Independent Electricity System Operator
Statement of Operations and Accumulated Surplus
(Unaudited)

(in thousands of Canadian dollars)	For the three months ended March 31, 2005	For the three months ended March 31, 2004
	$	$
REVENUES		
System fees	41,138	40,328
Other Income	814	763
TOTAL REVENUES	**41,952**	**41,091**
EXPENSES		
Labour	16,904	15,857
Computer services, support and equipment	2,952	3,011
Consultants, contract and legal services	1,086	1,016
Telecommunications	637	589
Other costs	1,480	1,435
Amortization	12,976	12,475
TOTAL EXPENSES	**36,035**	**34,383**
Net Income Before Interest	**5,917**	**6,708**
Interest and investment income	341	310
Interest expense and financing charges	(2,467)	(2,824)
NET INCOME FOR THE PERIOD	**3,791**	**4,194**
Accumulated Surplus - Beginning of Period	**21,307**	**15,638**
Amount committed to Ontario Power Authority (note 4)	**(15,000)**	**-**
ACCUMULATED SURPLUS - END OF PERIOD	**10,098**	**19,832**

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at March 31, 2005	As at December 31, 2004
	$	$
ASSETS		
Current Assets		
Cash & cash equivalents	34,932	7,302
Temporary Investments	6,374	45,841
Prepaid expenses & receivables	18,209	20,188
	59,515	**73,331**
Property & Equipment		
In service	155,504	167,194
Construction-in-progress	1,509	2,038
	157,013	**169,232**
Other Assets		
Long-term investments (note 2)	8,060	8,016
Prepaid pension expense	20,054	22,097
	28,114	**30,113**
TOTAL ASSETS	**244,642**	**272,676**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities	14,855	17,921
Accrued interest	3,058	1,677
	17,913	**19,598**
Long-term Debt (note 3)	178,200	203,200
Accrual for Employee Future Benefits Other than Pensions	29,431	28,571
TOTAL LIABILITIES	**225,544**	**251,369**
Accumulated Surpus - end of period	10,098	21,307
Commitment to Ontario Power Authority (note 4)	9,000	-
TOTAL ACCUMULATED SURPLUS	**19,098**	**21,307**
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**244,642**	**272,676**

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Independent Electricity System Operator
Statement of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)	For the three months ended March 31, 2005	For the three months ended March 31, 2004
	$	$
OPERATING ACTIVITIES		
Net Income for Period	3,791	4,194
Adjustments for non-cash items:		
Amortization	12,976	12,475
Decrease in prepaid pension expense	2,054	1,740
Increase in accrual for employee future benefits other than pensions	1,160	1,137
	16,190	15,352
Changes in non-cash items related to operations:		
Decrease in accounts payable and accrued liabilities	(1,402)	(1,812)
Decrease in prepaid expenses and receivables	1,980	958
	578	(854)
Other:		
Contribution to pension fund	(12)	(9)
Payment of employee future benefits	(299)	(273)
	(311)	(282)
Cash provided from operating activities	**20,248**	**18,410**
INVESTING ACTIVITIES		
Net sale/(purchase) of temporary investments	39,467	(7,468)
Purchase of long term investments	(44)	(36)
Investment in property & equipment	(1,041)	(1,013)
Cash provided from/(used in) investing activities	**38,382**	**(8,517)**
FINANCING ACTIVITIES		
Retirement of long term debt	(25,000)	(25,000)
Payment on commitment to Ontario Power Authority	(6,000)	-
Cash used in financing activities	**(31,000)**	**(25,000)**
NET CHANGE IN CASH & CASH EQUIVALENTS	**27,630**	**(15,107)**
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	7,302	36,939
CASH & CASH EQUIVALENTS - END OF PERIOD	**34,932**	**21,832**
Supplementary Information: (in thousands of Canadian dollars)		
Interest Paid	**1,009**	**1,439**

Certain of the 2004 comparative figures in the financial statements have been reclassified to conform to the 2005 financial statement presentation.

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

March 31, 2005

1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2004 annual financial statements. The interim financial statements should be read in conjunction with the 2004 annual financial statements.

2) LONG-TERM INVESTMENTS

Long-term investments represent an investment in a balanced pooled fund. The market value of these investments was $9,085,399 as at March 31, 2005 (December 31, 2004 - $8,916,508).

3) LONG-TERM DEBT

(in thousands of Canadian dollars)	As at March 31, 2005	As at December 31, 2004
	$	$
Notes payable to		
Ontario Electricity Financial Corporation (OEFC)	78,200	78,200
The Province of Ontario	100,000	125,000
	178,200	**203,200**

Note Payable to Province of Ontario

On February 3, 2005 the IESO repaid $25.0 million of the outstanding principal.

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Credit facility

IESO has an unsecured, committed, and extendible 364-day revolving credit facility agreement with a Canadian chartered bank, under which the bank will make available to the IESO an amount up to $20.0 million. As at March 31, 2005 and December 31, 2004 no balance was drawn on the credit facility. Advances under this facility are available in Canadian dollars by way of prime rate loans or relevant Bankers' Acceptances rates. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum and a Stamping Fee of 30 basis points per annum upon acceptance of each Bankers' Acceptance.

The IESO also has an unsecured, committed, and extendible 364-day revolving credit facility agreement with a banking syndicate, under which the syndicate will make available to the IESO an amount up to $100.0 million. As at March 31, 2005 $3.1 million was drawn on this credit facility (December 31, 2003 no balance was drawn). Advances under this facility are available in Canadian dollars by way of prime rate loans or relevant Bankers' Acceptances rates. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum and a Stamping Fee of 30 basis points per annum upon acceptance of each Bankers' Acceptance. This facility will mainly be used to fund shortfalls in amounts owed to the IESO by Market Participants for payment to other Market Participants prior to their recovery under the provisions of the market rules.

4) COMMITMENT TO ONTARIO POWER AUTHORITY

Pursuant to a Regulation under the *Electricity Act, 1998* and a Memorandum of Understanding (MOU) between the Ministry of Energy and the IESO (dated January 4, 2005), the IESO will pay the Ontario Power Authority (OPA) fees established for 2005 in the amount of $15.0 million. As of March 31, 2005, the IESO has paid $6.0 million to the OPA. Such fees may be paid by the IESO to the OPA from amounts collected by it on or before December 31, 2004.

(in thousands of Canadian dollars)	As at March 31, 2005	As at December 31, 2004
	$	$
Total commitment to OPA funding	15,000	0
Amounts paid to OPA	(6,000)	0
Commitment to OPA funding	**9,000**	**0**

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