Independent Electricity System Operator
Statements of Financial Position
(Unaudited)

As at (in thousands of Canadian dollars)	March 31, 2015	December 31, 2014
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	20,362	38,208
Accounts receivable	39,464	18,598
Long-term investments	36,789	33,979
TOTAL FINANCIAL ASSETS	**96,615**	**90,785**
LIABILITIES		
Accounts payable and accrued liabilities	45,284	53,580
Accrued interest on debt	805	364
Debt (Note 3)	120,000	129,000
Accrued pension liability	35,292	36,943
Accrued liability for employee future benefits other than pension	87,697	79,914
TOTAL LIABILITIES	**289,079**	**299,801**
NET DEBT	**(192,464)**	**(209,016)**
NON-FINANCIAL ASSETS		
Net tangible capital assets	96,779	99,549
Prepaid expenses	5,579	6,170
TOTAL NON-FINANCIAL ASSETS	**102,358**	**105,719**
ACCUMULATED SURPLUS / (DEFICIT)		
Accumulated deficit from operations (Note 2)	(99,096)	(109,659)
Accumulated remeasurement gains	8,990	6,362
ACCUMULATED DEFICIT	**(90,106)**	**(103,297)**

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Independent Electricity
System Operator

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

For the quarter ended March 31 (in thousands of Canadian dollars)	2015	2015	2014
	Budget	Actual	Actual
IESO OPERATIONS	$	$	$
System fees	45,300	52,867	50,095
Other revenue	750	1,490	1,428
Interest and investment income	327	145	877
IESO operation revenues	**46,377**	**54,502**	**52,399**
Compensation and benefits	(25,244)	(25,501)	(29,258)
Professional and consulting	(5,021)	(5,406)	(2,985)
Operating and administration	(8,659)	(8,582)	(8,516)
Conservation Funds	-	-	13
IESO operating expenses	**(38,924)**	**(39,489)**	**(40,746)**
Amortization	(3,976)	(4,053)	(4,265)
Net interest	(321)	(399)	(404)
IESO operation expenses	**(43,221)**	**(43,941)**	**(45,414)**
IESO-OPA amalgamation expenses	-	(312)	-
IESO operations surplus	**3,156**	**10,249**	**6,985**
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	**-**	**2,202**	**604**
Compensation and benefits	(630)	(695)	(521)
Professional and consulting	(379)	(207)	(108)
Operating and administration	(18)	(52)	(32)
Customer education and market enforcement expenses	(1,027)	(954)	(661)
Market sanctions and payment adjustments surplus / (deficit)	**(1,027)**	**1,248**	**(57)**
SMART METERING ENTITY			
Smart metering charge	**11,302**	**11,554**	**11,434**
Compensation and benefits	(754)	(594)	(628)
Professional and consulting	(4,811)	(3,776)	(4,312)
Operating and administration	(605)	(397)	(239)
Smart metering operating expenses	**(6,169)**	**(4,767)**	**(5,179)**
Amortization	(852)	(875)	(977)
Net interest	(797)	(279)	(324)
Smart metering expenses	(7,818)	(5,921)	(6,480)
Smart metering entity surplus	**3,484**	**5,633**	**4,954**
SURPLUS FOR THE PERIOD	**5,613**	**17,130**	**11,882**
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(116,226)	(116,226)	(98,911)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	**(110,613)**	**(99,096)**	**(87,029)**

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Independent Electricity System Operator

Independent Electricity System Operator
Statements of Remeasurement Gains and Losses
(Unaudited)

For the quarter ended March 31 (in thousands of Canadian dollars)	2015 Actual $	2014 Actual $
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	**6,362**	**4,144**
UNREALIZED GAINS ATTRIBUTABLE TO:		
Foreign exchange - derivatives	-	139
Foreign exchange - other	530	431
Portfolio investments	2,689	1,080
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange - other	(591)	(178)
Portfolio investments	-	208
NET REMEASUREMENT GAINS FOR THE PERIOD	**2,628**	**1,680**
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**8,990**	**5,824**

Independent Electricity System Operator

Independent Electricity System Operator
Statements of Change in Net Debt
(Unaudited)

For the quarter ended March 31 (in thousands of Canadian dollars)	2015 Budget $	2015 Actual $	2014 Actual $
SURPLUS FOR THE PERIOD	**5,613**	**17,130**	**11,882**
Change in accrued liability for employee future benefits other than pension	-	(6,567)	-
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(3,000)	(2,157)	(5,235)
Amortization of tangible capital assets	4,828	4,928	5,242
Change in prepaid expenses	43	591	(775)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**1,871**	**3,361**	**(768)**
NET REMEASUREMENT GAINS FOR THE PERIOD	256	2,628	1,680
CHANGE IN NET DEBT	**7,739**	**16,552**	**12,794**
NET DEBT, BEGINNING OF PERIOD	(209,016)	(209,016)	(195,679)
NET DEBT, END OF PERIOD	**(201,277)**	**(192,464)**	**(182,885)**

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Independent Electricity System Operator

Independent Electricity System Operator
Statements of Cash Flows
(Unaudited)

