Independent Electricity System Operator
Statement of Operations, Other Comprehensive Income/(Loss) and Accumulated Surplus
(Unaudited)

(in thousands of Canadian dollars)	For the three months ended March 31, 2008	For the three months ended March 31, 2007
	$	$
REVENUES		
System fees	35,192	34,153
Other revenue (Note 3)	315	1,870
TOTAL REVENUES	**35,507**	**36,023**
EXPENSES		
Labour	18,983	18,831
Computer services, support & equipment	2,778	2,623
Consultants, contract & legal services	2,124	1,115
Telecommunications	736	820
Other costs	1,551	2,036
Amortization	7,617	8,104
TOTAL EXPENSES	**33,789**	**33,529**
Income Before Interest and Investment Income	**1,718**	**2,494**
Interest & investment income/(loss)	(137)	308
Interest expense & financing charges	(1,635)	(1,658)
NET INCOME/(LOSS) FOR THE PERIOD	**(54)**	**1,144**
OTHER COMPREHENSIVE INCOME	29	8
COMPREHENSIVE INCOME/(LOSS)	**(25)**	**1,152**
ACCUMULATED SURPLUS - BEGINNING OF PERIOD	**3,014**	**7,961**
Change in accounting policy	-	1,866
ACCUMULATED SURPLUS - END OF PERIOD (Note 4)	**2,989**	**10,979**

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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, 2008**	**For the three months ended March 31, 2007**
	$	**$**
OPERATING ACTIVITIES		
Net income/(loss) for the period	(54)	1,144
Adjustments for non-cash items:		
Amortization	7,617	8,104
Prepaid pension cost	3,375	3,712
Other employee future benefits costs	1,565	1,570
Change in fair value of long-term investment held for trading	273	-
	12,830	13,386
Changes in non-cash items related to operations:		
Decrease in accounts payable and accrued liabilities	(3,056)	(3,368)
Decrease in prepaid expenses and receivables	198	6,607
	(2,858)	3,239
Other:		
Contribution to pension fund	(1,936)	(1,727)
Payment of employee future benefits	(362)	(347)
	(2,298)	(2,074)
Cash provided from operating activities	**7,620**	**15,695**
INVESTING ACTIVITIES		
Net purchase of long-term investments	(87)	(242)
Investment in deferred costs	-	(3,523)
Investment in property & equipment	(5,037)	(1,846)
Cash provided used in investing activities	**(5,124)**	**(5,611)**
FINANCING ACTIVITIES		
Retirement of debt	-	(10,000)
Cash used in financing activities	**-**	**(10,000)**
NET CHANGE IN CASH & CASH EQUIVALENTS	**2,496**	**84**
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	1,229	3,565
CASH & CASH EQUIVALENTS - END OF PERIOD	**3,725**	**3,649**

Supplementary Information:
(in thousands of Canadian dollars)

Interest Paid	**45**	**81**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

March 31, 2008

1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2007 annual financial statements, except where noted below. The interim financial statements should be read in conjunction with the 2007 annual financial statements.

2) REGULATORY APPROVALS FOR 2008

On November 2, 2007, the IESO filed its proposed 2008 expenditures, revenue requirements, and fees for review by the Ontario Energy Board ('OEB'). On April 22, 2008 the OEB granted approval of the IESO's proposed revenue requirement and fees for 2008. Approval was also granted for a capital expenditures budget of $12.0 million, which represents the proposed capital expenditure level of $20.0 million less the proposed capital expenditure level of $8.0 million in respect of a Day-Ahead Market. The OEB indicated that the IESO was free to return to obtain approval of capital expenditures in respect of a Day-Ahead Market once the associated project budget has been approved by the IESO Board.

3) OTHER REVENUE

In its administration of the IESO-Administered Markets, the IESO directs the investment of market funds in highly-rated short-term investments, including asset-backed commercial paper ('ABCP'), throughout the settlement cycle. The IESO is ordinarily entitled to receive the investment income earned on funds passing through the real-time market settlement accounts.

As a result of general worsening global credit market conditions, the Canadian market for non-bank ABCP in August 2007 was not able to refinance thereby creating a liquidity issue. Accordingly, some of the investments made for the real-time energy market were rendered illiquid. As at March 31, 2008, investments with a principal amount of $23.1 million in non-bank sponsored ABCP notes remain illiquid and neither the associated principal repayments nor the interest payments on these notes were paid at their maturity dates, all of which were prior to March 31, 2008. On March 17, 2008, the Ontario Superior Court granted an Order to establish the process to restructure the affected investments under the Companies' Creditors Arrangements Act ('CCAA'). As a result, the investments are effectively in a standstill situation and will remain illiquid until the restructuring process is completed successfully.

The IESO is not obligated to reimburse the market accounts in respect of the credit losses incurred on the ABCP investments. However, the IESO has not recognized as other revenue any investment income earned in the market settlement accounts during the year.

In addition, as a result of the illiquid ABCP in the market accounts, the IESO has, from time to time in 2008, provided short-term financing to the market to fund the settlement process. The IESO financed these loans through short-term drawings on its credit facility. The maximum amount borrowed by the IESO and advanced to the market during the quarter at any one time was $18,900,000.

4) ACCUMULATED SURPLUS

As at March 31, 2008 and December 31, 2007, the components of the IESO's Accumulated Surplus were as follows:

(in thousands of Canadian dollars)	As at March 31, 2008	As at December 31, 2007
Approved regulatory deferral account	2,077	691
Accumulated market penalties and fines	2,415	2,476
Accumulated deficit - Smart Metering Entity	(1,503)	(124)
Accumulated other comprehensive income	-	(29)
	2,989	3,014

5) DEBT

(in thousands of Canadian dollars)	As at March 31, 2008	As at December 31, 2007
Notes payable to:		
Ontario Electricity Financial Corporation (OEFC)	78,200	78,200
Long-term debt	78,200	78,200
Short-term debt (credit facility)	-	-
	78,200	78,200

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. As at March 31, 2008, there are no funds 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 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.