set out below.

(i) Commodity Price Risk

(A) **Value At Risk Limit**

The company will not enter into open natural gas or power supply commitments that expose Just Energy to a dollar impact in excess of $2,500,000 in VaR as measured using the open position for the next 12 months with a 99 percent confidence interval and a one day holding period.

(B) **Natural Gas Portfolio Position Limit**

Although the company manages its natural gas portfolio to a net zero supply/demand position based on normal weather, the company may enter into supply contracts which, over time, exceed or fall short of the estimated quantities of commodity required to cover natural gas requirements to its customers during the time period covered by the forecast load, primarily as a result of changed assumptions related to weather. Natural gas term markets get increasingly illiquid with the increase in tenor of the natural gas contract. Just Energy has set its volumetric limits to account for market liquidity and tradable wholesale products. During any single reporting period, the Company's U.S. and Canada natural gas open volumetric position inclusive of all options may not exceed or fall short of estimated normal weather customer requirements by greater than 8,500 GJ/day. In addition, during any single reporting period, the Company's UK & Ireland natural gas open volumetric position inclusive of all options may not exceed or fall short of estimated normal weather customer requirements by greater than 500 GJ/day. During any single reporting period, the Company's Maturing Markets (i.e. Japan, Germany) natural gas open volumetric position inclusive of all options may not exceed or fall short of estimated normal weather customer requirements by greater than 500 GJ/day for natural gas. Volumetric limits must be applied using the appropriate corresponding liquidity calendar. Reporting Period Limits for natural gas are defined regionally and specifically stipulated in the Appendix (contained within the definition of "Liquidity Calendar"). To the extent that there are liquidity calendar differences for markets in the same regions, tighter market level limits as approved by Management Risk Committee shall apply. For any region, should the Company have a stack and roll structure implemented that, when adjusted, is within this volume, it shall be reported without adjustment and noted as an approved exception.

(C) **Natural Gas Options Limit (Retail Products)**

The Company may utilize the purchase or sale of commodity options in order to reduce the risk exposure associated with certain retail product structures. These structures may include features such as caps and floors, which may not be adequately hedged through commodity forwards or swaps. Although the company manages its options portfolio to a net zero supply/demand position, the company may enter into supply options contracts which, over time, exceed or fall short of the estimated quantities of options contracts required to cover natural gas options obligations to its customers, during the time period covered by the forecast load. Natural gas options markets get increasingly illiquid with the increase in tenor of the natural gas contract. Just Energy has set its volumetric limits to account for market liquidity and tradable wholesale products. The natural gas options portfolio is to be viewed as inclusive to the existing natural gas portfolio position limit and not a separate limit. Thus, a long or short options position will be additive to the existing natural gas portfolio position and the combined position will be governed by the current natural gas portfolio position limit for the applicable reporting period. This limit does not apply to options resulting from non-retail product risk.

(D) **Locational Natural Gas Portfolio Basis Limit**

The company buys natural gas in bulk at liquid delivery points and covers geographical disparity with basis trades. Each delivery point is categorized into three buckets that reflect the price volatility at the delivery point. During any reporting period, the natural gas open volumetric basis position may not exceed or fall short at each delivery point by greater than the quantity threshold assigned to the delivery point.

Delivery Point Grouping	Quantity Threshold
High Volatility	1000 GJ/day
Medium Volatility	5000 GJ/day
Low Volatility	25,000 GJ/day

(E) **Customer Margin Limit**

At no time shall the expected average customer gross margin measured in accordance with the credit facility parameters for either gas or power for the upcoming 24 months be less than \$135/RCE for residential customers and \$50/RCE for commercial customers.

