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

(in thousands of Canadian dollars)	For the three months ended June 30, 2008	For the six months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2007
	$	$	$	$
REVENUES				
System fees	33,331	68,523	31,718	65,871
Other revenue (Note 3)	396	711	1,584	3,454
TOTAL REVENUES	**33,727**	**69,234**	**33,302**	**69,325**
EXPENSES				
Labour	19,470	38,452	20,368	39,199
Computer services, support and equipment	2,096	4,874	2,243	4,866
Consultants, contract and legal services	3,470	5,594	2,416	3,531
Telecommunications	756	1,493	946	1,766
Other costs	1,419	2,970	1,442	3,478
Amortization	7,848	15,465	8,034	16,138
TOTAL EXPENSES	**35,059**	**68,848**	**35,449**	**68,978**
Income Before Interest and Investment Income	**(1,332)**	**386**	**(2,147)**	**347**
Interest & investment income/(loss)	30	(107)	211	519
Interest expense and financing charges	(1,690)	(3,325)	(1,879)	(3,537)
NET LOSS FOR THE PERIOD	**(2,992)**	**(3,046)**	**(3,815)**	**(2,671)**
OTHER COMPREHENSIVE INCOME/(LOSS)		29	(111)	(103)
COMPREHENSIVE LOSS	**(2,992)**	**(3,017)**	**(3,926)**	**(2,774)**
ACCUMULATED SURPLUS - BEGINNING OF PERIOD	**2,989**	**3,014**	**10,979**	**7,961**
Change in accounting policy	-	-	-	1,866
ACCUMULATED SURPLUS/DEFICIT - END OF PERIOD (Note 4)	**(3)**	**(3)**	**7,053**	**7,053**

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at June 30, 2008	As at December 31, 2007
	$	$
ASSETS		
Current Assets		
Cash & cash equivalents	8,187	1,229
Prepaid expenses & receivables	17,092	16,957
	25,279	**18,186**
Property & Equipment		
In service	97,760	96,048
Construction-in-progress	2,528	14,898
	100,288	**110,946**
Other Assets		
Long-term investments	16,884	16,718
Prepaid pension expense	166	2,971
Deferred costs	1,596	1,596
	18,646	**21,285**
TOTAL ASSETS	**144,213**	**150,417**
LIABILITIES		
Current Liabilities		
Accounts payable & accrued liabilities	20,706	26,236
Accrued interest on debt	1,030	1,030
Current portion of long-term debt (Note 5)	78,200	-
	99,936	**27,266**
Long-term Debt (Note 5)	-	78,200
Accrual for Employee Future Benefits Other than Pensions	44,280	41,937
TOTAL LIABILITIES	**144,216**	**147,403**
ACCUMULATED SURPLUS (Note 4)	(3)	3,014
TOTAL LIABILITIES & ACCUMULATED SURPLUS	**144,213**	**150,417**

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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, 2008	For the six months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2007
	$	$	$	$
OPERATING ACTIVITIES				
Net income/(loss) for the period	(2,992)	(3,046)	(3,815)	(2,671)
Adjustments for non-cash items:				
Amortization	7,848	15,465	8,034	16,138
Prepaid pension cost	3,375	6,750	5,085	8,797
Other employee future benefits costs	1,615	3,180	1,730	3,300
Decrease/(Increase) in fair value of long-term investment held for trading	98	371	(99)	(272)
	12,936	25,766	14,750	27,963
Changes in non-cash items related to operations:				
Increase/(Decrease) in accounts payable and accrued liabilities	1,174	(1,882)	891	(2,477)
Decrease in rebates to market participants	-	-	(12,699)	(12,699)
Decrease/(Increase) in prepaid expenses and receivables	(334)	(136)	(2,604)	4,003
	840	(2,018)	(14,412)	(11,173)
Other:				
Contribution to pension fund	(2,009)	(3,945)	(2,416)	(4,143)
Payment of employee future benefits	(475)	(837)	(355)	(702)
	(2,484)	(4,782)	(2,771)	(4,845)
Cash provided from operating activities	**8,300**	**15,920**	**(6,248)**	**9,274**
INVESTING ACTIVITIES				
Purchase of long term investments	(451)	(538)	(663)	(732)
Investment in property & equipment	(3,387)	(8,424)	(2,987)	(8,356)
Cash provided from/(used in) investing activities	**(3,838)**	**(8,962)**	**(3,650)**	**(9,088)**
FINANCING ACTIVITIES				
Retirement of debt	-	-	11,000	1,000
Cash used in financing activities	**-**	**-**	**11,000**	**1,000**
NET CHANGE IN CASH & CASH EQUIVALENTS	**4,462**	**6,958**	**1,102**	**1,186**
CASH & CASH EQUIVALENTS - BEGINNING OF PERIOD	3,725	1,229	3,649	3,565
CASH & CASH EQUIVALENTS - END OF PERIOD	**8,187**	**8,187**	**4,751**	**4,751**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**3,089**	**3,134**	**3,426**	**3,507**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

June 30, 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 April 22, 2008, the Ontario Energy Board (OEB) issued its order approving the IESO's application fee of $1000, the usage fee of $0.799/MWh and the IESO's revenue requirements in the amount of $135.5 million and capital expenditures in the amount of $12 million. The OEB has reserved its approval of the capital expenditures of $8 million allocated for the development of the day-ahead market.

3) OTHER REVENUES

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 June 30, 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 June 30, 2008. The process to restructure the affected investments under the Companies' Creditors Arrangements Act is continuing. 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 2008 at any one time was $18,900,000.

4) ACCUMULATED SURPLUS

As at June 30, 2008 and December 31, 2007, the components of the IESO's Accumulated Surplus were as follows:

(in thousands of Canadian dollars)	As at June 30, 2008	As at December 31, 2007
Approved regulatory deferral account	1,958	691
Accumulated market penalties and fines	2,293	2,476
Accumulated deficit - Smart Metering Entity	(4,254)	(124)
Accumulated other comprehensive income	-	(29)
	(3)	3,014

5) DEBT

(in thousands of Canadian dollars)	As at June 30, 2008	As at December 31, 2007
Notes payable to:		
Ontario Electricity Financial Corporation (OEFC)	-	78,200
Long-term debt	-	78,200
Current portion long-term debt (OEFC)	78,200	-
Short-term debt (credit facility)	-	16,000
	78,200	94,200

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 June 30, 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.

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