Message

Sent: 2017-01-30 1:29:53 PM
To: Betik, Matthew [mbetik@kpmg.ca]
CC: mpicard@kpmg.ca; Susan Nicholson [/o=IMO/ou=MSX1/cn=Recipients/cn=Susan Nicholson]
Subject: FW: IESO Market related items
Attachments: PWC-Oct2002.pdf; PWC-Feb2003.pdf; WhitePaper-May1996.pdf

We need KPMG to do an update of the assessment of IESO accounting. Matt and Michel, not sure the right approach from the viewpoint of who to do it. Can the 2 of you

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From: Kim Marshall
Sent: January 25, 2017 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

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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.

Also attached is the ,market financial statements as of nov 30th. [redacted] Happy to discuss further

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