Message

From:	Susan Nicholson [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=F668E601BD2B4865A5C31DCA531047C8-SUSAN NICHO]
Sent:	2017-04-13 12:15:05 PM
To:	Adrian Pye [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=72156be4624446d1a621c64d98172f05-Adrian Pye]
CC:	Susan Nicholson [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=f668e601bd2b4865a5c31dca531047c8-Susan Nicho]
Subject:	RE: Accounting Changes - draft desription to include the fee application - your review sought

I have no concerns with the wording (font sizes appear to be different however).

Thanks, Susan

From: Adrian Pye
Sent: April 13, 2017 11:54 AM
To: Susan Nicholson
Subject: FW: Accounting Changes - draft desription to include the fee application - your review sought

Susan,

Below is draft wording on the Accounting Change I have prepared to include in the fee application. This wording is adapted from the Q&A that I understand was prepared for the government and the 2016 Annual Report, both of which are attached.

I would appreciate it if you could review this and provide any edits or comments.

Thanks,
Adrian

Accounting Change
The IESO has made changes to its accounting policies to increase transparency and to report certain costs as regulated assets, consistent with the accounting policies of other regulated entities in North America. These changes are reflected in Note 3 on page 13 of the IESO's 2016 Annual Report, which is filed with this application as Exhibit A-3-1. The changes include the recognition of rate regulated assets as well as the recognition of market accounts assets and liabilities on the statement of financial positions.

The IESO operates and settles the electricity market, where sums of money are constantly flowing to and from market participants, such as consumers and generators. The IESO is not party to these market transactions but facilitates them, which requires it to temporarily hold and move funds. These financial transactions in no way impact the IESO's accumulated deficit or revenues and expenses. After a review of its accounting practices, the IESO decided to include year-end market account balances on its financial statements in an effort to increase transparency.

Additionally, the IESO has changed its accounting policy to report certain costs as regulated assets, specifically unrecovered smart metering expenses and unrecovered PSAB transition items, to be consistent with the accounting policies of other regulated entities in North America. These are costs that are being recovered through Board approved fees and it is common practice among regulated entities to treat such costs as regulatory assets for accounting purposes. It`s important to note that no matter which way you report these costs, the cost and the impact on ratepayers does not change. These costs have been in the IESO's publicly issued audited financial statements for years and the decision to move to the new accounting policy was made to better reflect the nature of these costs. The reporting of these costs has always been public and the new reporting is simply a function of change in accounting policy.

From: Tam Wagner
Sent: April 11, 2017 1:10 PM
To: Adrian Pye
Subject: FW: Accounting Changes Key Messages and Q&As

From: Jordan Penic
Sent: March 30, 2017 12:42 PM
To: Tam Wagner
Subject: FW: Accounting Changes Key Messages and Q&As

Did you ever see our key messages on this?

From: Andrew Dow
Sent: March 27, 2017 2:47 PM
To: Terry Young; Chuck Farmer; Mary Bernard
Cc: Jordan Penic
Subject: Accounting Changes Key Messages and Q&As

Hi,

As you know, the IESO has changed its accounting policy to recognize certain costs as regulated assets and to include market accounts on its financial statements. These changes are noted and explained in the financial statements that will accompany our Annual Report (that section is attached here).

The fact that we now have ~$1.6B in assets and liabilities (because of the inclusion of market accounts) may attract attention, and the recognition of regulated assets is requiring us to mention the previously reported $80M actuarial "loss".

In anticipation of potential attention we may receive, and in response to the Board's request for a communication plan, our key messages and Q&As are attached here. Let us know if you have any comments or concerns.

Andrew

Andrew Dow | Analyst, Government Affairs and Issues Management
Independent Electricity System Operator (IESO) | T: (416) 506-2827
120 Adelaide Street West, Suite 1600, Toronto, ON M5H 1T1
Web: www.ieso.ca | Twitter: IESO_Tweets | LinkedIn: IESO
Conservation: www.saveONenergy.ca | Twitter: saveONenergyOnt | LinkedIn: saveONenergy