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

(in thousands of Canadian dollars)	For the three months ended September 30, 2005	For the nine months ended September 30, 2005	For the three months ended September 30, 2004	For the nine months ended September 30, 2004
	$	$	$	$
REVENUES				
System fees	40,174	118,075	37,596	114,277
Other Income	1,230	3,189	870	2,432
TOTAL REVENUES	**41,404**	**121,264**	**38,466**	**116,709**
EXPENSES				
Labour	14,553	48,161	14,287	45,423
Computer services, support and equipment	2,675	8,062	2,435	8,302
Contract Services and Consultants	2,270	5,132	1,538	5,210
Telecommunications	759	2,084	620	1,880
Other costs	1,039	3,940	584	3,426
Amortization	10,681	36,680	14,088	39,097
TOTAL EXPENSES	**31,977**	**104,059**	**33,552**	**103,338**
Net Income Before Interest	**9,427**	**17,205**	**4,914**	**13,371**
Interest and investment income	263	940	206	711
Interest expense and financing charges	(2,265)	(7,054)	(2,525)	(8,004)
NET INCOME FOR THE PERIOD	**7,425**	**11,091**	**2,595**	**6,078**
Accumulated Surplus - Beginning of Period	**9,973**	**21,307**	**19,121**	**15,638**
Amount committed to Ontario Power Authority (Note 5)	**-**	**(15,000)**	**-**	**-**
ACCUMULATED SURPLUS - END OF PERIOD	**17,398**	**17,398**	**21,716**	**21,716**

Certain 2004 figures in the Statement of Operations and Accumulated Surplus above have been reclassified to conform to the 2005 presentation.

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at September 30, 2005	As at December 31, 2004
	$	$
ASSETS		
Current Assets		
Cash & cash equivalents	28,755	7,302
Temporary Investments	3,985	45,841
Prepaid expenses & receivables	20,344	20,188
	53,084	**73,331**
Property & Equipment		
In service	134,197	167,194
Construction-in-progress	3,260	2,038
	137,457	**169,232**
Other Assets		
Long-term investments (Note 3)	8,823	8,016
Prepaid pension expense	24,204	22,097
	33,027	**30,113**
TOTAL ASSETS	**223,568**	**272,676**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities	16,645	17,921
Accrued interest	2,574	1,677
	19,219	**19,598**
Long-term Debt (Note 4)	153,200	203,200
Accrual for Employee Future Benefits Other than Pensions	30,751	28,571
TOTAL LIABILITIES	**203,170**	**251,369**
Accumulated Surplus - end of period	**17,398**	**21,307**
Commitment to Ontario Power Authority (Note 5)	**3,000**	**-**
TOTAL ACCUMULATED SURPLUS	**20,398**	**21,307**
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**223,568**	**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 September 30, 2005	For the nine months ended September 30, 2005	For the three months ended September 30, 2004	For the nine months ended September 30, 2004
	$	$	$	$
OPERATING ACTIVITIES				
Net Income (loss) for Period	7,425	11,091	2,595	6,078
Adjustments for non-cash items:				
Amortization	10,681	36,680	14,088	39,097
Decrease in prepaid pension expense	1,867	6,035	1,780	5,397
Increase in accrual for employee future benefits other than pensions	928	3,171	834	2,888
	20,901	56,977	19,297	53,460
Changes in non-cash items related to operations:				
Increase in accounts payable and accrued liabilities	1,596	211	2,232	569
Decrease/(Increase) in prepaid expenses and receivables	82	(155)	(457)	1,209
	1,678	56	1,775	1,778
Other				
Contribution to pension fund	(8,120)	(8,143)	(5)	(5,020)
Payment of employee future benefits	(385)	(991)	(305)	(844)
	(8,505)	(9,134)	(310)	(5,864)
Cash provided from operations	**14,074**	**47,899**	**20,762**	**49,374**
INVESTING ACTIVITIES				
Net sale/(purchase) of temporary investments	998	41,856	(6,013)	(7,516)
Purchase of long term investments	(717)	(807)	(42)	(778)
Investment in property & equipment	(3,166)	(5,495)	(1,795)	(5,386)
Cash used in investing	**(2,885)**	**35,554**	**(7,850)**	**(13,680)**
FINANCING ACTIVITIES				
Retirement of long term debt	-	(50,000)	-	(50,000)
Payment on commitment to Ontario Power Authority	(3,000)	(12,000)	-	-
Cash provided from financing	**(3,000)**	**(62,000)**	**-**	**(50,000)**
NET CHANGE IN CASH & CASH EQUIVALENTS	**8,189**	**21,453**	**12,912**	**(14,306)**
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	20,566	7,302	9,721	36,939
CASH & CASH EQUIVALENTS - END OF PERIOD	**28,755**	**28,755**	**22,633**	**22,633**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**590**	**5,949**	**806**	**6,401**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

September 30, 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) REGULATORY APPROVALS FOR 2005

On May 24, the Ontario Energy Board (OEB) approved the IESO's requested 2005 expenditures, revenue requirements, and fees for fiscal 2005. In addition, a component of the IESO's application was a Settlement Agreement, which was accepted by the OEB on March 18, 2005 and which stipulates that any balance in the approved regulatory deferral account, which largely reflects the IESO's accumulated surplus account, held by the IESO at the end of a year in excess of $5.0 million be returned to the market participants in the form of a rebate in the following year.

3) LONG-TERM INVESTMENTS

Long-term investments represent an investment in a balanced pooled fund. The market value of these investments was $10,478,947 as at September 30, 2005 (December 31, 2004 - $8,916,508).

4) LONG-TERM DEBT

(in thousands of Canadian dollars)	As at September 30, 2005	As at December 31, 2004
	$	$
Notes payable to		
Ontario Electricity Financial Corporation (OEFC)	78,200	78,200
The Province of Ontario	75,000	125,000
	153,200	**203,200**

Note Payable to Province of Ontario

On February 3, 2005 and on June 30, 2005 the IESO prepaid $25.0 million of the outstanding principal, for a total prepayment of $50.0 million.

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 $10.0 million, this amount was revised on July 22, 2005 from $20.0 million. As at September 30, 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 a prime rate loan or the issuance of Bankers' Acceptances at market rates pulus a stamping fee of 30 basis points per annum. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum.

The IESO also 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 $100.0 million. This agreement was with a banking syndicate until July 22, 2005. As at September 30, 2005 $10.3 million was drawn on this credit facility (December 31, 2004 no balance was drawn). Advances under this facility are available in Canadian dollars by way of a prime rate loan or the issuance of Bankers' Acceptances at market rates plus a stamping fee of 30 basis points. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum. This facility is mainly 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.

5) 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 September 30, 2005, the IESO has paid $12.0 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 September 30, 2005	As at December 31, 2004
	$	$
Total commitment to OPA funding	15,000	0
Amounts paid to OPA	(12,000)	0
Commitment to OPA funding	**3,000**	**0**