Independent Electricity System Operator
Statements of Financial Position

As at (in thousands of Canadian dollars)	March 31, 2013	December 31, 2012
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	8,951	6,863
Accounts receivable	15,330	16,833
Long-term investments	28,999	27,721
TOTAL FINANCIAL ASSETS	**53,280**	**51,417**
LIABILITIES		
Accounts payable and accrued liabilities	21,142	21,308
Accrued interest on debt	791	346
Rebates due to market participants	13,107	13,107
Debt	135,200	133,200
Accrued pension liability	40,277	41,600
Accrued liability for employee future benefits other than pension	70,497	69,255
TOTAL LIABILITIES	**281,014**	**278,816**
NET DEBT	**(227,734)**	**(227,399)**
NON-FINANCIAL ASSETS		
Net tangible capital assets	87,283	87,607
Prepaid expenses	3,403	3,688
TOTAL NON-FINANCIAL ASSETS	**90,686**	**91,295**
ACCUMULATED DEFICIT (Note 2)		
Accumulated deficit from operations	(139,777)	(137,651)
Accumulated remeasurement gain	2,729	1,547
ACCUMULATED DEFICIT	**(137,048)**	**(136,104)**

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Independent Electricity System Operator
Statements of Operations and Accumulated Deficit

For the quarter ended March 31 (in thousands of Canadian dollars)	2013 Budget	2013 Actual	2012 Actual
WHOLESALE MARKET OPERATIONS			
System fees	32,673	32,894	31,641
Other revenue	993	760	902
Interest and investment income	102	122	118
Wholesale market operation revenues	**33,768**	**33,776**	**32,661**
Wholesale market operation expenses	30,150	29,306	29,557
Wholesale market operations surplus	**3,618**	**4,470**	**3,104**
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	-	342	7
Customer education and market enforcement expenses	72	428	41
Market sanctions and payment adjustments deficit	**(72)**	**(86)**	**(34)**
SMART METERING ENTITY			
Smart metering charge	-	-	-
Smart metering expenses	9,190	6,510	3,659
Smart metering entity deficit	**(9,190)**	**(6,510)**	**(3,659)**
DEFICIT	**(5,644)**	**(2,126)**	**(589)**
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(137,651)	(137,651)	(118,172)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	**(143,295)**	**(139,777)**	**(118,761)**

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Independent Electricity System Operator
Statement of Remeasurement Gains and Losses

For the quarter ended March 31 (in thousands of Canadian dollars)	2013	2012
	Actual	Actual
	$	$
ACCUMULATED REMEASUREMENT GAINS / (LOSSES), BEGINNING OF PERIOD	**1,547**	**(374)**
UNREALIZED GAINS ATTRIBUTABLE TO:		
Foreign exchange - derivatives	-	32
Foreign exchange - other	40	41
Portfolio investments	1,177	939
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange - derivatives	-	(2)
Foreign exchange - other	(35)	(46)
NET REMEASUREMENT GAINS FOR THE PERIOD	**1,182**	**964**
ACCUMULATED REMEASUREMENT GAINS END OF PERIOD	**2,729**	**590**

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Independent Electricity System Operator
Statements of Change in Net Debt

For the quarter ended March 31 (in thousands of Canadian dollars)	2013	2013	2012
	Budget	Actual	Actual
	$	$	$
DEFICIT	**(5,644)**	**(2,126)**	**(589)**
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(5,736)	(3,821)	(2,252)
Amortization of tangible capital assets	4,176	4,145	4,133
Change in prepaid expenses	220	285	(267)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**(1,340)**	**609**	**1,614**
NET REMEASUREMENT GAINS FOR THE PERIOD	231	1,182	964
CHANGE IN NET DEBT	**(6,753)**	**(335)**	**1,989**
NET DEBT, BEGINNING OF PERIOD	(227,399)	(227,399)	(209,551)
NET DEBT, END OF PERIOD	**(234,152)**	**(227,734)**	**(207,562)**

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Independent Electricity System Operator
Statements of Cash Flows