(F) **Power Portfolio Position Limit**

Although the company manages its power portfolio to a net zero supply/demand position based on normal weather, the company may enter into supply contracts which, over time, exceed or fall short of the estimated quantities of commodity required to cover power requirements to its customers during the time period covered by the forecast load, primarily as a result of changed assumptions related to weather. Power term markets get increasingly illiquid with the increase in tenor of the power contract. Just Energy has set its volumetric limits to account for market liquidity and tradable wholesale products. During any single reporting period, the Company's power open volumetric position for the U.S. and Canada inclusive of all options may not exceed or fall short of estimated normal weather customer requirements by greater than 20 MWs. In addition, during any single reporting period, the Company's power open volumetric position for the U.K. & Ireland inclusive of all options may not exceed or fall short of estimated normal weather customer requirements by greater than 10 MWs. Finally, during any single reporting period, the Company's power open volumetric position for the Maturing Markets (i.e. Japan, Germany) inclusive of all options may not exceed or fall short of estimated normal weather customer requirements by greater than 5 MWs. Volumetric limits must be applied using the appropriate corresponding liquidity calendar. Reporting Period Limits for power are defined regionally and specifically stipulated in the Appendix (contained within the definition of "Liquidity Calendar"). To the extent that there are liquidity calendar differences in markets within the same regions, tighter market level limits as approved by Management Risk Committee shall apply. For any region, should the Company have a stack and roll structure implemented that, when adjusted, is within this volume, it shall be reported without adjustment and noted as an approved exception.

(G) **Power Options Limit (Retail Products)**

The Company may utilize the purchase or sale of commodity options in order to reduce the risk exposure associated with certain retail product structures. These structures may include features such as caps and floors, which may not be adequately hedged through commodity forwards or swaps. Although the company manages its options portfolio to a net zero supply/demand position, the company may enter into supply options contracts which, over time, exceed or fall short of the estimated quantities of options contracts required to cover power options obligations to its customers, during the time period covered by the forecast load. Power options markets get increasingly illiquid with the increase in tenor of the power contract. Just Energy has set its volumetric limits to account for market liquidity and tradable wholesale products. The power options portfolio is to be viewed as inclusive to the existing power portfolio position limit and not a separate limit. Thus, a long or short options position will be additive to the existing power portfolio position and the combined position will be governed by the current power portfolio position limit for the applicable reporting period. This limit does not apply to options resulting from non-retail product risk.

(H) **Power Portfolio Basis Limit**

The company buys power in bulk at liquid delivery points and covers geographical disparity with basis trades. Each delivery point is categorized into three buckets that reflect the price volatility at the delivery point. During any reporting period, the electricity open volumetric basis position may not exceed or fall short at each delivery point by greater than the quantity threshold assigned to the delivery point.

Delivery Point Grouping	Quantity Threshold
High Volatility	10 MW
Medium Volatility	25 MW
Low Volatility	100 MW

(I) **Power Capacity Limit**

By the last day of March and September each year, at least 80% of expected capacity requirements of the upcoming summer and winter season for each applicable market shall be hedged.

(J) **Power Ancillary Limit**

By the last day of March and September of each year, at least 50% of expected ancillary requirements of upcoming 6 months for each applicable market shall be hedged.

(K) **Power Peak Hour Limit**

The hourly exposure during system peak hour, as measured against weather normal customer load, for each applicable market shall not exceed 100 MWs for the upcoming six months measured at end of March and end of September of each year.

(L) **Commodity Weather Risk Limit**

The company will manage weather risk in accordance with the strategy presented to the Board Risk Committee as per requirements of Article 2.6. Management Risk Committee may establish lower risk limits to manage within the Board approved weather hedge strategy. The weather risk exposure calculated in accordance with Risk Procedures document for the upcoming season as measured on 15-May and 15-November shall not exceed 10 percent of budget EBITDA guidance for current fiscal year or $10,000,000 whichever is lower for the consolidated portfolio across all commodities served by the company

(M) **Portfolio Reporting Period Value At Risk Limit**

The company will not enter into open natural gas supply commitments that when combined with its open power supply commitments expose Just Energy to in excess of $300,000 for any single month in current and upcoming quarter, in excess of $750,000 for any quarters remaining in the current year and upcoming calendar year, and in excess of $1,800,000 for any calendar year thereafter.

(N) **Voluntary Renewable Energy Portfolio Limit**

Although it is expected that the company manages its voluntary Carbon Offset ("Carbon") and Renewable Energy Credit ("REC") portfolio to a net zero position, from time to time the company may not exceed the open volumetric position by 100,000 tonnes and 100,000 MWh for its carbon and REC portfolio respectively for each country the company serves customers in. In aggregate, the Company's contracted supply and inventory may not fall short of its committed customer obligation.

