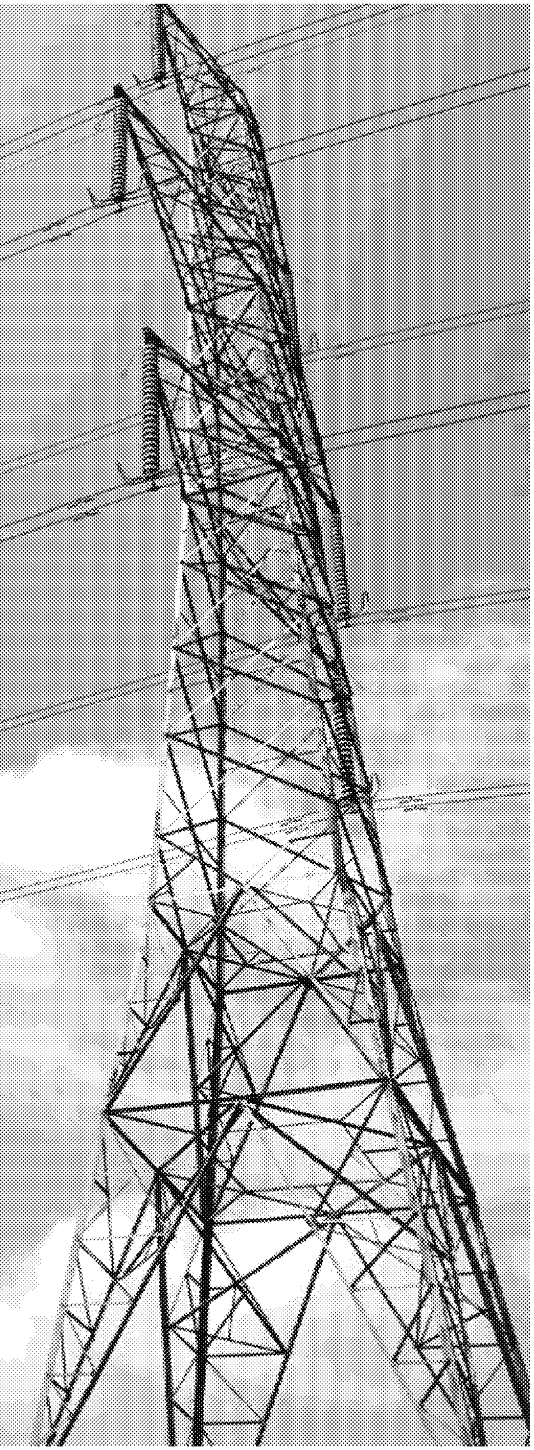
KPMG

Independent Electricity System Operator



Audit Findings Report
Addendum to Report Presented on February 28, 2017

For the year ended
December 31, 2016

kpmg.ca/audit

Audit risks and results (continued)

We identified other areas of focus for our audit in our discussion with you in the Audit Plan.

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Why	Our response and significant findings
Market accounts assets and liabilities	• Significance of account balance • Change in accounting policy	• Gained an understanding of the various components of market accounts assets and liabilities, including cash, investments, line of credit, amounts receivable and payable from and to market participants, and accrued liabilities • Confirmed cash and investment balances and line of credit balances with 3rd parties • Examined reconciling items where significant • Tested a sample subsequent cash receipts and payments in January 2017 based on market participant invoices • Reviewed change in accounting policy disclosures in the financial statements
Regulatory assets	• Significance of account balance • Change in accounting policy	• Reviewed management's assessment of regulatory assets • Obtained evidence of regulatory ability to recover the assets based on future billings to customers, either by specific order/legislation (SME Charge) or precedent (Pension and OPEB costs) • Reviewed the calculations to changes to assets, revenues, and accumulated surplus in the current and prior period financial statements • Reviewed change in accounting policy disclosures in the financial statements

This slide is in addition to the originally issued report.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Company's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

Form, arrangement, and content of the financial statements	—	Appropriate under the accounting framework. It is noted that the PSAB framework was used. The PSAB framework is the preferred framework of the Province of Ontario.
Application of accounting pronouncements issued but not yet effective	—	No concerns at this time regarding future implementation.
Changes to accounting policies	—	Effective for 2016, IESO has changed its accounting policies for regulatory assets and liabilities and market accounts assets and liabilities. The amounts are fully disclosed in Note 3 to the financial statements.

This slide replaces the previously issued page 10 slide in the February 28, 2017 report.