

RE: Media Request Follow-up: OPCD, IESO Accounting

From: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Tue, 03 Apr 2018 15:42:48 -0400

Thank you!

From: Veinot, Cindy (TBS)
Sent: April 3, 2018 3:40 PM
To: Hosick, Sarah (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

I made a few edits – incorporated the missing parts of the additional sentence they wanted to add into the third paragraph and deleted a word in the second paragraph.

Cindy

From: Hosick, Sarah (TBS)
Sent: April 3, 2018 3:01 PM
To: Veinot, Cindy (TBS)
Subject: FW: Media Request Follow-up: OPCD, IESO Accounting

Hi Cindy

MO still wants us to add more on our response to the Globe. Do you have concerns with the following background being provided (from the SCOPA QAs):

Background:

In 2016, the Independent Electricity System Operator (IESO) began recognizing its market accounts' assets (amounts due from power distributors) and liabilities (amounts due to power producers) in its financial results. IESO has chosen to recognize these market accounts on its books for transparency reasons, as it better reflects the financial position of the IESO-administered markets at year-end.

This change was supported by the IESO's audit committee, its independent external auditor (KPMG), and by the Office of the Provincial Controller. This change ~~also~~ has no impact to the province's annual deficit, net debt or accumulated deficit.

IESO prepares its financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS). The financial statements of the IESO for the year-ended December 31, 2016 were subject to an external audit by KPMG and ~~received an unqualified (or clean) opinion~~, who issued an unqualified (or clean) opinion stating that the financial statements of the IESO were fairly presented, in all material respects, in accordance with PSAS.

This accounting is consistent with the presentation used previously by the Ontario Power Authority (which was merged with the IESO on January 1, 2015) in its financial statements, which was not subject to qualification from the Office of the Auditor General at that time.

~~They also want to include the following that wasn't part of the QAs:~~

- ~~· The Independent Electricity System Operator (IESO) prepares its financial statements in accordance with Public Sector Accounting Standards (PSAS) and the financial statements are audited by a firm of independent external auditors whose responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with PSAS.~~

~~I pulled up IESO's 2016 AR and it seems to be ok, but please let me know if any concerns. This will then go back to Energy, CO etc for approvals~~

Thanks
Sarah

From: Tharani, Alisha (TBS)
Sent: April 3, 2018 2:39 PM
To: Hosick, Sarah (TBS)
Cc: Vrancart, Kate (TBS); Thiru, Durga (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Hi Sarah,

Thanks again for this. In follow-up to our discussion, see below for a proposed "background" section to include in the response to the reporter. Let me know what you think.

If you could get back to us as soon as possible, it would be appreciated, as MO has requested a rush on this response and it still needs to go through additional approvals (including CO Comms, Energy, etc.)

Thanks very much,

Alisha

Questions:

- 1) On what date did Ms. Veinot ask the IESO to "look at" the issue of market accounts on the IESO's financial statements?
- 2) What form did this request take? (Letter, memo, personal conversation, etc.)
- 3) To whom at IESO did Ms. Veinot direct this request?
- 4) Did Ms. Veinot indicate to the IESO a time frame in which her instructions were to be executed? If so, what was that timeframe?

Response:

During the week of January 16, 2017, Cindy Veinot, Assistant Deputy Minister and Provincial Controller had a conversation with Kim Marshall, Vice President, Corporate Services and Chief Financial Officer regarding IESO's financial reporting of market accounts. She requested IESO take a closer look at the accounting for market accounts on their financial statements, which are consolidated with the financial statements of the province. While no specific timeframe was discussed during the conversation, the intention of the request was to have this review completed before the province's year-end of March 31, 2017.

Background:

In 2016, the Independent Electricity System Operator (IESO) began recognizing its market accounts' assets (amounts due from power distributors) and liabilities (amounts due to power producers) in its financial results. IESO has chosen to recognize these

market accounts on its books for transparency reasons, as it better reflects the financial position of the IESO-administered markets at year-end.

This change was supported by the IESO's audit committee, its independent external auditor (KPMG), and by the Office of the Provincial Controller. This change also has no impact to the province's annual deficit, net debt or accumulated deficit.

IESO prepares its financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS). The financial statements of the IESO for the year-ended December 31, 2016 were subject to an external audit by KPMG and received an unqualified (or clean) opinion.

This accounting is consistent with the presentation used previously by the Ontario Power Authority (which was merged with the IESO on January 1, 2015) in its financial statements, which was not subject to qualification from the Office of the Auditor General at that time.

Is this applicable to include in the above?

- The province provides guidance to consolidated entities on the accounting frameworks it applies.
- The Independent Electricity System Operator (IESO) prepares its financial statements in accordance with Public Sector Accounting Standards (PSAS) and the financial statements are audited by a firm of independent external auditors whose responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with PSAS.

From: Hosick, Sarah (TBS)
Sent: April 3, 2018 10:14 AM
To: Tharani, Alisha (TBS)
Cc: Vrancart, Kate (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Hi Alisha

Here is our revised response (changes in red). Note there isn't anything to add regarding KPMG with this request. OTB and IESO approved:

Response: During the week of January 16, 2017, Cindy Veinot, Assistant Deputy Minister and Provincial Controller had a conversation with Kim Marshall, Vice President, Corporate Services and Chief Financial Officer regarding IESO 's financial reporting of market accounts . She requested IESO take a closer look at the accounting for market accounts on their financial statements , which are consolidated with the financial statements of the province . While no specific timeframe was discussed during the conversation, the intention of the request was have this review completed before the province's year-end of March 31, 2017.