(O) **Renewable Portfolio Compliance Limit**

The company is required to deliver renewal energy certificates ("REC") to cover an established percentage of its annual load in certain markets. Each market has different obligation percentages and types of renewable energy certificates that must be covered. These products are divided into four categories to reflect their volatility and the amount we must acquire for compliance. During any reporting period, the open position created by this requirement may not exceed or fall short of the threshold applied to the product. At no time can the position be short in excess of the total obligation for that product.

Product Group	**Quantity Threshold**
High Risk	2,500
Medium High Risk	10,000
Medium Low Risk	25,000
Low Risk	100,000

Where regulatory considerations require procuring long term PPA as approved under Article 3.3 and liquidity risk is a concern resulting in a market sourced violation as described in Article 2.4 with application of threshold in the table above, the quantity threshold for supply in excess of demand obligation is revised to equal higher of the total demand obligation rounded up to nearest 10,000 in year one of reporting period or the quantity threshold in the table above for the applicable market and REC type.

(P) **Ratio of Total Expected Customer Requirements**

At no time shall the ratio of the Total Expected Customer Requirements to the Contracted Customer requirements be greater than 1.1:1.

(Q) **Power Shape Imbalance Limit**

Although the company manages its power position to net zero position volumetrically, imbalance may exist between customers' hourly load delivery requirements and wholesale block energy purchases. Due to liquidity concerns, JE may not be able to purchase hourly shaped energy supply to manage the hourly imbalance. It is the intent of JE to measure the financial value of the hourly imbalance in wholesale block equivalents. At no point can the net open position calculated as a ratio of (a) supply blocks applied towards power shape imbalance and (b) residual load shape block equivalents, be less than 50 percent or greater than 110 percent.

(R) **Trade Cash Flow Limit**

Just Energy enters into trades in a manner to offset the volume obligation associated with the term of the retail customer contract. However, depending on market liquidity and term of wholesale block product combined with the seasonality and trends in the commodity forward curve, the purchase pattern may introduce periodic cash flow and earning imbalances that although net out overall over the term of customer contracts, may carry a significant impact to quarterly and annual realized unit margin.

Just Energy shall manage the supply procurement activities in a manner to not exceed or fall short of CAD 10 million per any fiscal year either through a single trade or in aggregate since budget or any reforecast for the respective fiscal year.

(ii) Foreign Exchange Risk

Corporate cash flow hedging activities will be reviewed at least monthly in conjunction with monthly cash flow model updates and, as applicable, the quarterly reforecast or budget. For the purpose of exposure tracking, Canadian Dollars will be deemed as local currency and US Dollars, British Pounds etc. shall be deemed as foreign currency.

The forecast for cross border transaction and hedging shall include the following cash flow items:

- Intercompany Royalty Agreements
    - At least 50% and up to 90% of any intercompany royalty agreements for the current quarter

- At least 25% and up to 90% of any intercompany royalty agreement for subsequent quarters in the current fiscal year

- At least 25% and up to 60% in all quarters in the subsequent fiscal year

- Up to 50% in all fiscal years beyond

- Intercompany Loan Agreements

  - At least 50% and up to 100% of any intercompany interest payment in the current quarter

  - At least 25% and up to 100% of any intercompany interest payments in all subsequent quarters in current and upcoming fiscal year

  - Up to 100% of any intercompany interest payment for all fiscal years beyond

- Working Capital and Cash Flow Surplus/Deficits

  - At least 50% and up to 75% of any cash flow transfers identified for the current quarter

  - At least 25% and up to 50% of any cash flow transfers identified for the upcoming quarter

  - Up to 50% of all cash flow transfers identified thereafter

- Foreign currency risk tied to wholesale commodity procurement and sale activities

  - 100% of all such contractual exposure to foreign currency e.g. US Dollar purchases for Canadian retail natural gas customers, GB Pound purchases for Ireland retail customers

Any unhedged exposure of the foreign currency after application of above minimum and maximum ranges for obligation hedge requirements shall not exceed 1,000,000 CAD equivalent of the foreign currency for the reporting period.

The forecast cash flows shall be calculated as set out in the Risk Management Procedures document taking into consideration the specified payment priorities.

(iii) Interest Rate Risk

JE's cash flow forecasts may require borrowing from variable rate debt instruments in order to meet company's cash requirements. If the cash flow forecast for current fiscal year and following 2 years require borrowing on variable rate terms linked to LIBOR or Banker's Acceptances for at least 30 days (1 month), JE is required to hedge the interest rate risk such that the total remaining notional value exposed to interest rate fluctuations is less than

CAD 50,000,000 or equivalent foreign currency amount determined based on budgeted foreign exchange rate for the fiscal year associated with the borrowing period.

