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

(in thousands of Canadian dollars)	For the three months ended June 30, 2010	For the six months ended June 30, 2010	For the three months ended June 30, 2009	For the six months ended June 30, 2009
	$	$	$	$
REVENUES				
System fees	28,856	61,508	28,293	62,348
Other revenue	594	899	364	606
TOTAL REVENUES	**29,450**	**62,407**	**28,657**	**62,954**
EXPENSES				
Labour	19,155	39,004	18,770	38,189
Computer services, support and equipment	2,151	4,819	2,302	4,956
Contract services and consultants	1,217	2,287	1,739	3,372
Telecommunications	711	1,417	692	1,410
Other costs	1,760	3,720	1,710	3,663
Smart metering program costs	2,842	5,293	1,791	3,407
Amortization	6,336	12,343	6,200	12,368
TOTAL EXPENSES	**34,172**	**68,883**	**33,204**	**67,365**
Income/(loss) before interest, financing charges and investment income	**(4,722)**	**(6,476)**	**(4,547)**	**(4,411)**
Interest and investment income/(loss)	(420)	(156)	1,309	998
Interest expense and financing charges	80	(299)	(744)	(2,323)
NET LOSS FOR THE PERIOD	**(5,062)**	**(6,931)**	**(3,982)**	**(5,736)**
ACCUMULATED (DEFICIT) - BEGINNING OF PERIOD	(21,394)	(19,525)	(5,769)	(4,015)
ACCUMULATED (DEFICIT) - END OF PERIOD (Note 3)	**(26,456)**	**(26,456)**	**(9,751)**	**(9,751)**

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Independent Electricity System Operator
Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	As at June 30, 2010	As at December 31, 2009
	$	$
ASSETS		
Current Assets		
Cash and cash equivalents	9,691	8,990
Accounts receivable	11,962	13,500
Prepaid expenses	3,426	3,693
	25,079	**26,183**
Property & Equipment		
In service	65,828	74,856
Construction-in-progress	10,878	4,882
	76,706	**79,738**
Other Assets		
Intangible assets	6,000	6,685
Long-term investments	18,937	18,204
Prepaid pension cost	6,572	3,349
	31,509	**28,238**
TOTAL ASSETS	**133,294**	**134,159**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	21,755	20,073
Short-term debt (Note 4)	84,200	-
Accrued interest on debt	91	66
Rebates to market participants	-	4,324
	106,046	**24,463**
Long-term Liabilities		
Long-term debt (Note 4)	-	78,200
Accrual for employee future benefits other than pensions	53,704	51,021
	53,704	**129,221**
TOTAL LIABILITIES	**159,750**	**153,684**
ACCUMULATED (DEFICIT) (Note 3)	(26,456)	(19,525)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	**133,294**	**134,159**

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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, 2010	For the six months ended June 30, 2010	For the three months ended June 30, 2009	For the six months ended June 30, 2009
	$	$	$	$
OPERATING ACTIVITIES				
Net loss for the period	(5,062)	(6,931)	(3,982)	(5,736)
Adjustments for non-cash items:				
Amortization	6,336	12,343	6,200	12,368
Pension cost	3,906	7,816	3,125	6,250
Other employee future benefits cost	1,776	3,550	1,549	3,100
Change in fair value of long-term investments held-for-trading	607	383	(1,086)	(432)
	12,625	24,092	9,788	21,286
Changes in non-cash balances related to operations:				
Change in accounts payable and accrued liabilities	(260)	(2,046)	(3,425)	(4,687)
Change in accounts receivable	442	1,539	1,743	1,861
Change in prepaid expenses	(800)	267	(551)	671
	(618)	(240)	(2,233)	(2,155)
Other:				
Contribution to pension fund	(8,601)	(11,039)	(10,844)	(13,045)
Payment of employee future benefits	(437)	(867)	(521)	(913)
	(9,038)	(11,906)	(11,365)	(13,958)
Cash provided by operating activities	**(2,093)**	**5,015**	**(7,792)**	**(563)**
INVESTING ACTIVITIES				
Net purchase of long-term investments	(1,116)	(1,116)	(653)	(744)
Investment in property and equipment	(3,098)	(7,039)	(3,213)	(5,412)
Investment in intangible assets	(871)	(2,158)	(399)	(485)
Cash used in investing activities	**(5,085)**	**(10,313)**	**(4,265)**	**(6,641)**
FINANCING ACTIVITIES				
Short-term debt issued	6,000	6,000	-	-
Cash used in financing activities	**6,000**	**6,000**	**-**	**-**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1,178)**	**702**	**(12,057)**	**(7,204)**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	10,870	8,990	17,544	12,691
CASH AND CASH EQUIVALENTS - END OF PERIOD	**9,692**	**9,692**	**5,487**	**5,487**

Supplementary Information: (in thousands of Canadian dollars)

Interest Paid	**88**	**187**	**3,089**	**3,089**

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1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2009 annual financial statements, except where noted below. The interim financial statements should be read in conjunction with the 2009 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 2010

On April 1, 2010, 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 $122.8 million and capital expenditures in the amount of $21.6 million.

3) ACCUMULATED DEFICIT

As at June 30, 2010 and December 31, 2009, the components of the IESO's Accumulated Deficit were as follows:

(in thousands of Canadian dollars)	As at June 30, 2010	As at December 31, 2009
Approved regulatory deferral account	5,245	5,000
Accumulated market penalties and fines	1,238	1,372
Accumulated deficit – Smart Metering Entity	(32,939)	(25,897)
	(26,456)	(19,525)

4) DEBT

Note payable to Ontario Electricity Finance Corporation (OEFC)

The note payable to OEFC is unsecured, bears interest at a per annum rate equal to the yield earned on 90 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. As at June 30, 2010, the note payable to the OEFC was $78.2 million (December 31, 2009 - $78.2 million).

Credit facility

The IESO had an unsecured credit facility agreement with a Canadian chartered bank which expired on April 30, 2010. Effective May 1, 2010, the IESO entered into a new unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to $60.0 million. The credit facility expires on April 30, 2013. Advances under this facility are available in Canadian dollars by way of the Province of Ontario's cost of borrowing for a 30 day term plus 25 basis points per annum. As at June 30, 2010, $6.0 million was drawn on the credit facility.