For the quarter ended March 31 (in thousands of Canadian dollars)	2015	2014
	$	$
OPERATING TRANSACTIONS		
Changes in accumulated deficit		
Surplus	17,130	11,883
Change in accrued liability for employee future benefits other than pension	(6,567)	-
	10,563	11,883
Changes in non-cash items		
Amortization	4,928	5,242
Pension expense	2,519	3,444
Other employee future benefits expense	8,276	2,042
Change in fair value of long-term investments	-	(272)
	15,723	10,456
Changes in non-cash balances related to operations		
Change in accounts payable and accrued liabilities	(2,490)	6,552
Change in accounts receivable	(20,867)	1,885
Change in prepaid expenses	591	(775)
	(22,766)	7,662
Other:		
Contribution to pension fund	(4,170)	(4,222)
Payment of employee future benefits	(493)	(537)
	(4,663)	(4,759)
Cash provided by (applied to) operating transactions	**(1,142)**	**25,242**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,157)	(5,235)
Change in accounts payable & accrued liabilities	(5,364)	(4,629)
Cash applied to capital transactions	**(7,521)**	**(9,864)**
INVESTING TRANSACTIONS		
Purchase of long-term investments	(121)	(119)
Cash applied to investing transactions	**(121)**	**(119)**
FINANCING TRANSACTIONS		
Retire debt	(9,000)	(2,000)
Cash applied to financing transactions	**(9,000)**	**(2,000)**
INCREASE IN CASH AND CASH EQUIVALENTS	**(17,785)**	**13,259**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	38,208	70,426
Unrealized foreign exchange gains / (losses) for the period	(61)	392
CASH AND CASH EQUIVALENTS - END OF PERIOD	**20,362**	**84,077**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

March 31, 2015

1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2014 IESO annual financial statements.

The interim financial statements have been prepared on a going concern basis and should be read in conjunction with the 2014 OPA and IESO annual financial statements.

Bill 14, *Building Opportunity and Securing Our Future Act (Budget Measures), 2014* received Royal Assent on July 24, 2014. Schedule 7 of the Bill amends the *Electricity Act, 1998* by amalgamating the Independent Electricity System Operator ("IESO") and the Ontario Power Authority ("OPA") and by continuing them as the Independent Electricity System Operator ("IESO"). The transitional provision dealing with corporate matters, provides, among other things, that the predecessor IESO and the OPA cease to exist as entities separate from the IESO and all their rights, properties and assets become the rights, properties and assets of the IESO, as do all outstanding debts, liabilities and obligations of the predecessor IESO and the OPA. Schedule 7 of Bill 14 will come into force on January 1, 2015.

2) REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED DEFICIT

As at March 31, 2015 and December 31, 2014, the components of the IESO's Accumulated Deficit were as follows:

Accumulated Deficit

(in thousands of Canadian dollars)	As at March 31, 2015	As at December 31, 2014
Approved regulatory deferral account	21,716	9,817
Accumulated market sanctions and payment adjustments	278	(970)
Smart metering entity – accumulated deficit	(55,246)	(60,879)
Pension and OPEB adjustments	(56,854)	(51,265)
Accumulated deficit – end of period	**(90,106)**	**(103,297)**

Approved Regulatory Deferral Account

(in thousands of Canadian dollars)	As at March 31, 2015
Accumulated surplus – December 31, 2014	9,817
Revenues (before rebates due to market participants)	54,502
IESO operation expenses	(43,941)
IESO-OPA amalgamation expenses	(312)
Change in accumulated remeasurement gains/(losses)	2,628
Recovery of PSAB transitional items	(978)
Accumulated surplus – end of period	**21,716**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at March 31, 2015
Accumulated deficit – December 31, 2014	(970)
Market sanctions and payment adjustments	2,202
Customer education and market enforcement expenses	(954)
Accumulated surplus – end of period	**278**

Smart Metering Entity – Accumulated Deficit

(in thousands of Canadian dollars)	As at March 31, 2015
Accumulated deficit – December 31, 2014	(60,879)
Smart metering charge	11,554
Smart metering expenses	(5,921)
Accumulated deficit – end of period	**(55,246)**

Pension and OPEB Adjustments - Accumulated Deficit

(in thousands of Canadian dollars)	As at March 31, 2015
Accumulated deficit - December 31, 2014	(51,265)
Recovery of PSAB transitional items	978
OPEB past service adjustment	(6,567)
Accumulated deficit – end of period	**(56,854)**

3) DEBT

Note Payable to Ontario Electricity Finance Corporation (OEFC)

In April 2014, the IESO entered into a three-year note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate of 2.046% per annum and is repayable in full on April 30, 2017. Interest accrues daily and is payable in arrears semi-annually in April and October of each year. As at March 31, 2015, the note payable to the OEFC was $90.0 million (December 31, 2014 - $90.0 million).

Credit Facility

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to $95.0 million. Advances under the credit facility are payable at a variable interest rate equal to the Province of Ontario’s cost of borrowing for a 30 day term plus 0.50% per annum, with draws, repayments and interest payments due monthly. The credit facility expires April 30, 2017. As at March 31, 2015, $30.0 million was drawn on the credit facility (December 31, 2014 - $39.0 million).