(iv) Customer Limits

Exposure to a customer is defined as:

- Unpaid Accounts Receivable plus
- Undiscounted mark to market of customer specific supply less
- Unpaid Accounts Payable less
- Credit Enhancements

JE's exposure to any one customer is monitored in accordance with the Customer Credit Policy managed by the Credit and Collection Group.

(v) Counterparty Limits

JE may transact over the counter or through exchanges. Each counterparty must have an ISDA Master Swap Agreement or other approved documentation in place with the appropriate JE entity. Any special arrangement outside the limits listed below requires the approval of the Board of Directors or Board Risk Committee by delegation.

The following counterparty limits apply:

(A) **Mark to Market**

The Company shall use the following grid as a reference point for discussions with suppliers. The Company shall not be exposed to any individual counterparty on a mark to market basis (measured as contracted supply multiplied by the difference between the contract rate and market price) in excess of the following:
Intercreditor Suppliers:

Rating

Moody's	S&P	DBRS or Fitch	Mark to Market
Aa3 & >	AA- & >	AA(low) & >	$200,000,000
A3 to A1	A- to A+	A(low) to A(high)	$150,000,000
Baa1	BBB+	BBB(high)	$100,000,000
Baa2	BBB	BBB	$50,000,000

OR

Non-Intercreditor Suppliers:

Rating

Moody's	S&P	DBRS or Fitch	Mark to Market

Aa3 & >	AA- & >	AA(low) & >	$80,000,000
A3 to A1	A- to A+	A(low) to A(high)	$65,000,000
Baa1	BBB+	BBB(high)	$40,000,000
Baa2	BBB	BBB	$15,000,000

OR

in excess of the agreed terms of the master contract arrangements. Should such terms exceed the above grids, then Board Risk Committee approval is required.

Should any of these thresholds be exceeded or the thresholds as approved by the Board Risk Committee be exceeded, appropriate security is required. In the instance of a counterparty possessing a split rating, the lower of the ratings shall apply unless otherwise authorized by the Management Risk & Board Risk Committees.

(B) **Credit rating of counterparty**

The Company may not transact with any counterparties below a 'Baa2' rating by Moody's, a 'BBB' rating by Standard & Poors' or the equivalent rating from another agency without appropriate security. Acceptable security is:

- cash
- letters of credit
- parental guaranty from a rated counterparty with the thresholds of this policy applied to the parent and limited by the amount of the parental guaranty

At the discretion of the Management Risk Committee, JE may transact with unrated counterparties up to the limits established for BBB rated counterparties without receiving security. Any transaction with an unrated counterparty in excess of BBB limits requires Board Risk Committee approval. The combined exposure of all such counterparties may not exceed limit established for a BBB rated counterparty.

APPENDICES

I Commodity Instruments

Tenor: Up to term of related demand generated using limits of Article 3.6 and Tenors described in Article 3.3.

Counterparties: Over the counter with entities rated BBB equivalent or higher, entities approved according to Article 3.6(iv) or exchanges

Types of Instruments:

GAS

1. Physical forwards (index and fixed)
2. Physical transportation (contracts, forwards and swaps)
3. Financial swaps (fixed for floating or fixed for fixed)
4. Financial call or put options
5. Physical call or put options
6. Extraction contracts
7. Storage
8. Weather derivatives (swaps and options)
9. Participating forwards
10. Long Term Pipeline and Storage Asset Contracts

ELECTRICITY

1. Physical Supply forwards (PPAs)
2. Physical Supply Capacity (unit contingent forwards)
3. Physical Reserve Capacity (i.e. UCAP/ICAP)
4. Financial Swaps (Fixed for Floating, Floating for Floating)
5. Simple financial call or put options
6. Simple physical call or put options
7. Heat Rate Physical, Financial Swaps
8. Congestion Contracts*
9. Transmission Capacity Contracts*
10. Auction Contracts and/or rights
11. Weather derivatives (swaps and options)
12. Ancillary Forwards/ Options
13. Heat rate options/Tolling Agreements
14. Generation Specific Power Purchase Agreements

Green/Renewables

11. Emission offset credits
12. Renewable Energy Certificates
13. Conservation Credits or Certificates (water restoration credits etc.)

