



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# IFRS Consultation

August 22, 2008 Meeting

Board Staff - Regulatory Audit

# Purpose of Presentation

- Part I: Consultation Process Overview
- Part II: Areas Where Input is Sought for the Board





# Part I: Consultation Process Overview



# Consultation Process Overview

- Purpose of IFRS Consultation – to provide:
  - An arena for Board staff to work with interested industry participants in relation to regulatory matters associated with the transition of Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS)
  - Input to Board staff’s work to develop a transition plan for those of the Board’s regulatory accounting instruments and processes affected by the transition to IFRS



# Consultation Process Overview

- IFRS will replace Canadian GAAP for all publicly accountable enterprises (PAEs)
  - “PAEs include listed companies and any other organizations that are responsible to large or diverse groups of stakeholders”<sup>1</sup>
  - Effective January 1, 2011, with comparative financial statements available for 2010
  - Appears most utilities regulated by the Board are PAEs

<sup>1</sup> Source: The CICA’s Guide to IFRS in Canada



# Consultation Process – Events to Date

- Invitation to participate – May 8, 2008 letter
  - Received 30 expressions of interest
    - Gas and electricity industry providers
    - Consultants – public accountants, regulatory consultants
    - Stakeholders
- Creation of page on the Board's website



# Consultation Process – Events to Date

## Details of Consultation Process – July 24, 2008 letter

- Received 40 expressions of interest
- Three meetings:
  1. **August 22** – *Presentation by participants*: Work to date, current developments, key IFRS differences, areas where work required
  2. **September 16** – *Board staff tables*: Potential changes to regulatory instruments and processes, pro-forma financial statements, reconciliation to regulatory income  
**October 6** – *No meeting*: Board staff circulate draft plan
  3. **October 16** – *Participant comments on draft plan*



# Details of First Consultation Meeting

## Suggested preparation by participants:

- Describe work done to date or planned
- Describe operational procedures for the review and adoption of IFRS
- Share perspectives on developments at Canadian AcSB (Accounting Standards Board) and IASB (International Accounting Standards Board)
- Share understanding of key IFRS/Canadian GAAP differences
- Discuss the need for IFRS training
- Identify potential impacts on the rate-setting process,
- Provide input to the future use of deferral and variance accounts
- Provide input to revisions to the gas and electricity Uniform System of Accounts (USoA) and the Accounting Procedures Handbook (APH).







# **Part II: Areas Where Input is Sought for the Board**



# Input Sought for the Board

- Several key areas regarding the transition to IFRS
- Discussion needed with participants
- Role of Board members versus Board staff



# IFRS Key Areas – Topics

- Applicability of IFRS to all entities regulated by the Board
  - Are all Ontario gas and electricity regulated entities PAEs?
  - If not, should the Board consider that all regulated utilities are to comply with IFRSs anyway?
- Elections on an entity-specific or industry-wide basis?
  - IFRS 1 adoption exemptions
  - IFRS accounting policy choices
  - IFRS financial statements presentation choices



# IFRS Key Areas – Topics (continued)

- Changes required to certain regulatory accounting instruments and processes
  - APH
  - Gas and Electricity USoA
  - Gas and Electricity Reporting and Record Keeping Requirements (RRR)



# IFRS Key Areas – Implementation

- Potential Ontario utility transition rules
  - Deferral and variance accounts
  - Need for separate set of accounts for the Board?
- Prescribed accounting (including interest rates) versus entity-specific selection
- Availability of detailed information by employer in multi-employer pension plan
- Measurement and disclosure requirements for affiliate transactions



# Other Concurrent Drivers of Change

- Minimum Filing Guidelines for rate applications
- Level of guidance required for APH – similar in size and scope to current APH?
- Move to incentive regulation
- Supplementary reporting required for transition years
  - Rebasing applications
  - Incentive Rate Mechanism (IRM) applications
- Expense account granularity to support Cost Allocation and Utility Comparative Analysis
- Adoption of uniform asset service lives
  - Depreciation study



# The Transition Plan

- Plan will include:
  - Definition and scope of key deliverables (mini-projects), such as:
    - Approved APH changes
    - Approved USoA changes
    - Approved RRR changes
  - Start and end dates for each deliverable (multi-year) – to support 2010 accounting / reporting



# The Transition Plan (continued)

- Plan will include (continued):
  - Key work steps, such as:
    - Development phase
    - Stakeholder / working group involvement as appropriate
  - Integration with other key initiatives
  - Plan approval and amendment process
  - Involvement, review, and approval by the Board
  - Interim and final communications

