



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

## **Transition to IFRS - Ontario Regulated Gas and Electricity Utilities**

Consultation – September 16, 2008

# Regulatory Landscape in Ontario

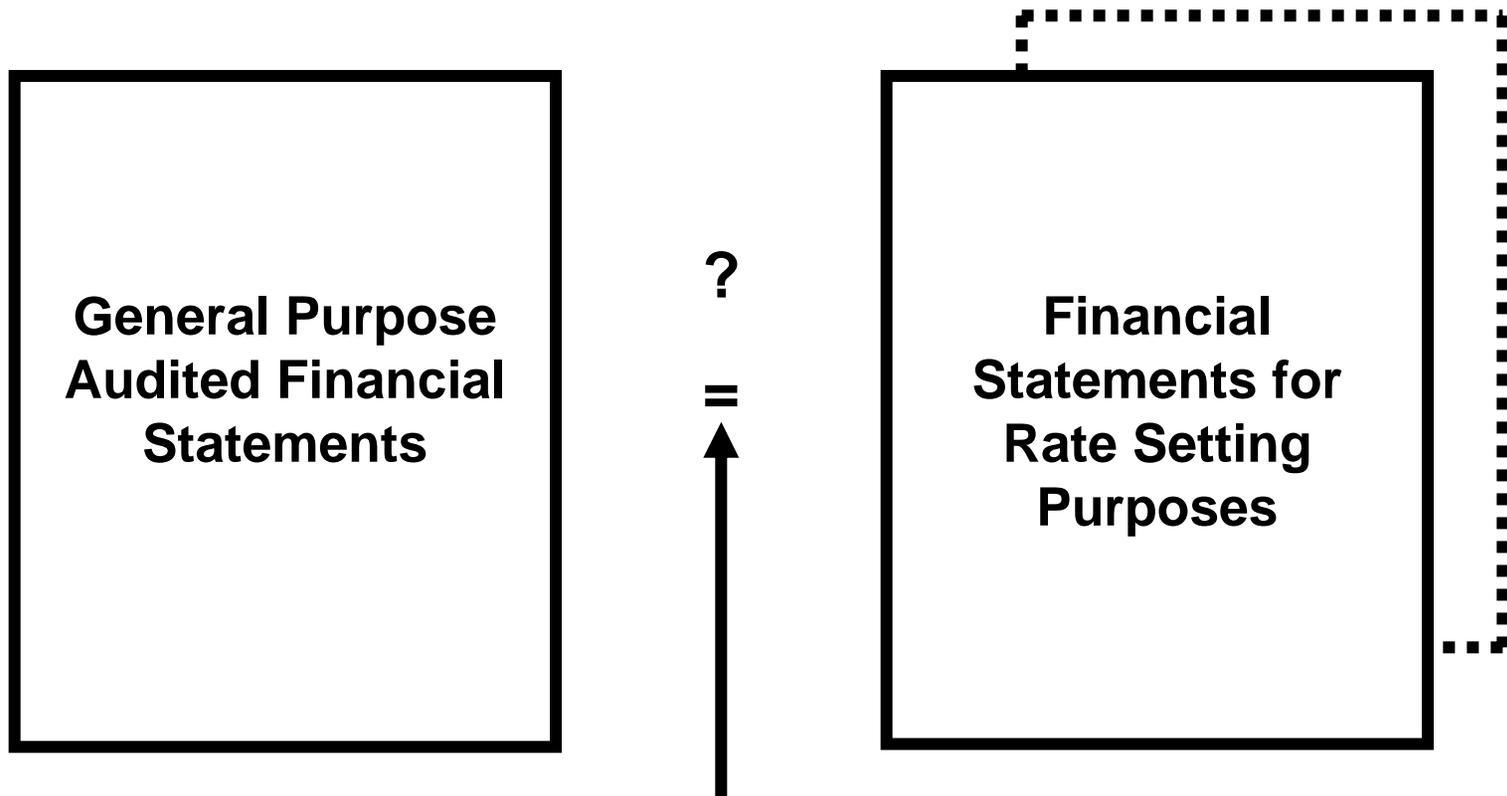
- Rate Regulated Electricity Utilities
  - 83 Distributors
  - 3 Transmitters
  - 1 Generator

(Some *reporting issuers* or subs of reporting issuers, many government owned, many not GAAP savvy)
- Rate Regulated Gas Utilities
  - 2 Large Distributors
  - 1 Small Distributor

(2 Large are *reporting issuers*)



# The Focus



**The greater the differences the more challenging it is to run the enterprise to meet differing objectives**



# Impact Areas

- Migration from Canadian GAAP to IFRS will
  - Change financial reporting by market participants
  - Influence OEB regulatory accounting and reporting requirements
  - Impact rate setting processes and assumptions
  - Create uncertainty until details are worked out
- Will likely require modifications to
  - Regulatory accounting standards
  - Reporting and record-keeping requirements
  - Rate setting processes
  - Training and communication



