Message

From: Susan Nicholson [/O=IMO/OU=MSX1/CN=RECIPIENTS/CN=SUSAN NICHOLSON]
Sent: 2017-01-24 5:03:44 PM
To: Kim Marshall [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Kim Marshall9f5]
Subject: RE: market accounting

Don't need to include consolidation instructions. I had sent to John simply because they include the definitions of government organizations.

From: Kim Marshall
Sent: January 24, 2017 5:00 PM
To: Susan Nicholson; John Rattray
Subject: market accounting

I was thinking of sending something along the lines the this to the provincial controller, we can discuss, is there a different approach, do you think I need to go through Michel?

We have attached a number of documents to provide background on the current Accounting for IESO Corporate and market activity. These items are listed below along with some key messages.to support understanding of the treatment. We would be happy to discuss the material and answer any questions you might have. Thanks

1. Original Vision on Competition for the electricity System

White paper May 1996
Key message: to come from John r....
Separation of system operations and electricity exchange

2. Accounting advice - PWC Opinions at opening of the market, note these were opinions under GAAP

a) Item#10(AcctgOpinion)Oct31-02.pdf - PWC memo to the IMO(pre-IESO name) Audit committee dated October 2002, Accounting Opinion on Recognition of Revenue
Key message:
Page 2 of 10 - agree with management's position 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 - Physical energy transactions between market participants are guided by the "Market Rules", and associated external and internal manuals. The IMO does not reflect such transactions in its corporate financial statements. We agree with such accounting treatment as 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

b) Item#3bAC Rpt.pdf - PWC memo to the IMO Audit committee dated Feb 27, 2003
Key message:
Page 3 of 6, agree with Management that financial statements do not reflect market transactions.

3. Inclusion within the Government accounts

a) 2002-2003 Public accounts of Ontario

At pages 23 of 69 - discussion of the restructuring of the electricity sector and then the principles of recognition. Instructive to note that OH had not previously been reported so that the market side was never on the provincial books.
Page 65 of 69- treatment of Independent Electricity Market Operator as an "Other Government organization"

b) Instructions to Ministries for the Consolidation of Other Government Organizations (OGO) and Government Business Enterprises (GBE) March 31, 2016

Haven't read, what is in here that might be helpful?

Kimberly Marshall | VP, Corporate Services & CFO
Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202
120 Adelaide Street West, Suite 1600, Toronto, ON M5H 1T1
Web: www.ieso.ca | Twitter: IESO_Tweets | LinkedIn: IESO

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