The Voice Of Ontario's Electricity Distributors

June 3, 2009

Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON  M4P 1E4

*Via RESS and by courier*

Dear Board Secretary:

**Re: Board File No. EB-2008-0408 – Return submission**
**International Financial Reporting Standards (IFRS) – Implementation**

The Electricity Distributors Association (EDA) is the voice of Ontario's local distribution companies (LDCs). The EDA represents the interests of over 80 publicly and privately owned LDCs in Ontario. The EDA's final comments (Return responses) for the implementation of IFRS are provided in the succeeding paragraphs.

The implementation of IFRS for financial accounting is inevitable and the move to modified IFRS for regulatory accounting, as many stakeholders suggested, is also unavoidable. The question then is what modifications are required and how to start that transition?

KPMG's report informed us of the options available on each of the identified issues and stakeholders' consensus evolved, during the consultation process, on some issues with respect to choosing the right option. For the issues on which there was no consensus, we deliberated the pros and cons of several options and debated the views of all stakeholders during the technical conference. The EDA is of the view that the Board could make the required policy decisions based on the information developed during the stakeholder sessions and by the discussions at the technical conference.

The EDA disagrees with the suggestion of the School Energy Coalition (SEC) that the Board should make policy decisions only on those issues where there was stakeholder consensus leaving the balance of the issues until after complete information and analysis is available. This would mean that the Board is not to make any decisions on the issues before us until IFRS is implemented by utilities for financial reporting.

The EDA submits that we are faced with fundamental accounting changes that are required to be adopted quickly. And we understand that corrections will need to be made from time to time as we make this transition. In most cases, we know the direction of change on rates resulting from


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the impact of accounting policy transition although the magnitude of change is difficult to estimate at this time. But waiting until all the details are known would mean ignoring the urgency of the task before us.

The SEC in its submission observed that "The current relationship between CGAAP and regulatory accounting evolved over time. The same thing will happen with IFRS and regulatory accounting. Along the way, there will be changes to IFRS that will make it more "regulator-friendly", and there will be changes to regulatory accounting to adapt to IFRS rules. That evolution will not happen overnight." The EDA agrees with this observation of SEC. However, the question then is "Are we going to maintain two sets of records until that evolution is complete even if takes 5 to 10 years?"

The EDA believes that if the system of regulatory accounting is aligned with that of financial accounting to the extent feasible, it will lead to minimization of differences between them and ultimately result in cost savings.

Further, as brought out in the EDA's earlier submission, the transition to IFRS will have a significant impact on LDCs' operations; systems and human resources. From January 2010, LDCs will need to start collecting data under IFRS in order to be able to prepare financial statements under IFRS in 2011. Significant changes will be required at the transaction level to start collecting such data. The technological systems that LDCs currently use to record and analyze financial transactions will need to be modified. The systems must also be capable of capturing new information for required disclosures.

There are a number of critical tasks that need to be completed prior to 2010 to ensure that when January 1, 2011 arrives, everything is in place to ensure a smooth transition. In the absence of the Board's direction, LDCs will be compelled to make their own assumptions in their IFRS project planning processes in order to meet the IFRS implementation deadline. Later on, if the assumptions change totally, the situation may lead to potential cost overruns for transition to IFRS. Thus, knowing the Board's policy direction is of utmost value.

In view of the above, it is imperative that the Board's direction on all of the issues identified in this consultation is made available at the earliest possible date.

Yours truly,

"original signed"

Maurice Tucci
Policy Director, Distribution and Regulation

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