# 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:** October 31, 2008
  - **Who:** Gas and Electricity industry participants, experts, interest groups
  - **How:** three consultation meetings
    - August 22<sup>nd</sup> – participants express views on changes required
    - September 16<sup>th</sup> – Board staff tables some enabling tools and discuss
    - October 16<sup>th</sup> – Board staff develops draft project plan and circulates (by Oct 6<sup>th</sup>) to consultation participants for comment
  - **Output:** Transition Project Plan approved by Board by October 31<sup>st</sup> to transition Board tools from current regulatory framework to Board approved tools applicable under IFRS



# Issue Areas to be Considered in Project

1. Does IFRS apply to all OEB regulated entities?  
*(tentatively, yes)*
2. Key differences between current GAAP and IFRS?
  - Regulatory Assets and Liabilities
  - Property Plant and Equipment
  - Valuation of Gas Inventory
  - Other
3. How to build level of knowledge, e.g., regulated enterprises, Board staff, rate case adjudicators?
4. Is early adoption contemplated by any entities? *(No)*
5. In the face of multi-national pressures will IASB:
  - recognize specialized accounting for rate-regulated operations?
  - enable continued reliance on net PP&E as cornerstone of rate base?



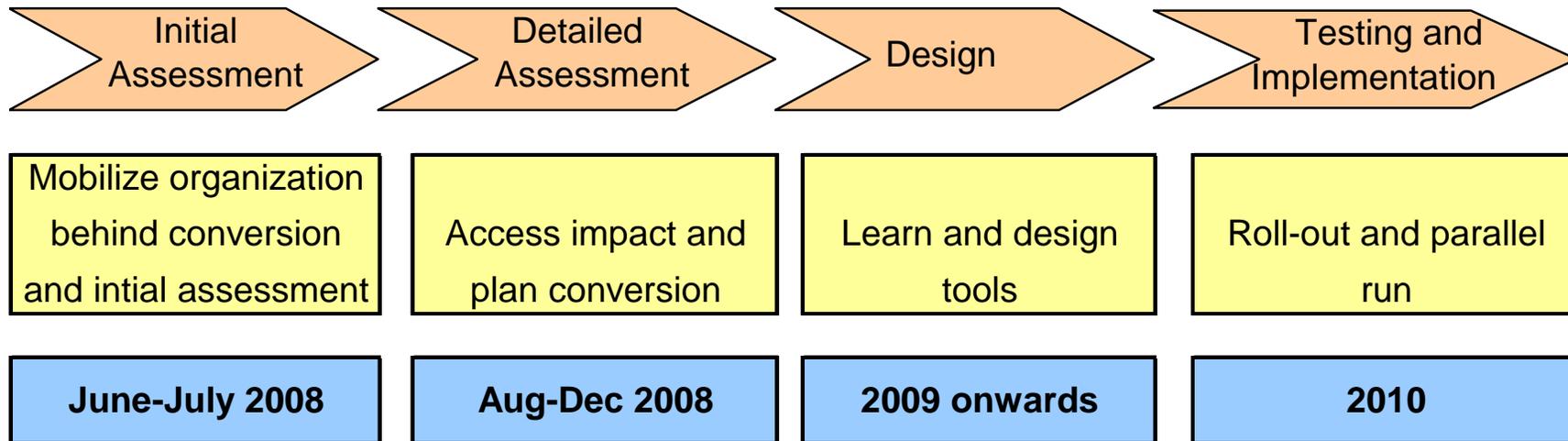
## Issue Areas (Cont'd)

6. How will regulatory income measurement occur in an IRM environment straddling old and new?
  - Is supplementary reporting required during transition?
7. Should available elections be entity-specific or industry-wide?
  - IFRS 1 adoption exemptions
  - IFRS accounting policy choices
  - IFRS financial statement presentation choices
8. How should the Board obtain assurance regarding regulatory information outside audited financial statements?
9. Can the Board take actions now that will underwrite “asset-worthiness” of certain regulatory accounts?
10. Can phased project deliverables be used to advantage?



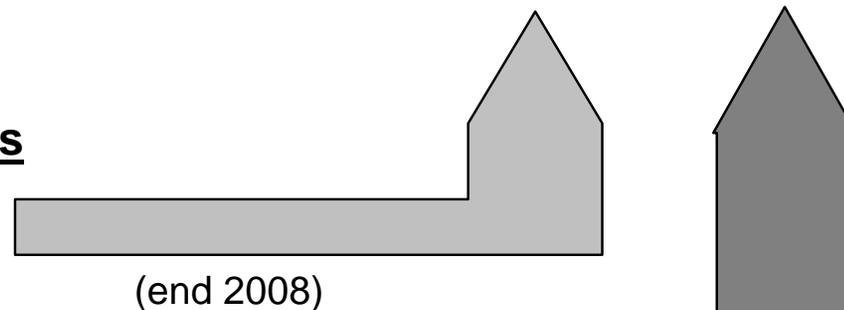
# Overall Timeline

## Regulated Enterprise



## OEB Decisions

Key principles



Board tools

(mid 2009)



# Materials for Today's Consultation

- Project Planning phase:
  1. Illustrative financial statements that show key differences between
    - Current Canadian GAAP financial statements, and
    - IFRS financial statements
  2. Reconciliation of before/after income statements to regulatory income and revenue requirement
  3. List of specific areas requiring change in *Accounting Procedures Handbook*

