Independent Electricity System Operator
Statements of Financial Position
(Unaudited)

As at (in thousands of Canadian dollars)	**June 30, 2015**	**December 31, 2014**
	$	**$**
FINANCIAL ASSETS		
Cash and cash equivalents	40,374	38,208
Accounts receivable	28,008	18,598
Long-term investments	36,239	33,979
TOTAL FINANCIAL ASSETS	**104,621**	**90,785**
LIABILITIES		
Accounts payable and accrued liabilities	53,603	53,580
Accrued interest on debt	342	364
Debt (Note 3)	116,000	129,000
Accrued pension liability	32,962	36,943
Accrued liability for employee future benefits other than pension	88,786	79,914
TOTAL LIABILITIES	**291,693**	**299,801**
NET DEBT	**(187,072)**	**(209,016)**
NON-FINANCIAL ASSETS		
Net tangible capital assets	99,832	99,549
Prepaid expenses	6,910	6,170
TOTAL NON-FINANCIAL ASSETS	**106,742**	**105,719**
ACCUMULATED SURPLUS / (DEFICIT)		
Accumulated deficit from operations (Note 2)	(88,195)	(109,659)
Accumulated remeasurement gains	7,865	6,362
ACCUMULATED DEFICIT	**(80,330)**	**(103,297)**

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Independent Electricity
System Operator

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

For the six months ended Jun 30 (in thousands of Canadian dollars)	2015 Budget	2015 Actual	2014 Actual
IESO OPERATIONS	$	$	$
System fees	88,785	97,483	95,820
Other revenue	1,950	3,722	2,875
Interest and investment income	256	304	1,392
IESO operation revenues	**90,991**	**101,509**	**100,087**
Compensation and benefits	(52,145)	(51,140)	(58,010)
Professional and consulting	(10,699)	(8,960)	(7,629)
Operating and administration	(17,298)	(16,934)	(16,493)
Conservation Funds	-	-	(72)
IESO operating expenses	**(80,142)**	**(77,034)**	**(82,204)**
Amortization	(8,355)	(8,239)	(8,742)
Net interest	(694)	(421)	(300)
IESO operation expenses	**(89,191)**	**(85,694)**	**(91,246)**
IESO-OPA amalgamation expenses	-	(523)	-
IESO operations surplus	**1,800**	**15,292**	**8,841**
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	**-**	**4,347**	**1,099**
Compensation and benefits	(1,318)	(1,491)	(1,029)
Professional and consulting	(758)	(497)	(534)
Operating and administration	(37)	(54)	(56)
Customer education and market enforcement expenses	**(2,113)**	**(2,042)**	**(1,619)**
Market sanctions and payment adjustments surplus / (deficit)	**(2,113)**	**2,305**	**(520)**
SMART METERING ENTITY			
Smart metering charge	**22,603**	**23,108**	**22,867**
Compensation and benefits	(1,545)	(1,239)	(1,274)
Professional and consulting	(9,621)	(7,486)	(8,279)
Operating and administration	(1,198)	(1,652)	(2,015)
Smart metering operating expenses	**(12,364)**	**(10,377)**	**(11,568)**
Amortization	(1,704)	(1,765)	(2,009)
Net interest	(1,570)	(532)	(674)
Smart metering expenses	**(15,638)**	**(12,674)**	**(14,252)**
Smart metering entity surplus	**6,965**	**10,434**	**8,615**
SURPLUS FOR THE PERIOD	**6,652**	**28,031**	**16,936**
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(116,226)	(116,226)	(132,698)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	**(109,574)**	**(88,195)**	**(115,762)**

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

For the six months ended Jun 30 (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	-	(100)
Foreign exchange - other	468	406
Portfolio investments	1,626	2,375
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange - other	(591)	(178)
Portfolio investments	-	(615)
NET REMEASUREMENT GAINS FOR THE PERIOD	**1,503**	**1,888**
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**7,865**	**6,032**

