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

(in thousands of Canadian dollars)	For the three months ended March 31, 2006	For the three months ended March 31, 2005
	$	$
REVENUES		
System fees	38,104	41,138
Other Income	1,735	814
TOTAL REVENUES	**39,839**	**41,952**
EXPENSES		
Labour	18,307	16,745
Computer services, support and equipment	2,868	2,952
Consultants, contract and legal services	1,018	1,245
Telecommunications	690	637
Other costs	1,542	1,480
Amortization	9,189	12,976
TOTAL EXPENSES	**33,614**	**36,035**
Net Income Before Interest	**6,225**	**5,917**
Interest and investment income	287	341
Interest expense and financing charges	(2,076)	(2,467)
NET INCOME FOR THE PERIOD	**4,436**	**3,791**
Accumulated Surplus - Beginning of Period	**7,500**	**21,307**
Amount committed to Ontario Power Authority	**-**	**(15,000)**
ACCUMULATED SURPLUS - END OF PERIOD (Note 4)	**11,936**	**10,098**

Certain of the 2005 comparative figures in the financial statements have been reclassified to conform to the 2006 financial statement presentation.

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at March 31, 2006	As at December 31, 2005
	$	**$**
ASSETS		
Current Assets		
Cash & cash equivalents	9,524	9,631
Temporary Investments	-	5,980
Prepaid expenses & receivables	18,969	22,621
	28,493	**38,232**
Property & Equipment		
In service	120,035	127,886
Construction-in-progress	5,391	4,027
	125,426	**131,913**
Other Assets		
Long-term investments (Note 3)	9,989	9,912
Prepaid pension expense	19,789	21,856
	29,778	**31,768**
TOTAL ASSETS	**183,697**	**201,913**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities	12,986	19,894
Accrued interest	2,574	1,030
Short-term debt (Note 5)	45,000	-
Rebates to market participants	-	13,560
	60,560	**34,484**
Long-term Debt (Note 5)	78,200	128,200
Accrual for Employee Future Benefits Other than Pensions	33,001	31,729
TOTAL LIABILITIES	**171,761**	**194,413**
Accumulated Surpus - end of period	11,936	7,500
TOTAL ACCUMULATED SURPLUS (Note 4)	**11,936**	**7,500**
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**183,697**	**201,913**

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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, 2006	For the three months ended March 31, 2005
	$	$
OPERATING ACTIVITIES		
Net Income for Period	4,436	3,791
Adjustments for non-cash items:		
Amortization	9,189	12,976
Decrease in prepaid pension expense	3,760	2,054
Increase in accrual for employee future benefits other than pensions	1,572	1,160
	14,521	16,190
Changes in non-cash items related to operations:		
Decrease in accounts payable and accrued liabilities	(4,174)	(1,402)
Decrease in rebates to market participants	(13,560)	-
Decrease in prepaid expenses and receivables	3,652	1,980
	(14,082)	578
Other:		
Contribution to pension fund	(1,693)	(12)
Payment of employee future benefits	(301)	(299)
	(1,994)	(311)
Cash provided from operating activities	**2,881**	**20,248**
INVESTING ACTIVITIES		
Net sale of temporary investments	5,980	39,467
Purchase of long term investments	(78)	(44)
Investment in property & equipment	(3,890)	(1,041)
Cash provided from/(used in) investing activities	**2,012**	**38,382**
FINANCING ACTIVITIES		
Retirement of debt	(5,000)	(25,000)
Payment on commitment to Ontario Power Authority	-	(6,000)
Cash used in financing activities	**(5,000)**	**(31,000)**
NET CHANGE IN CASH & CASH EQUIVALENTS	**(107)**	**27,630**
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	9,631	7,302
CASH & CASH EQUIVALENTS - END OF PERIOD	**9,524**	**34,932**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**506**	**1,009**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

March 31, 2006

1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2005 annual financial statements. The interim financial statements should be read in conjunction with the 2005 annual financial statements.

2) REGULATORY APPROVALS FOR 2006

On February 14, the Ontario Energy Board (OEB) approved the IESO's requested 2006 expenditures, revenue requirements, and fees for fiscal 2006.

3) LONG-TERM INVESTMENTS

Long-term investments represent an investment in a balanced pooled fund. The market value of these investments was $11,874,467 as at March 31, 2006 (December 31, 2005 - $11,365,515).

4) ACCUMULATED SURPLUS

As at March 31, 2006 and December 31, 2005, the components of the IESO's Accumulated Surplus were as follows:

(in thousands of Canadian dollars)	As at March 31, 2006	As at December 31, 2005
	$	$
Approved regulatory deferral account	9,190	5,000
Accumulated market penalties and fines	2,746	2,500
	11,936	**7,500**

5) LONG-TERM DEBT

(in thousands of Canadian dollars)	As at March 31, 2006	As at December 31, 2005
	$	$
Notes payable to:		
Ontario Electricity Financial Corporation (OEFC)	78,200	78,200
The Province of Ontario	0	50,000
	78,200	**128,200**

Note Payable to Province of Ontario

On March 31, 2006 the IESO repaid the principal balance outstanding 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 $60.0 million; this amount was increased on March 30, 2006 from $10.0 million. As at March 31, 2006, $45.0 million was drawn on the credit facility by way of issuance of Bankers' Acceptances at an interest rate of 4.32%. 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 per annum. Unused portions of this credit facility are subject to a commitment fee of 10 basis points per annum.

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