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

(in thousands of Canadian dollars)	For the three months ended June 30, 2006	For the six months ended June 30, 2006	For the three months ended June 30, 2005	For the six months ended June 30, 2005
	$	$	$	$
REVENUES				
System fees	34,768	72,872	36,763	77,901
Other Income	2,036	3,771	1,145	1,959
TOTAL REVENUES	**36,804**	**76,643**	**37,908**	**79,860**
EXPENSES				
Labour	19,291	37,599	16,553	33,298
Computer services, support and equipment	2,115	4,983	2,435	5,388
Consultants, contract and legal services	1,503	2,521	1,927	3,172
Telecommunications	759	1,449	687	1,324
Other costs	1,330	2,872	1,422	2,901
Amortization	9,364	18,553	13,023	25,999
TOTAL EXPENSES	**34,362**	**67,977**	**36,047**	**72,082**
Net Income Before Interest	**2,442**	**8,666**	**1,861**	**7,778**
Interest and investment income	513	800	336	677
Interest expense and financing charges	(2,152)	(4,228)	(2,322)	(4,789)
NET INCOME FOR THE PERIOD	**803**	**5,238**	**(125)**	**3,666**
Accumulated Surplus - Beginning of Period	**11,935**	**7,500**	**10,098**	**21,307**
Amount committed to Ontario Power Authority	**-**	**-**	**-**	**(15,000)**
ACCUMULATED SURPLUS - END OF PERIOD (Note 4)	**12,738**	**12,738**	**9,973**	**9,973**

Some 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 June 30, 2006	As at December 31, 2005
	$	$
ASSETS		
Current Assets		
Cash & cash equivalents	7,777	9,631
Temporary Investments	-	5,980
Prepaid expenses & receivables	20,030	22,621
	27,807	**38,232**
Property & Equipment		
In service	117,192	127,886
Construction-in-progress	3,532	4,027
	120,724	**131,913**
Other Assets		
Long-term investments (Note 3)	10,997	9,912
Prepaid pension expense	17,244	21,856
	28,241	**31,768**
TOTAL ASSETS	**176,772**	**201,913**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities	15,508	19,894
Accrued Interest	1,030	1,030
Short-term debt (Note 5)	35,000	-
Rebates to market participants	-	13,560
	51,538	**34,484**
Long-term Debt (Note 5)	78,200	128,200
Accrual for Employee Future Benefits Other than Pensions	34,296	31,729
TOTAL LIABILITIES	**164,034**	**194,413**
Accumulated Surplus - end of period	**12,738**	**7,500**
TOTAL ACCUMULATED SURPLUS (Note 4)	**12,738**	**7,500**
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**176,772**	**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 June 30, 2006	For the six months ended June 30, 2006	For the three months ended June 30, 2005	For the six months ended June 30, 2005
	$	$	$	$
OPERATING ACTIVITIES				
Net Income (loss) for Period	803	5,238	(125)	3,666
Adjustments for non-cash items:	-			
Amortization	9,364	18,553	13,023	25,999
Decrease in prepaid pension expense	4,690	8,450	2,114	4,168
Increase in accrual for employee future benefits other than pensions	1,591	3,163	1,083	2,243
	15,645	30,166	16,220	32,410
Changes in non-cash items related to operations:				
Increase/(Decrease) in accounts payable and accrued liabilities	818	(3,356)	17	(1,385)
Decrease/(Increase) in prepaid expenses and receivables	(1,061)	2,591	(2,217)	(237)
Decrease in rebates to market participants	-	(13,560)		
	(243)	(14,325)	(2,200)	(1,622)
Other				
Contribution to pension fund	(2,145)	(3,838)	(11)	(23)
Payment of employee future benefits	(296)	(597)	(307)	(606)
	(2,441)	(4,435)	(318)	(629)
Cash provided from operations	**13,764**	**16,644**	**13,577**	**33,825**
INVESTING ACTIVITIES				
Net sale/(purchase) of temporary investments	-	5,980	1,391	40,858
Purchase of long term investments	(1,008)	(1,086)	(46)	(90)
Investment in property & equipment	(4,503)	(8,393)	(1,288)	(2,329)
Cash used in investing	**(5,511)**	**(3,499)**	**57**	**38,439**
FINANCING ACTIVITIES				
Retirement of debt	(10,000)	(15,000)	(25,000)	(50,000)
Payment on commitment to Ontario Power Authority	-	-	(3,000)	(9,000)
Cash provided from financing	**(10,000)**	**(15,000)**	**(28,000)**	**(59,000)**
NET CHANGE IN CASH & CASH EQUIVALENTS	**(1,747)**	**(1,855)**	**(14,366)**	**13,264**
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	9,524	9,632	34,932	7,302
CASH & CASH EQUIVALENTS - END OF PERIOD	**7,777**	**7,777**	**20,566**	**20,566**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**3,901**	**4,407**	**4,349**	**5,358**

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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 portfolio of pooled funds. The market value of these investments was $12,157,188 as at June 30, 2006 (December 31, 2005 - $11,365,515).

4) ACCUMULATED SURPLUS

As at June 30, 2006 and December 31, 2005, the components of the IESO's Accumulated Surplus were as follows:

(in thousands of Canadian dollars)	As at June 30, 2006	As at December 31, 2005
	$	$
Approved regulatory deferral account	9,838	5,000
Accumulated market penalties and fines	2,900	2,500
	12,738	**7,500**

5) LONG-TERM DEBT

(in thousands of Canadian dollars)	As at June 30, 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 June 30, 2006, $10.0 million was drawn on the credit facility by way of issuance of Bankers' Acceptances at an interest rate of 4.72% maturing on July 31, 2006 and a second issuance of $25 million at an interest rate of 4.79% maturing on September 28, 2006. 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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