* official title of contract varies by market; permission is to contract for commodity of this underlying type

II Foreign Exchange and Interest Rate Instruments

Tenor: - Up to 24 months of corporate cash flow and
- Up to term of related commodity purchases with respect to commodity transactions not in the functional currency of the retail division

Counterparties: Over the counter with financial institutions rated BBB or higher, or approved according to Article 3.6(v) or exchanges

Types of Instruments: FOREIGN EXCHANGE

1. Foreign exchange swaps
2. Foreign exchange options
3. Foreign exchange forwards

The option, swap or forward must always be between the functional currency of the funding company/subsidiary and the currency of the foreign operation being funded. No cross currency swaps are permitted.

INTEREST RATE

1. Interest rate swaps
2. Fixed for floating swaps
3. Fixed for fixed swaps

The swap must always be for the functional currency of the debt being hedged. No cross currency swaps are permitted.

III Authorized limits

Back to back commercial customer transactions, standing approved transactions and balancing transactions do not require advance approval but are subject to the trader controls outlined in Article 2.1. The customer load associated with updates that do not include assumption changes will be approved at the time of the load update and also do not require advance approval. Term contracting for supply and hedges that involves assumption changes or any other transaction requires approval by the Management Risk Committee. Supply contracting for foreign exchange and interest rate products requires instructions from Treasury which shall be accompanied by approval of the CFO and one of CEO or General Counsel should they be outside of the parameters described by 3.6(ii).

IV Definitions

(a) Back Office

A group of support personnel that manage the functions of settlements, clearances, record maintenance, regulatory compliance and accounting

(b) Balancing

The company's managing of a commodity portfolio to enable the match of expected demand with confirmed supply delivery requirements.

(c) Book

A daily record of a given portfolio showing details of each transaction, including date, price, quantity, market, commodity and the counterparty for whom the trade was made

(d) Carbon/Emission Offset Credit

A carbon offset is a financial instrument representing a reduction in greenhouse gas emissions. They are measured in metric tons of carbon dioxide-equivalent. One carbon offset represents the reduction of one metric ton of carbon dioxide, or its equivalent in other greenhouse gases.

(e) Cash/Spot Market

The time in the market reflecting the current market period; transactions are immediately followed up with the delivery of the item. The price of the commodity reflects the current market price for same or next day delivery.

(f) Commodity Price Risk

The uncertainty of future market values and of the size of the future income caused predominantly by the fluctuation in the prices of commodities.

(g) Consumption or Volume Exposure

The risk that actual consumption will be less than or greater than the expected usage; consumption exposure may lead to an unintended long or short position at a fixed price where the company would be exposed to a floating market price.

(h) Cooling Degree Day (CDD)

Cooling degree day (CDD) is a quantitative index to reflect the demand for energy to cool a home or business. The number of cooling degrees in a day is defined as the difference between the average temperature for that day and 65 degrees Fahrenheit given the average temperature is above 65 degrees Fahrenheit.

(i) Counterparty Credit Risk

The potential loss resulting from one or more of JE's counterparties defaulting or failing to honour their obligations on a timely basis. Counterparty credit risk depends on the probability of counterparty default or failure to perform, the amount of counterparty exposure and the volatility of the markets. There is a further credit risk associated with the customer credit default and non-collection of accounts receivable.

(j) Credit Enhancement

Credit enhancement is part of the securitization transaction. It offers a counterpary some recourse or protection in the event of default. For JE, external credit enhancement could be the following, Surety Bonds, Letter of Credit or Cash Collateral (deposits or pre-payments)

(k) Customer Credit Risk

The risk of financial loss due to a debtor's non-payment of principle owed to the creditor

(l) Dekatherm (MMBtu)

Unit of energy equal to 10 therms or one million British thermal units or approximately 1.06 gigajoules (GJ); used to measure the amount of natural gas in United States

(m) Derivative Instruments

A derivative instrument is a product whose value is dependent upon market or other external factors. All of Just Energy supply contracts are considered derivatives as their market value is dependent upon the underlying cost of the commodity (such as carbon offsets, natural gas or power)

(n) Maturing Markets

A new region/country where the company has begun to engage in the business activities encompassing the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price, price-protected, index, flat-bill or variable-price contracts and green energy products. These business activities may also include the sale of energy efficiency and conservation products, that may be bundled with the commodity contracts.

