Message

From: Kim Marshall [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=KIM MARSHALL9F5]
Sent: 2017-01-26 11:44:55 AM
To: Susan Nicholson [/o=IMO/ou=MSX1/cn=Recipients/cn=Susan Nicholson]
Subject: RE: IESO Market related items

What ever is easier for him, I am getting booked can he talk at 9am?

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From: Susan Nicholson
Sent: January 26, 2017 11:44 AM
To: Kim Marshall
Subject: RE: IESO Market related items

I agree completely with the income statement and balance sheet comment below.

Do you want to have Matt here tomorrow or just on the phone? I think he is planning to come out either tomorrow or Monday.

From: Kim Marshall
Sent: January 26, 2017 11:41 AM
To: Susan Nicholson
Subject: RE: IESO Market related items

Ok let's talk kpmg tomorrow I would like to get ahead of this

I view the pwc work as income statement and balance sheet, why would it ever be different?

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From: Susan Nicholson
Sent: January 26, 2017 11:38 AM
To: Kim Marshall
Cc: Susan Nicholson
Subject: RE: IESO Market related items

I believe it is a KPMG support item as I believe they would direct us in the PSAB definition of asset and liability. [redacted]

As for performance review language, I have read it through and have no comments or changes. If you send it to me for next steps, I can sign off on it.

Thanks, Susan

From: Kim Marshall
Sent: January 26, 2017 11:35 AM
To: Susan Nicholson
Subject: FW: IESO Market related items

Is this a kpmg or pwc support? Let's discuss tomorrow

I would also like to talk about any comments on the perf review language, thx

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From: Veinot, Cindy (TBS) [mailto:Cindy.Veinot@ontario.ca]
Sent: January 26, 2017 11:21 AM
To: Kim Marshall; Petsche, Nadine (TBS); Patel, Bharat (TBS)
Cc: John Rattray; Hosick, Sarah (TBS); Susan Nicholson
Subject: RE: IESO Market related items

Hi Kim,

Thanks for sending over these materials. I've had a chance to read through the PwC reports and look at the pages you suggested in the white paper.

The PwC documents both speak to the accounting using the principal vs. agent guidance. That material is focused on presentation of the income statement, but doesn't speak to the accounting for the outstanding balances -- e.g. receivables or payables that exist at the end of a period. I think that is the analysis that needs to be undertaken, considering how IESO is a counterparty to contracts with the market participants.

I'll connect with Nadine and Bharat and we will send along any additional comments and ask Sarah to set up a time for a touch point with you and your team for tomorrow or early next week.

Thanks,

Cindy

From: Kim Marshall [mailto:Kim.Marshall@ieso.ca]
Sent: January-25-17 3:15 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS); Patel, Bharat (TBS)

Cc: John Rattray; Hosick, Sarah (TBS); Susan Nicholson
Subject: RE: IESO Market related items

Attached is material to provide background on the current accounting for IESO Corporate and market activity. These items are listed below along with some key messages. We would be happy to discuss the material and answer any questions you might have. Thanks

1. **PWC-Oct2002.pdf - PWC memo to the IMO(pre-IESO name) Audit committee dated October 2002**

PWC Opinion at opening of the market, note these were opinions under GAAP
Page 2 of 10 - agree that physical electricity sales and purchases as well as legislated charges and rebates are transactions for the account of market participants which should not be reported in the IMO's corporate financial statements.
Page 5 of 10 - energy transactions between market participants are guided by the "Market Rules", and associated external and internal manuals…. the IMO is not party to the transactions and simply acts as the agent to the "bid-offer" process. The IMO's proposed accounting treatment is consistent with industry practice (for example other power exchanges and markets such as stock and commodity exchanges) and our analysis of the accounting literature as described later in this document.
Pages 6-10 - This memo contains further accounting analysis and comparator organizations

2. **PWC-Feb2003.pdf - PWC memo to the IMO Audit committee dated Feb 27, 2003**
Page 3 of 6, agree with Management that financial statements do not reflect market transactions.

3. **WhitePaper-May1996.pdf Original Vision on Competition for the electricity System - Ministry of Energy May 1996**

To just provide some context, not to overwhelm, this discusses the separation of roles of system operations and electricity exchange (chapter 6, page 64 of 181). The IESO is effectively facilitating the "stock exchange" concept as the market. The market with its bid process is not under government financial guarantee or control.

Again, happy to discuss further. I am sure a discussion of more recent considerations would be valuable.

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From: Veinot, Cindy (TBS) [mailto:Cindy.Veinot@ontario.ca]
Sent: January 24, 2017 9:37 AM
To: Kim Marshall; Petsche, Nadine (TBS); Patel, Bharat (TBS)
Cc: John Rattray; Hosick, Sarah (TBS)
Subject: RE: IESO Market related items

Thanks Kim

As discussed, we (OPCD) is going to need documentation of the accounting basis for excluding the activities in the "market" books from the IESO financial statements, and therefore, the consolidated f/s of the Province. I would suggest that this be prepared in connection with KPMG in their role as auditors (although I've kept this email internal to government so as not to unduly involve advisors until you determine appropriate). I expect the architecture of any new solution is going to intersect with this accounting issue, so timing is important.

Thanks,

Cindy

From: Kim Marshall [mailto:Kim.Marshall@ieso.ca]
Sent: January-24-17 8:15 AM
To: Veinot, Cindy (TBS); mpicard@kpmg.ca; louellette@kpmg.ca; Petsche, Nadine (TBS); Patel, Bharat (TBS)
Cc: John Rattray; Pelino Colaiacovo
Subject: IESO Market related items

As discussed in this morning call, attached is the Ernst and Young report on the market settlement. Also attached is a market participants agreement for participation. It is more detail than anyone probably needs but shows the compliance to market rules.

[redacted]

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