Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

March 20, 2018

Ms. Kimberly Marshall
Vice President, Corporate Services and CFO
Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, ON M5H 1T1

Dear Ms. Marshall:

I am writing in response to Mr. O'Neill's correspondence to my Office dated March 15, 2018. As per Mr. O'Neill's request all correspondence regarding our special audit of the IESO continues to be addressed to your attention. As you are aware, our special audit takes the form of a financial statement audit of the accounts and records of the IESO for the year ended December 31, 2017.

Please find attached our final Audit Findings Report for the year ended December 31, 2017, which contains our final Management Letter for the year ended December 31, 2017 (no response was received to our recommendation on disclosure of the Security Agreement and the pledging of market receivables as collateral) and our draft Independent Auditor's Report for the year ended December 31, 2017. Once we receive the revised pension valuations from Aon Hewitt, we will provide you with our signed Disclaimer of Audit Opinion. As well, SUD #4 in Appendix A will be updated.

Our responsibility is to plan and perform an audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement. An audit is not designed to provide absolute assurance that there are no misstatements in the financial statements resulting from fraud, irregularities or errors. The responsibility for the prevention and detection of errors rests with management.

Since our examination did not include a complete review of all accounting procedures, systems of internal control and compliance matters, the following comments may not necessarily identify all weaknesses that may be present.

As always, we remain open to further discussions with you and KPMG that would correct the IESO's accounting and expanding its note disclosures in its financial statements for the year ended December 31, 2017 prior to the public issuance of your audited financial statements.

Sincerely,

Bonnie Lysyk
Auditor General

c: Tim O'Neill, Chair of the Board of Directors
Carole Workman, Audit Committee Chair
Peter Gregg, President and Chief Executive Officer
All Board Members

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