For the quarter ended March 31 (in thousands of Canadian dollars)	2013	2012
	$	$
OPERATING TRANSACTIONS		
Change in accumulated deficit		
Deficit	(2,126)	(589)
	(2,126)	(589)
Changes in non-cash items		
Amortization	4,145	4,133
Pension expense	2,703	2,767
Other employee future benefits expense	1,736	1,627
	8,584	8,527
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(77)	(1,086)
Change in accounts receivable	1,503	188
Change in prepaid expenses	285	(267)
	1,711	(1,165)
Other:		
Contribution to pension fund	(4,026)	(4,223)
Payment of employee future benefits	(494)	(411)
	(4,520)	(4,634)
Cash applied to operating transactions	**3,649**	**2,139**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(3,821)	(2,252)
Change in accounts payable & accrued liabilities	356	(1,364)
Cash applied to capital transactions	**(3,465)**	**(3,616)**
INVESTING TRANSACTIONS		
Purchase of long-term investments	(101)	(102)
Cash applied to investing transactions	**(101)**	**(102)**
FINANCING TRANSACTIONS		
Issue debt	2,000	3,000
Cash provided by financing transactions	**2,000**	**3,000**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,083**	**1,421**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	6,863	5,626
Unrealized foreign exchange gains for the period	5	25
CASH AND CASH EQUIVALENTS - END OF PERIOD	**8,951**	**7,072**

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1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2012 annual financial statements, except where noted below. The interim financial statements should be read in conjunction with the 2012 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) ACCUMULATED DEFICIT

As at March 31, 2013 and December 31, 2012, the components of the IESO's Accumulated Deficit were as follows:

Accumulated Deficit

(in thousands of Canadian dollars)	As at March 31, 2013	As at December 31, 2012
Approved regulatory deferral account	9,501	5,000
Accumulated market sanctions and payment adjustments	1,285	1,371
Smart metering entity – accumulated deficit	(88,868)	(82,358)
PSAB transitional items	(58,966)	(60,117)
Accumulated deficit – end of period	**(137,048)**	**(136,104)**

Approved Regulatory Deferral Account

(in thousands of Canadian dollars)	As at March 31, 2013
Accumulated surplus – December 31, 2012	5,000
Surplus from wholesale market operations	4,470
Increase in accumulated remeasurement gain	1,182
Recovery of PSAB transitional items	(1,151)
Accumulated surplus – end of period	**9,501**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at March 31, 2013
Accumulated surplus – December 31, 2012	1,371
Market sanctions and payment adjustments	342
Customer education and market enforcement expenses	(428)
Accumulated surplus – end of period	**1,285**

Smart Metering Entity – Accumulated Deficit

(in thousands of Canadian dollars)	As at March 31, 2013
Accumulated deficit – December 31, 2012	(82,358)
Smart metering expenses	(6,510)
Accumulated deficit – end of period	**(88,868)**

PSAB Transitional Items - Accumulated Deficit

(in thousands of Canadian dollars)	As at March 31, 2013
Accumulated deficit - December 31, 2012	**(60,117)**
Recovery of PSAB transitional items	1,151
Accumulated deficit – end of period	**(58,966)**

3) SEGMENT DISCLOSURES

Expenses by object for the quarter ended March 31, 2013 comprise of the following:

For the quarter ended March 31	**Wholesale market operations**	**Customer education and market enforcement expenses**	**Smart metering entity**
(in thousands of Canadian dollars)	**2013**	**2013**	**2013**
	$	**$**	**$**
Labour	19,125	350	584
Computer services, support and equipment	2,608	0	157
Contract services and consultants	1,325	78	4,426
Telecommunications	808	0	1
Other costs	1,959	0	0
Amortization	3,243	0	902
Interest expense and financing charges	238	0	440
Total Expense	**29,306**	**428**	**6,510**

Expenses by object for the quarter ended March 31, 2012 comprise of the following:

For the quarter ended March 31 (in thousands of Canadian dollars)	Wholesale market operations 2012	Customer education and market enforcement expenses 2012	Smart metering entity 2012
	$	$	$
Labour	19,403	40	622
Computer services, support and equipment	2,753	0	88
Contract services and consultants	1,147	1	1,924
Telecommunications	691	0	1
Other costs	1,907	0	0
Amortization	3,460	0	673
Interest expense and financing charges	196	0	351
Total Expense	**29,557**	**41**	**3,659**

4) CAPITAL DISCLOSURES

In November 2012, the IESO sought and received clarification from the OEB that the interim fee remains in effect pending the OEB review and approval of a new fee for 2013. In December 2012, the IESO submitted its 2013 Business Plan to the Minister for approval. The Minister's approval is pending as of March 31, 2013.

On March 23, 2012, the IESO made an application to the OEB for their approval of a smart metering charge. On March 28, 2013 the OEB ordered that the Smart Metering Entity charge of $0.788 per month be levied and collected by the Smart Metering Entity from all distributors for each of their residential and general service less than 50 kilowatt customers. This charge is intended to cover the costs of developing and operating the MDM/R to date and until October 31, 2018. This rate is effective May 1, 2013.