From: Tharani, Alisha (TBS)
Sent: April 3, 2018 10:09 AM
To: Hosick, Sarah (TBS)
Cc: Vrancart, Kate (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Hi Sarah,

Thanks again for the update on this one.

Do you have an approximate time on when we may expect a response? (MO is asking for an update.)

Thanks very much,

Alisha

From: Vrancart, Kate (TBS)
Sent: April 3, 2018 9:34 AM
To: Hosick, Sarah (TBS)
Cc: Tharani, Alisha (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Thanks so much for the update, Sarah.

Copying Alisha who's back in the office and can take it from here.

Sent with BB Work for iPhone

From: Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca>
Date: Tuesday, Apr 03, 2018, 9:30 AM
To: Vrancart, Kate (TBS) <Kate.Vrancart@ontario.ca>
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Hi Kate,

Update that I've received Associate approvals and I've given IESO to this morning to flag any concerns. Kim is away this week there, so I'm relying on her comms team.

Will get something to you asap

Thanks
Sarah

From: Vrancart, Kate (TBS)
Sent: March 29, 2018 2:51 PM
To: Hosick, Sarah (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Thanks.

From: Hosick, Sarah (TBS)
Sent: Thursday, March 29, 2018 1:35 PM
To: Vrancart, Kate (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

I have our revised response, but I need IESO and my Associate's approval still.

From: Vrancart, Kate (TBS)
Sent: March 29, 2018 1:25 PM
To: Hosick, Sarah (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Hi Sarah,

MO is wondering if we'll be able to provide a response today.

Thanks,
Kate

From: Vrancart, Kate (TBS)
Sent: Wednesday, March 28, 2018 3:18 PM
To: Hosick, Sarah (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Thanks, Sarah.

From: Hosick, Sarah (TBS)
Sent: Wednesday, March 28, 2018 3:18 PM
To: Vrancart, Kate (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Hi Kate,

Cindy and Mark have been in lockup all day so progress hasn't happened.
Earliest we would be able to get a revised response to you is tomorrow.

Please let me know if any questions

Thanks
Sarah

From: Vrancart, Kate (TBS)
Sent: March 28, 2018 3:08 PM
To: Hosick, Sarah (TBS)
Subject: RE: Media Request Follow-up: OPCD, IESO Accounting

Hi Sarah,

I know it's a busy day. Just wanted to check in on the status of this request so I can update MO.

Thanks,
Kate

From: Tharani, Alisha (TBS)
Sent: Tuesday, March 27, 2018 3:55 PM
To: Hosick, Sarah (TBS)
Cc: Laughton, Patrick (TBS); Vrancart, Kate (TBS); Thiru, Durga (TBS); Smith, Kendall (TBS)
Subject: Media Request Follow-up: OPCD, IESO Accounting

Hi Sarah,

Thanks for the call just now.

To re-cap: Matthew McClearn, G&M posed the following questions:

- 1) On what date did Ms. Veinot ask the IESO to “look at” the issue of market accounts on the IESO’s financial statements?
- 2) What form did this request take? (Letter, memo, personal conversation, etc.)
- 3) To whom at IESO did Ms. Veinot direct this request?
- 4) Did Ms. Veinot indicate to the IESO a time frame in which her instructions were to be executed? If so, what was that timeframe?

Here is the response (that your team provided), that is OPCD, OTB, DMO, Energy, and IESO-approved, that was shared with MO:

Response: During the week of January 16, 2017, Cindy Veinot, Assistant Deputy Minister and Provincial Controller had a conversation with Kim Marshall, Vice President, Corporate Services and Chief Financial Officer regarding IESO taking a closer look at the appropriate accounting for market accounts on their financial statements. While no specific timeframe was discussed during the conversation, the intention of the request was to have this review completed before the province’s year-end of March 31, 2017.

MO has come back to us with the following request: ‘We need to add more messaging to provide better context and background to the reporter. Specifically want to outline the Relationship of the provincial controller with the IESO, KPMG’s role in all of this and the policy rationale for market accounts.’

As discussed, MO initially asked for a rush response on this request; we have shared that it will take time to have this request move through approvals given the various actors involved. Lawwin will keep us updated with any changes to the reporter’s deadline that may come through. If you can keep us updated on timelines from your end it would be appreciated.

To help begin with a response, see below my signature for some material I’ve pulled from the SCOPA binder. Let us know if there’s anything else you need from our end.

As mentioned, I’m out of the office tomorrow and Thursday, so if you could please keep Kate in the loop that would be great.

Thanks, Sarah.

Best,

Alisha

Alisha Tharani

Senior Issues & Media Advisor | Treasury Board Secretariat
416-327-3803 | Alisha.Tharani@ontario.ca

OPCD Relationship with IESO; KPMG’s role; Policy rationale for market accounts

In 2016, the Independent Electricity System Operator (IESO) began recognizing its market accounts’ assets (amounts due from power distributors) and liabilities (amounts due to power producers) in its financial results. IESO has chosen to recognize these market accounts on its books for transparency reasons, as it better reflects the financial position of the IESO-administered markets at year-end.

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Office of the Provincial Controller. This change also has no impact to the province's annual deficit, net debt or accumulated deficit.

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