(o) Extraction Contracts

An agreement between two parties where one party agrees to provide unprocessed gas of a certain volume in return for replacement of the same initial volume of gas of a different but acceptable quality and a share of the cash flow generated from removed components of the original unprocessed gas

(p) Force Majeure

Is a common clause in service agreements which frees both parties from liability or obligation when an extraordinary event, such as war, strike, riot, or act of God, prevents one or both parties from fulfilling their obligations under the contract (e.g. when Hurricane Katrina rendered certain pipelines inoperable, JE's counterparties called a force majeure which meant that they would not deliver gas to us through those pipelines as had been contracted.)

(q) Front Office

Refers to the Sales and Marketing groups of a company and in JE's case is referred to its Supply Group. The group is responsible for trading operations.

(r) Futures/Forwards

An agreement to buy or sell a specific amount of a commodity or financial instrument at a specific price on a specified future date. A futures contract carries the obligation to buy or sell. The difference between a future and a forward is that the former is exchange traded and standardized whereas the latter is an over the counter trade and can be for non-standard volumes.

(s) Gas Season

For the U.S and Canada, the Winter Season is November through March; Summer Season is April through October. For Europe, the Winter Season is defined as October through March; Summer Season is April through September (unless specifically denoted as European seasons, the term "season" in this policy refers to the U.S./Canada seasonal definition).

(t) JustGreen/JustClean

JustGreen/JustClean are branded products developed by Just Energy to provide customers a choice to offset some or all of the household's carbon footprint.

(u) Gigajoule(GJ)

Unit measurement of natural gas, one MMBtu is 1.054615 Gigajoules. This unit of measurement is commonly used in Canada.

(v) Greeks

Mathematical term for the greek letters assigned to sensitivity calculations used to calculate risks associated with an option portfolio. 95% of option sensitivities can be attributed to Delta (which is a first order derivative that measures forward commodity price changes), Gamma (which is a second order derivative that measures forward commodity price by measuring the change in the slope of the price change or the slope of the delta) and Vega (which measures the sensitivity in the volatility of the price).

(w) Green Generated Power

Term used to describe sources of energy that are considered to be environmentally friendly and non-polluting, such as geothermal, wind and solar power. This is also known as “Renewable Energy”.

(x) Heating Degree Day (HDD)

Heating degree day (HDD) is a quantitative index to reflect the demand for energy to heat a home or business. The number of heating degrees in a day is defined as the difference between a value of 65 degrees Fahrenheit and the average temperature for that day given that the average temperature for that day is less than 65.

(y) Heat Rates Refers to a power plant’s efficiency in converting fuel to electricity and is expressed as the number of British thermal units (Btu) required to generate a kilowatt hour (kWh) of electricity. Lower Heat Rates are associated with more efficient power generating plants. Heat Rate products offer an opportunity for consumers to link their power price to the price of natural gas.

(z) Hedge

When used in this document, hedge is defined as the use of physical or financial derivative contracts (individually or in combination) to reduce JE’s overall commodity risk, price risk, foreign exchange risks or interest rate risk.

(aa) Intercreditor facility

An agreement among JE’s energy provider counterparties and its lenders that considers a pledge of customer contracts as collateral.

(bb) Interest Rate Risk

The risk associated with floating interest rate debt wherein the company is exposed to the changes in the interest rate.

(cc) Interruptible Service

Low-priority service offered to customers under schedules or contracts which anticipate and permit interruption on short notice, generally in peak-load seasons, by reason of the claim of firm service customers and higher priority users.

(dd) ISDA

International Swaps and Derivatives Association (ISDA) is a global trade association for over-the-counter derivatives. It is headquartered in New York, and has created a standardized contract (the *ISDA Master Agreement*) to enter into derivatives transactions. Other similar standardized contracts have been developed by NAESB and Edison Electric Institute (“EEI”)

(ee) Liquidity Calendar

Natural Gas

Reporting Period Limit in U.S. & Canada for natural gas is defined as Monthly Limit for prompt month and any single month in the current and upcoming gas seasons and then per season gas strips thereafter (i.e. Nov-Mar and Apr-Oct).

