

PA press release (september 7)

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<https://news.ontario.ca/tbs/en/2017/09/accounting-changes-to-ontarios-financial-statements.html>

Accounting for the Independent Electricity System Operator

The Independent Electricity System Operator, like Hydro One and Ontario Power Generation (OPG), is regulated by the Ontario Energy Board. For the 2016-17 reporting year, the IESO began recognizing its market accounts' assets (amounts due from power distributors) and liabilities (amounts due to power producers) in their financial results. IESO has chosen to recognize these markets accounts on its books for transparency reasons, as it better reflects the financial position of the IESO-administered markets at year-end.

PSAB standards are silent on the use of market accounts. In such cases, the standards encourage preparers and auditors to consider guidance in other accounting frameworks when accounting for transactions not specifically addressed by the specific standards.

This accounting change was accepted by the IESO's independent external auditor, which issued an unqualified, or "clean," audit opinion. Further, before the Ontario Power Authority (OPA) merged with IESO in 2015, the OPA used the same accounting presentation in its financial statements, which was not subject to qualification from the Office of the Auditor General at that time.

IESO has also adopted rate-regulated accounting for its year ending December 31, 2016. This decision was made because using rate-regulated accounting better reflects the economic substance of certain types of expenses that may not be directly recovered through the normal revenue requirement model.

The IESO highlighted these changes in their recent annual report. These changes are supported by the IESO's independent external auditor, which issued an unqualified audit opinion.