



Ontario Energy Board

Commission de l'énergie de l'Ontario

Transition to IFRS - Ontario Regulated Gas and Electricity Utilities

Consultation – October 16, 2008

OEB Staff Project

Accounting Transition Project

Purpose: Transition existing OEB accounting requirements and processes from Canadian GAAP to IFRS by “January 1, 2011” (to support accounting/reporting in 2010)

- Identify changes needed to OEB regulatory accounting requirements, instruments and processes
- Communicate with stakeholders regarding transition
- Work with stakeholders to obtain input on proposed changes
- Analyze and document proposed solutions for issues such as deferral and variance accounts
- Obtain Board approval for changes to OEB regulatory accounting requirements, instruments and processes
- Provide support and guidance to internal and external stakeholders



Developing the Project Plan

- Staff using a Consultation process to develop the Transition Project Work Plan
 - **By when:** Early November 2008
 - **Who:** Gas and Electricity industry participants, experts, interest groups
 - **How:** three consultation meetings
 - August 22nd – participants expressed views on changes required
 - September 16th – Board staff tabled and presented some enabling IFRS tools (e.g. pro-forma IFRS F/S)
 - October 16th – Board staff presenting draft project plan, which was circulated to participants on Oct 7 for comment by Oct 24
 - **Output:** Transition Project Plan approved by Board by early November to transition Board tools from current regulatory framework to Board approved tools applicable under IFRS



Information Update

- IASB Exposure Draft – IFRS 1
 - Issued September 25, 2008
 - First Time Adoption exemption for PP&E
 - Use of historic cost valuation as deemed cost on transition date to IFRS



Information Update

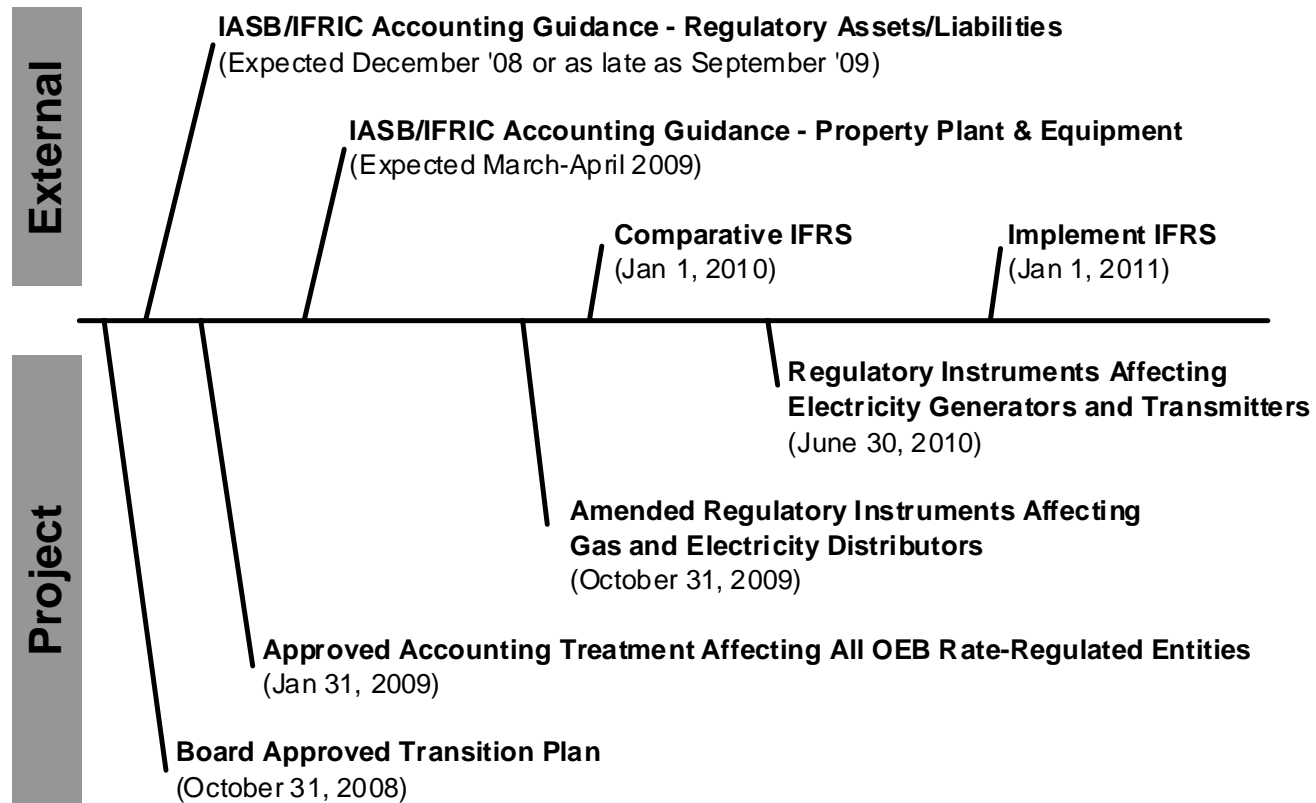
- AcSB definition of Publicly Accountable Enterprise
 - Decision Summary September 23-24, 2008
 - A profit-oriented entity that has issued (or is in the process of issuing) debt or equity securities that are (or will be) outstanding and traded in a public market, or holds assets in a fiduciary capacity for a broad group of outsiders
 - Decisions on the applicability of IFRSs to public sector entities fall within the mandate of PSAB
 - Government business enterprises and government business type organizations are deemed to be publicly accountable
 - e.g. Municipally owned utilities