Reporting Period Limit in U.K. & Ireland for natural gas is defined as Monthly Limit for current quarter, Quarterly Limit for any remaining quarter in the current season, Quarterly Limit for the following season, and then Seasonal Limit for season gas strips thereafter (i.e. Oct-Mar and Apr-Sep).

Reporting Period Limit in Germany for natural gas is defined as Monthly Limit for current quarter, Quarterly Limit for any remaining quarters in the current calendar year, and Annual Limit for remaining calendar years.

Power

Reporting Period Limit for the U.S. is defined as Monthly Limit for prompt month and any single month in the current and upcoming quarter, Quarterly Limit for remaining quarters in current year and all quarters in the upcoming calendar year and Annual Limit for remaining calendar years.

Reporting Period Limit for Canada is defined as Monthly Limit for prompt month and any single month in the current and upcoming quarter, Quarterly Limit for remaining quarters in current year and all quarters in the upcoming calendar year (upcoming calendar year will not be broken out into quarters until the end of the 1st Quarter of current year) and Annual Limit for remaining calendar years.

Reporting Period Limit for U.K. & Ireland is defined as Monthly Limit for current quarter, Quarterly Limit for any remaining quarter in current season, and then Seasonal Limit for season power strips thereafter (i.e. Oct-Mar and Apr-Sep).

Reporting Period Limit in Germany for is defined as Monthly Limit for current quarter, Quarterly Limit for any remaining quarters in the current calendar year, and Annual Limit for remaining calendar years.

Unless specifically noted above, a region will by default utilize the U.S. Liquidity calendar.

(ff) Liquidity Risk

Associated with the lack of marketability of a commodity; includes the risk of an adverse cost or return stemming from an inability to market at prices aligned with recent purchases or sales.

(gg) Locational Basis

The difference between the prices of the same commodity at two different points.

(hh) Market Risk

The potential change in the value of a commodity contract caused by changes in market factors (price and volatility).

(ii) Mark-to-Market (MTM)

Mark-to-market is an accounting methodology of assigning a value to a position held in a financial instrument based on the current market price for the instrument or similar instruments. For example, the final value of a futures contract that expires in nine months will not be known until it expires. If it is marked to market, it is assigned the value at current or specified (time) market conditions.

(jj) Megawatt-hour(MWH)

Electrical power is usually measured in watts (W), kilowatts (kW) and megawatts (MW) where power is energy transfer per unit of time. The megawatt-hour (MWh) is a unit of energy equivalent to one megawatt of power expended for one hour of time.

(kk) Middle Office

Monitors and manages a firm's risk exposures. The middle-office liaises closely with the front-office, is responsible for trading operations and also works with the back office which handles delivery, settlement and regulatory processes.

(ll) Model Risk

The risk of incorrect use of models or errors in the structure, assumptions and logic of the models.

(mm) NAESB

The North American Energy Standards Board (NAESB) serves as an industry forum for the development and promotion of standards for wholesale and retail natural gas and electricity. A "NAESB" is commonly referred to a contract between two parties that utilizes standards that were developed and promoted by the North American Energy Standards Board.

(nn) Natural Gas Storage

Natural gas is often stored in underground caverns formed inside depleted gas reservoirs from previous gas wells, salt domes, or in tanks as liquefied natural gas (LNG). The gas is typically injected during periods of low demand (summer/injection season) and then extracted during periods of higher demand (winter/withdrawal season).

(oo) Open Position

An open position is defined as the difference between the anticipated or forecast demand based on normalized weather that is contemplated (and for natural gas is net of any storage assets) and all the related supply purchases transacted.

(pp) Operational Risk

The risk of direct or indirect error resulting from inadequate or failed internal processes, people and systems or from external events.

(qq) Over the Counter (OTC)

An over-the-counter (OTC) contract is a bilateral contract in which two parties agree on how a particular trade or agreement is to be settled in the future. Forwards and swaps are prime examples of such contracts.

(rr) Physical bilateral

A physical bilateral is an agreement between two market participants to trade a specified quantity of a good at prices determined by the parties to the agreement

(ss) Portfolio

A portfolio is a combination or a mix of books. For example, the Canadian power portfolio is comprised of the Ontario and Alberta power books

(tt) Price Index

A weighted average of prices for a given commodity in a given region, during a given interval of time.

