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Sent: 2018-02-21 2:48:58 PM
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Subject: SCOPA: Updated Friendly - Intro for Peter
Attachments: 4 - SCOPA Ch 2_QA_Friendly IESO - 20180220.docx

Terry – Please find attached for your review, the updated friendly Q, which now includes the introduction below from Peter and handoff to Kim for the accounting background.

Kate

- 1. To Independent Electricity System Operator (IESO), how did IESO come to the conclusion that it was acceptable to use US Generally Accepted Accounting Principles (GAAP) instead of Public Sector Accounting Standards (PSAS) for rate regulated activities?**

And, is there a clause or section of PSAS that permits the use of GAAP in a given scenario?

Response

Independent Electricity System Operator's Approach to Accounting

Peter Gregg:

Thanks for your question. My name is Peter Gregg, I'm the President and CEO of the Independent Electricity System Operator. Before we dive into the accounting policies we follow, it might be helpful for me to provide the committee with an overview of our role and responsibility in Ontario's electricity sector.

The Independent Electricity System Operator is the public agency at the heart of Ontario's electricity system. We have a broad mandate that includes:

- planning to meet Ontario's electricity needs in the near- and long-term;
- reliable operation of the provincial electricity grid;
- administering Ontario's wholesale electricity market;
- fostering a culture of conservation; and in doing all of this
- engaging with stakeholders and communities across the province.

In our role as market administrator, we oversee all wholesale electricity market transactions. Through this market, money is constantly flowing to and from market participants, such as generators, like OPG and distributors, like Toronto Hydro.

As a not-for-profit entity, our role is to efficiently manage and facilitate these market transactions.

This may sound fairly straightforward, but to give you an idea of the value of transactions in our market, last year we settled about 17 billion dollars of financial transactions.

Now I'd like to invite my colleague Kimberly Marshall to address the question you have related to the IESO's accounting policies. Ms. Marshall is the IESO's Chief Financial Officer and Vice President and Corporate Services.