Summary Transition Work Plan and Timelines

Summary IFRS Transition Work Plan

Figure 1



Structure of Work Plan

1. **Key Regulatory Accounting Issues and Board Decisions Applicable to Rate-Regulated Entities**
 - Identifies, describes and discusses the key regulatory accounting issues and Board decisions that will be applicable to all entities that are rate regulated by the Board.
2. **Amendments to Regulatory Instruments arising from the Adoption of IFRS (for Electricity Distributors and Gas Utilities)**
 - Outlines the scope of planned changes to regulatory instruments for electricity distributors and gas utilities arising from the adoption of IFRS effective January 1, 2011.



Structure of Work Plan

3. Regulatory Instruments Arising from the Adoption of IFRS (for Electricity Generators and Transmitters)
 - Outlines a separate process for largely new regulatory instruments for electricity generators and transmitters to address financial reporting requirements.
4. Project Work Plan Processes and Deliverables
 - Summarizes the work plan processes and deliverable including the timelines for each.



Key Regulatory Accounting Issues / Decisions

- **1.1 Entities to Which IFRS Reporting Applies**
 - 1.1.1 Should the Board require all entities to continue to report information to the Board using Canadian GAAP until December 31, 2010, notwithstanding what may occur with respect to IFRS?
 - 1.1.2 Should the Board require all such entities to report information to the Board using IFRS beginning January 1, 2011?



Key Regulatory Accounting Issues / Decisions

- **1.2 Regulatory Assets and Liabilities**
 - 1.2.1 Should the Board continue deferral and variance accounts to achieve regulatory objectives?
 - 1.2.2 If so, should Board staff propose definitions for deferral and variance accounts?



Key Regulatory Accounting Issues and Decisions

- **1.3 Accounting for Property, Plant and Equipment (“PP&E”) on Initial Adoption of IFRS**
 - 1.3.1 Should the Board require historic cost/NBV to be used at the date of adoption for regulatory purposes?
- **1.4 Accounting for PP&E on an Ongoing Basis**
 - 1.4.1 Should the Board require historic cost/NBV values to continue to be used for regulatory purposes on an on going basis?



- **1.5 Application of Depreciation Accounting Under IFRS**
 - 1.5.1 Should the Board provide further guidance on depreciation policies and principles?
 - 1.5.2 Should the Board encourage sector-wide depreciation studies by utilities (based on defined policies and principles)?
- Other?

Next Steps

- Written comments by October 24, 2008
- Plan presented to Board November 12, 2008
- Communicate approved plan after Board meeting
- Letter defining first consultation to seek approval of “Accounting Treatment Affecting All OEB Rate-Regulated Entities”

