Changes to accounting policies:

i) Rate regulated assets and liabilities

The IESO has changed its policy regarding the recognition of assets and liabilities subject to rate regulation. The change was made to better reflect the economic substance of certain types of its expenses which may not be directly recovered through the normal revenue requirement model. This change has been applied retroactively and has increased amounts previously unrecorded for regulatory assets and decreased amounts previously reported for accumulated deficit by $65,065 respectively. In the current year, System fees of $3,912 which would have formerly been recognized as revenue and smart metering entity charges in the amount of $19,225, which would have formerly been recognized as revenue were recorded as a $23,137 reduction of regulatory assets.

ii) Market accounts

The IESO has changed its policy regarding the recognition of market accounts assets and liabilities on the statement of financial position. The change was made to better reflect the assets and liabilities and amounts due to and from market participants held by the IESO on behalf of the market at year end. This change has been applied retroactively and has increased amounts previously unrecorded for market accounts assets and liabilities by $1,300,000 respectively. There was no impact to accumulated deficit or revenues and expenses as the IESO ______ (need something to say here about not being exposed to the market).

To go in accounting policies somewhere

Regulatory Assets and Liabilities

As a rate-regulated entity, the IESO, in appropriate circumstances establishes regulatory assets or liabilities, and thereby defers the impact on the statement of operations of certain expenses or revenues because it is probable to be collected or refunded to market participants through future billings. In doing so, the IESO follows the recognition and measurement principles of United States Financial Accounting Standards Board Accounting Standards Codification Topic 980, Regulated Operations. The IESO has adopted these principles as an "other source of generally accepted accounting principles" permitted under PSAB section 1150, *Generally accepted accounting principles* as PSAB does not deal directly with rate regulated accounting.

Market Accounts

The IESO records the market accounts assets, liabilities and amounts due to and from market participants held on behalf of the IESO Administered markets in its statement of operations. The IESO Administered markets are a balancing system, and as such, the net position of market accounts will also settle to a $nil balance in accordance with market rules.