

January 30, 2019

VIA Email

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor, 2300 Yonge Street
Toronto, ON M4P 1E4

**Re: Independent Electricity System Operator
Change to Accounting Procedures**

Section 14.1 of the Independent Electricity System Operator's ("IESO") electricity licence EI-2013-0066 states as follows:

14.1 The Licensee shall maintain proper books of account and adhere to generally accepted accounting practices, and shall maintain such financial records or accounts as the Board may require from time to time. The Licensee shall notify the Board of any material change to its accounting procedures.

In accordance with section 14.1, the IESO is writing to notify the Ontario Energy Board ("OEB") that it has changed certain accounting policies. Specifically, the IESO is changing its accounting policies to no longer use rate regulated accounting and to unconsolidate the market accounts from the IESO's corporate accounts. These changes have been implemented for fiscal 2018 beginning with December 31, 2018 financial statements.

In late September 2018, the Ontario Government announced its intentions to revise the Fair Hydro program such that it would be funded by the tax base instead of the rate base. The government also released their 2017-2018 Public Accounts, and findings of the Independent Financial Commission of Inquiry report, in which it announced that it would adopt the Auditor General's proposed accounting treatment for global adjustment refinancing.

As such, the IESO is changing its accounting policies to no longer use rate regulated accounting. In addition, to achieve a better level of transparency, our market accounts' financial statements will be posted publicly online as a separate set of unaudited financial statements which will include the IESO's Fair Hydro program figures.

Ms. Kirsten Walli
January 30, 2019
Page 2

Please let me know you have any questions about the IESO's new processes by contacting me directly at 905-855-6340 or Devon.Huber@ieso.ca.

Sincerely,



Devon Huber
Senior Manager, Regulatory Affairs

cc: Mr. Brian Hewson, Vice President, Consumer Protection & Industry Performance, OEB
Mr. Sagar Kancharla, Manager Licensing & Performance Reporting, OEB