(uu) Price Risk

The uncertainty associated with changes in the price of an underlying asset. i.e. the risk that potential fluctuations in prices of the energy commodity will impact the company due to a requirement to fulfill open volume positions

(vv) Prompt Month

Prompt Month is a description given to a contract that is trading immediately closest to a relative date. For example, the contract for February natural gas trades on the NYMEX up until the last few days of January and then is closed. When the February contract is closed, the prompt month becomes March.

(ww) Renewable Energy Certificate (REC)

Renewable Energy Certificates (RECs), also known as Green tags, Renewable Energy Credits, or Tradable Renewable Certificates (TRCs), are tradable environmental commodities which represent proof that 1 megawatt-hour (MWh) of electricity was generated from an eligible renewable energy resource.

(xx) Simple Options contracts

An option is a contract which conveys to its holder the right, but not the obligation, to buy (in the case of a call) or sell (in the case of a put) units of the underlying security/commodity at a specified price (the strike price) on or before a given date (expiration day). After this given date, the option ceases to exist. The seller (or writer) of an option is, in turn, obligated to sell (in the case of a call) or buy (in the case of a put) the units to (or from) the buyer of the option at the specified price upon the option being exercised by the buyer of the option. Compare to exotic options which require triggers for rights to be applicable.

(yy) Spark Spread

The gross income of a gas-fired power plant from selling a unit of electricity, having bought the fuel required to produce this unit of electricity. All other costs must be covered from the spark spread.

(zz) Storage Assets

Physical asset which is used to store natural gas during a low demand period. The natural gas can be used for delivery when called upon during high demand period..

(aaa) Swaps

A swap is a contractual agreement entered into between two counterparties in which the parties agree to exchange cash flows based on the difference between an agreed upon fixed price and a price that varies with changes in the related market price for a specified quantity of a commodity (for commodity swaps) or principle (for interest rate and foreign exchange swaps).For example, JE agrees to pay Shell a fixed rate of $50/MWh on a quantity of 5 MW flat hours per day from November 1, 2014 to November 1, 2015. During this time, Shell is responsible for the floating price of electricity. When the spot rate is less than $50/MWh, JE will pay Shell the difference multiplied by 5. When the spot rate is greater than $50/MWh, Shell will remit the difference to JE.

(bbb) Swing or Weather Risk

The risk that commodity volumes will vary from expected volumes under normal weather conditions and result in a potential loss due to changing commodity prices.

(ccc) Tenor

The length of time to the end of a contract.

(ddd) Time or Temporal Basis

Otherwise known as time spread risk. The difference between the prices of the same commodity at two different points in time.

(eee) Translation Risk

The risk that arises when a foreign denominated balance sheet and income statement are consolidated into the Canadian $ functional currency accounts resulting in asset values that fluctuate with the exchange rate and an income statement that is subject to the average rate of exchange during the year.

(fff) Transmission Congestion

Transmission congestion occurs when there is insufficient energy to meet the demands of all customers. The congestion is a shortage of transmission capacity to supply a waiting market at a given price level. The condition is marked by systems running at full capacity and proper efficiency which cannot serve all waiting customers. When congestion occurs in a competitive market, there is risk of price gouging given the lack of transmission capacity that cannot transport less expensive power to the higher priced pools.

(ggg) Transmission Congestion Contracts

Transmission Congestion Contracts establish a comprehensive set of rights to either make transfers or receive compensation for the inability to make transfers. This is done through redistribution of congestion rentals to the holders of transmission congestion contracts.

(hhh) UCAP/ICAP

The Installed Capacity (ICAP) market is based on the obligation placed on load serving entities (LSEs) to procure ICAP to meet minimum requirements. The requirements are determined by each LSE by forecasting the contribution to its transmission district peak load, plus an additional amount to cover the Installed Reserve Margin. The amount of capacity that each supplying resource is qualified to provide is determined by an Unforced Capacity (UCAP) methodology. ICAP auctions are designed to accommodate LSEs and suppliers' efforts to enter into UCAP transactions.

(iii) Value at Risk (VaR)

The maximum loss that will not be exceeded with a given probability defined as the confidence level, over a given period of time. .

(jjj) Variable load risk

The risk that customers who are on a product that does not have a fixed term are inappropriately hedged and/or billed.

(kkk) Weather normalized consumption

Weather-normalization is a process that adjusts actual consumption data so that it represents energy typically used in an average weather year.