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

For the six months ended Jun 30 (in thousands of Canadian dollars)	2015 Budget $	2015 Actual $	2014 Actual $
SURPLUS FOR THE PERIOD	**6,652**	**28,031**	**16,936**
Change in accrued liability for employee future benefits other than pension	-	(6,567)	-
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(11,758)	(10,287)	(8,379)
Amortization of tangible capital assets	10,059	10,004	10,752
Change in prepaid expenses	43	(740)	(582)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**(1,656)**	**(1,023)**	**1,791**
NET REMEASUREMENT GAINS FOR THE PERIOD	512	1,503	1,888
CHANGE IN NET DEBT	**5,508**	**21,944**	**20,615**
NET DEBT, BEGINNING OF PERIOD	(209,016)	(209,016)	(195,680)
NET DEBT, END OF PERIOD	**(203,508)**	**(187,072)**	**(175,066)**

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Independent Electricity System Operator

Independent Electricity System Operator
Statements of Cash Flows
(Unaudited)

For the six months ended Jun 30 (in thousands of Canadian dollars)	2015	2014
	$	$
OPERATING TRANSACTIONS		
Changes in accumulated deficit		
Surplus	28,031	16,936
Change in accrued liability for employee future benefits other than pension	(6,567)	-
	21,464	16,936
Changes in non-cash items		
Amortization	10,004	10,752
Pension expense	4,249	6,893
Other employee future benefits expense	9,984	4,082
Change in fair value of long-term investments		(716)
	24,237	21,011
Changes in non-cash balances related to operations		
Change in accounts payable and accrued liabilities	2,572	(5,483)
Change in accounts receivable	(9,411)	2,130
Change in rebates due to market participants	-	(25,755)
Change in prepaid expenses	(740)	(1,354)
	(7,578)	(30,462)
Other:		
Contribution to pension fund	(8,230)	(8,855)
Payment of employee future benefits	(1,112)	(1,172)
	(9,342)	(10,027)
Cash provided by (applied to) operating transactions	**28,781**	**(2,542)**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(10,287)	(8,379)
Change in accounts payable & accrued liabilities	(2,571)	(4,629)
Cash applied to capital transactions	**(12,858)**	**(13,008)**
INVESTING TRANSACTIONS		
Sale / (purchase) of long-term investments	(634)	859
Cash provided by (applied to) investing transactions	**(634)**	**859**
FINANCING TRANSACTIONS		
Issue / (retire) debt	(13,000)	14,265
Cash provided by (applied to) financing transactions	**(13,000)**	**14,265**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,289**	**(426)**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	38,208	113,856
Unrealized foreign exchange gains / (losses) for the period	(123)	128
CASH AND CASH EQUIVALENTS - END OF PERIOD	**40,374**	**113,558**

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Independent Electricity System Operator

Independent Electricity System Operator
Notes to Financial Statements (unaudited)

June 30, 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 June 30, 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 June 30, 2015	As at December 31, 2014
Approved regulatory deferral account	24,656	9,817
Accumulated market sanctions and payment adjustments	1,335	(970)
Smart metering entity – accumulated deficit	(50,445)	(60,879)
Pension and OPEB adjustments	(55,876)	(51,265)
Accumulated deficit – end of period	**(80,330)**	**(103,297)**

Approved Regulatory Deferral Account

(in thousands of Canadian dollars)	As at June 30, 2015
Accumulated surplus – December 31, 2014	9,817
Revenues (before rebates due to market participants)	101,509
IESO operation expenses	(85,694)
IESO-OPA amalgamation expenses	(523)
Change in accumulated remeasurement gains/(losses)	1,503
Recovery of PSAB transitional items	(1,956)
Accumulated surplus – end of period	**24,656**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at June 30, 2015
Accumulated deficit – December 31, 2014	(970)
Market sanctions and payment adjustments	4,347
Customer education and market enforcement expenses	(2,042)
Accumulated surplus – end of period	**1,335**

Smart Metering Entity – Accumulated Deficit

(in thousands of Canadian dollars)	As at June 30, 2015
Accumulated deficit – December 31, 2014	(60,879)
Smart metering charge	23,108
Smart metering expenses	(12,674)
Accumulated deficit – end of period	**(50,445)**

Pension and OPEB Adjustments - Accumulated Deficit

(in thousands of Canadian dollars)	As at June 30, 2015
Accumulated deficit - December 31, 2014	(51,265)
Recovery of PSAB transitional items	1,956
OPEB past service adjustment	(6,567)
Accumulated deficit – end of period	**(55,876)**

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 June 30, 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 June 30, 2015, $26.0 million was drawn on the credit facility (December 31, 2014 - $39.0 million).