



Ontario Energy Board

Commission de l'énergie de l'Ontario

Consultation on Transition to IFRS – Issues Meeting

January 27, 2009

Background

As required by the Canadian Accounting Standards Board, Canadian GAAP for publicly accountable enterprises will transition to International Financial Reporting Standards (IFRS) effective January 1, 2011.

- It is expected that most utilities regulated by the Board will be required to adopt IFRS.
- Adoption of IFRS is expected to change the manner in which utilities perform their accounting and the reporting of financial results, and this may affect gas and electricity rates



Previous Work

- In the fall of 2008, Board staff conducted a series of meetings involving industry participants to facilitate IFRS transition planning
- Information and feedback was received from these participants
- The material is on the Board's website
- We have tried to include the issues raised by participants in the draft issues list



Work Plan

Two phase process:

1. Policy consultation: formulate the policy principles involved in the transition to IFRS.
2. Amend relevant regulatory instruments in order to implement the Board's policy.



Phase 2: Regulatory instruments

Gas rules:

- Natural gas USoA
- Natural gas RRR

Electricity reporting requirements:

- Electricity RRR
- Electricity USoA

Policy guidelines:

- Electricity APH
- Filing for rate applications (electricity and gas)



Possible Phase 3?

- Electricity transmitters?
- Ontario Power Generation Inc.?

No firm plans yet.



Phase 1: Policy consultation

Steps:

- Issues meeting
- Board staff consultant report
- Other expert reports? Written information?
- Stakeholder conference
- Written comments



Issues Meeting - today

- Explain process and take questions
- Create a proposed issues list for the Board
 - Go through Board staff draft issues list
 - Add, delete, reword issues



Staff Consultant Report

Board staff's consultant, KPMG, is preparing a report that will identify:

1. The key areas in which principles are required to support the transition to IFRS for the regulation of gas and electricity distribution utilities, i.e:
 - the relevant issues that need to be addressed under IFRS;
 - the range of alternatives available; and
 - the implications on rate-making of each alternative for rate payers, regulated utilities and the rate making process.



Staff Consultant Report (continued)

2. The IFRS experience in two other similar regulatory jurisdictions (if identified), commenting upon:
 - their regulatory environment;
 - their GAAP environment prior to transition;
 - points of difficulty; and
 - any resulting changes in the basis of regulation.

If similar jurisdictions are not identified, the report will explain that there are not any reasonably comparable regulatory jurisdictions.

We plan to make this report available in early March 2009.



Other Expert Reports? Information?

- What are your plans?
- What information would help the Board?



Stakeholder Conference

- Opportunity for information sharing and furthering understanding of the required policy decisions
- Speakers will present views on the issues to the Board and stakeholders
 - Board members in attendance
 - Transcribed
 - Several days in length
 - Conference transcript and written materials will be inputs for Board policy decision



Stakeholder Conference

- We will create a schedule of speakers
- From Board staff:
 - Our consultants, KPMG, on their report and on all of the issues
 - Brief, early presentations from
 - Capital markets representatives*
 - Companies already transitioned to IFRS*
- From attendees:
 - Presentations (by major issue?)

* If available



Succeeding Steps

- Written comments following stakeholder conference
- Other steps to be determined
- Timing of Phase 2 to be determined

