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

(in thousands of Canadian dollars)	For the three months ended June 30, 2009	For the six months ended June 30, 2009	For the three months ended June 30, 2008	For the six months ended June 30, 2008
	$	$	$	$
REVENUES				
System fees	28,293	62,348	33,331	68,523
Other revenue	364	606	396	711
TOTAL REVENUES	**28,657**	**62,954**	**33,727**	**69,234**
EXPENSES				
Labour	18,770	38,189	19,452	38,356
Computer services, support and equipment	2,302	4,956	2,096	4,874
Contract services and consultants	1,739	3,372	2,509	2,785
Telecommunications	692	1,410	756	1,493
Other costs	1,710	3,663	1,419	2,970
Smart metering program costs	1,791	3,407	979	2,905
Amortization	6,200	12,368	7,848	15,465
TOTAL EXPENSES	**33,204**	**67,365**	**35,059**	**68,848**
Income/(loss) Before Interest and Investment Income	**(4,547)**	**(4,411)**	**(1,332)**	**386**
Interest and investment income/(loss)	1,309	998	30	(107)
Interest expense and financing charges	(744)	(2,323)	(1,690)	(3,325)
NET LOSS FOR THE PERIOD	**(3,982)**	**(5,736)**	**(2,992)**	**(3,046)**
OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**29**
COMPREHENSIVE LOSS	**(3,982)**	**(5,736)**	**(2,992)**	**(3,017)**
ACCUMULATED SURPLUS/(DEFICIT) - BEGINNING OF PERIOD	(5,769)	(4,015)	2,989	3,014
ACCUMULATED SURPLUS/(DEFICIT) - END OF PERIOD (Note 3)	**(9,751)**	**(9,751)**	**(3)**	**(3)**

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at June 30, 2009	As at December 31, 2008
	$	$
ASSETS		
Current Assets		
Cash and cash equivalents	5,487	12,691
Accounts receivable	11,915	13,775
Prepaid expenses	3,287	3,958
	20,689	**30,424**
Property & Equipment		
In service	89,120	98,009
Construction-in-progress	3,180	2,127
	92,300	**100,136**
Other Assets		
Long-term investments	16,147	14,972
Prepaid pension cost	4,956	-
Deferred costs	1,596	1,596
	22,699	**16,568**
TOTAL ASSETS	**135,688**	**147,128**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	18,475	22,172
Accrued interest on note payable	61	1,030
Note payable (Note 4)	-	78,200
Rebates to market participants	-	1,386
	18,536	**102,788**
Long-term Liabilities		
Accrued pension liability	-	1,839
Accrual for employee future benefits other than pensions	48,703	46,516
Note payable (Note 4)	78,200	-
	126,903	**48,355**
TOTAL LIABILITIES	**145,439**	**151,143**
ACCUMULATED SURPLUS/(DEFICIT) (Note 3)	(9,751)	(4,015)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	**135,688**	**147,128**

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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, 2009	For the six months ended June 30, 2009	For the three months ended June 30, 2008	For the six months ended June 30, 2008
	$	$	$	$
OPERATING ACTIVITIES				
Net loss for the period	(3,982)	(5,736)	(2,992)	(3,046)
Adjustments for non-cash items:				
Amortization	6,200	12,368	7,848	15,465
Pension cost	3,125	6,250	3,375	6,750
Other employee future benefits cost	1,549	3,100	1,615	3,180
Change in fair value of long-term investments held-for-trading	(1,086)	(432)	98	371
	9,788	21,286	12,936	25,766
Changes in non-cash balances related to operations:				
Change in accounts payable and accrued liabilities	(3,425)	(4,687)	1,174	(1,882)
Change in accounts receivable	1,743	1,861	49	143
Change in prepaid expenses	(551)	671	(383)	(279)
	(2,233)	(2,155)	840	(2,018)
Other:				
Contribution to pension fund	(10,844)	(13,045)	(2,009)	(3,945)
Payment of employee future benefits	(521)	(913)	(475)	(837)
	(11,365)	(13,958)	(2,484)	(4,782)
Cash provided by operating activities	**(7,792)**	**(563)**	**8,300**	**15,920**
INVESTING ACTIVITIES				
Net purchase of long-term investments	(653)	(744)	(451)	(538)
Investment in property and equipment	(3,612)	(5,897)	(3,387)	(8,424)
Cash used in investing activities	**(4,265)**	**(6,641)**	**(3,838)**	**(8,962)**
FINANCING ACTIVITIES				
Net retirement of debt	-	-	-	-
Cash used in financing activities	**-**	**-**	**-**	**-**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(12,057)**	**(7,204)**	**4,462**	**6,958**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	17,544	12,691	3,725	1,229
CASH AND CASH EQUIVALENTS - END OF PERIOD	**5,487**	**5,487**	**8,187**	**8,187**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**3,089**	**3,089**	**3,089**	**3,134**

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1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2008 annual financial statements, except where noted below. The interim financial statements should be read in conjunction with the 2008 annual financial statements. It is management's assessment that the IESO continues to operate as a going concern and these financial statements have been prepared accordingly.

2) REGULATORY APPROVALS FOR 2009

On March 31, 2009, the Ontario Energy Board (OEB) issued its order approving the IESO's application fee of $1000, the usage fee of $0.822/MWh and the IESO's revenue requirements in the amount of $130.3 million and capital expenditures in the amount of $22.9 million.

3) ACCUMULATED SURPLUS

As at June 30, 2009 and December 31, 2008, the components of the IESO's Accumulated Surplus were as follows:

(in thousands of Canadian dollars)	As at June 30, 2009	As at December 31, 2008
Approved regulatory deferral account	4,479	5,000
Accumulated market penalties and fines	1,625	1,832
Accumulated deficit – Smart Metering Entity	(15,855)	(10,847)
	(9,751)	(4,015)

4) DEBT

Note payable to OEFC

The note payable to Ontario Electricity Financial Corporation (OEFC) due May 1, 2009 was repaid on May 1, 2009.

In April 2009, IESO executed a new note payable with OEFC in the amount of $78.2 million. The note payable to OEFC is unsecured, bears interest at a per annum rate equal to the yield earned on ninety-day Province of Ontario treasury bills on the quarterly reset date plus 25 basis points and is repayable in full on May 1, 2011. Interest accrues daily and is payable in arrears quarterly in February, May, August and November of each year.

Credit facility

On April 30, 2009, the existing credit facility with a Canadian chartered bank expired and the IESO entered into a revised agreement with the same Canadian chartered bank. Under the terms of the new unsecured credit facility, the bank will make available to the IESO an amount up to $60 million. The credit facility expires on April 30, 2010. Advances under this facility are available in Canadian dollars by way of prime rate loan plus 75 basis points or the issuance of Bankers' Acceptances at market rates plus a stamping fee of 175 basis points per annum. Unused portions of this credit facility are subject to a commitment fee of 45 basis points per annum. As at June 30, 2009, there were no funds drawn on the credit facility.