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

(in thousands of Canadian dollars)	For the three months ended September 30, 2006	For the nine months ended September 30, 2006	For the three months ended September 30, 2005	For the nine months ended September 30, 2005
	$	$	$	$
REVENUES				
System fees	37,100	109,971	40,174	118,075
Other Income	2,000	5,771	1,230	3,189
TOTAL REVENUES	**39,100**	**115,742**	**41,404**	**121,264**
EXPENSES				
Labour	19,172	56,770	14,553	48,161
Computer services, support and equipment	2,309	7,292	2,675	8,062
Consultants, contract and legal services	1,591	4,112	2,270	5,132
Telecommunications	695	2,144	759	2,084
Other costs	829	3,701	1,039	3,940
Amortization	5,644	24,197	10,681	36,680
TOTAL EXPENSES	**30,240**	**98,216**	**31,977**	**104,059**
Net Income Before Interest	**8,860**	**17,526**	**9,427**	**17,205**
Interest and investment income	147	947	263	940
Interest expense and financing charges	(1,958)	(6,186)	(2,265)	(7,054)
NET INCOME FOR THE PERIOD	**7,049**	**12,287**	**7,425**	**11,091**
Accumulated Surplus - Beginning of Period	**12,738**	**7,500**	**9,973**	**21,307**
Amount committed to Ontario Power Authority	**-**	**-**	**-**	**(15,000)**
ACCUMULATED SURPLUS - END OF PERIOD (Note 4)	**19,787**	**19,787**	**17,398**	**17,398**

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at September 30, 2006	As at December 31, 2005
	$	**$**
ASSETS		
Current Assets		
Cash & cash equivalents	5,171	9,631
Temporary Investments	-	5,980
Prepaid expenses & receivables	21,057	22,621
Deferred Costs - Smart Metering Initiative	402	-
	26,630	**38,232**
Property & Equipment		
In service	117,282	127,886
Construction-in-progress	889	4,027
	118,171	**131,913**
Other Assets		
Long-term investments (Note 3)	11,083	9,912
Prepaid pension expense	15,046	21,856
	26,129	**31,768**
TOTAL ASSETS	**170,930**	**201,913**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities	14,567	19,894
Accrued Interest	2,574	1,030
Short-term debt (Note 5)	20,000	-
Rebates to market participants	-	13,560
	37,141	**34,484**
Long-term Debt (Note 5)	78,200	128,200
Accrual for Employee Future Benefits Other than Pensions	35,802	31,729
TOTAL LIABILITIES	**151,143**	**194,413**
Accumulated Surplus - end of period	**19,787**	**7,500**
TOTAL ACCUMULATED SURPLUS (Note 4)	**19,787**	**7,500**
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**170,930**	**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 September 30, 2006	For the nine months ended September 30, 2006	For the three months ended September 30, 2005	For the nine months ended September 30, 2005
	$	$	$	$
OPERATING ACTIVITIES				
Net Income for Period	7,049	12,287	7,425	11,091
Adjustments for non-cash items:				
Amortization	5,644	24,197	10,681	36,680
Decrease in prepaid pension expense	4,676	13,126	1,867	6,035
Increase in accrual for employee future benefits other than pensions	1,942	5,106	928	3,171
	12,262	42,429	13,476	45,886
Changes in non-cash items related to operations:				
Increase/(Decrease) in accounts payable and accrued liabilities	575	(2,781)	1,596	211
Decrease/(Increase) in prepaid expenses and receivables	(1,027)	1,564	82	(155)
Decrease in rebates to market participants	-	(13,560)	-	-
	(452)	(14,777)	1,678	56
Other				
Contribution to pension fund	(2,478)	(6,316)	(8,120)	(8,143)
Payment of employee future benefits	(436)	(1,033)	(385)	(991)
	(2,914)	(7,349)	(8,505)	(9,134)
Cash provided from operations	**15,945**	**32,590**	**14,074**	**47,899**
INVESTING ACTIVITIES				
Net sale of temporary investments	-	5,980	998	41,856
Purchase of long term investments	(85)	(1,171)	(717)	(807)
Investment in property & equipment	(3,064)	(11,457)	(3,166)	(5,495)
Investment in Deferred Costs - Smart Metering Initiative	(402)	(402)	-	-
Cash used in investing	**(3,551)**	**(7,050)**	**(2,885)**	**35,554**
FINANCING ACTIVITIES				
Retirement of debt	(15,000)	(30,000)	-	(50,000)
Payment on commitment to Ontario Power Authority	-	-	(3,000)	(12,000)
Cash provided from financing	**(15,000)**	**(30,000)**	**(3,000)**	**(62,000)**
NET CHANGE IN CASH & CASH EQUIVALENTS	**(2,606)**	**(4,460)**	**8,189**	**21,453**
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	7,777	9,631	20,566	7,302
CASH & CASH EQUIVALENTS - END OF PERIOD	**5,171**	**5,171**	**28,755**	**28,755**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**109**	**4,516**	**590**	**5,949**

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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.

3) LONG-TERM INVESTMENTS

Long-term investments represent an investment in a balanced portfolio of pooled funds. The market value of these investments was $12,678,596 as at September 30, 2006 (December 31, 2005 - $11,365,515).

4) ACCUMULATED SURPLUS

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

(in thousands of Canadian dollars)	As at September 30, 2006	As at December 31, 2005
	$	$
Approved regulatory deferral account	16,814	5,000
Accumulated market penalties and fines	2,973	2,500
	19,787	**7,500**

5) LONG-TERM DEBT

(in thousands of Canadian dollars)	As at September 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 September 30, 2006, $20.0 million was drawn on the credit facility by way of issuance of Bankers' Acceptances at an interest rate of 4.60% maturing on November 3, 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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