Independent Electricity System Operator
Statements of Financial Position
Unaudited

As at (in thousands of Canadian dollars)	September 30, 2015	December 31, 2014
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	31,133	31,340
Accounts receivable	37,447	23,054
Long-term investments	35,449	33,979
TOTAL FINANCIAL ASSETS	**104,029**	**88,373**
LIABILITIES		
Accounts payable and accrued liabilities	39,690	51,168
Accrued interest on debt	796	364
Debt	115,000	129,000
Accrued pension liability	31,305	36,943
Accrued liability for employee future benefits other than pension	89,880	79,914
TOTAL LIABILITIES	**276,671**	**297,389**
NET DEBT	**(172,642)**	**(209,016)**
NON-FINANCIAL ASSETS		
Net tangible capital assets	101,373	99,549
Prepaid expenses	6,985	6,170
TOTAL NON-FINANCIAL ASSETS	**108,358**	**105,719**
ACCUMULATED SURPLUS / (DEFICIT)		
Accumulated deficit from operations (Note 2)	(71,189)	(109,659)
Accumulated remeasurement gains	6,905	6,362
ACCUMULATED DEFICIT	**(64,284)**	**(103,297)**

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Independent Electricity System Operator
Statement of Operations and Accumulated Deficit
Unaudited

For the quarter ended September 30 (in thousands of Canadian dollars)	2015 Budget $	2015 Actual $	2014 Actual $
WHOLESALE MARKET OPERATIONS			
System fees	134,597	144,776	142,902
Other revenue	2,925	4,470	5,301
Interest and investment income	307	505	1,261
Wholesale market operation revenues	**137,829**	**149,751**	**149,464**
Compensation and benefits	(78,829)	(75,701)	(86,471)
Professional and consulting	(16,795)	(20,794)	(13,941)
Operating and administration	(25,091)	(18,715)	(25,203)
Conservation Funds	0	185	0
Wholesale market operating expenses	**(120,715)**	**(115,025)**	**(125,615)**
Amortization	(13,177)	(12,462)	(13,439)
Net interest	(1,042)	(653)	(584)
Wholesale market expenses	**(134,934)**	**(128,140)**	**(139,638)**
IESO-OPA amalgamation expenses	0	(719)	(95)
Wholesale market operations annual surplus	**2,895**	**20,892**	**9,731**
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	**-**	**11,819**	**1,581**
Compensation and benefits	(2,119)	(2,342)	(1,754)
Professional and consulting	(1,136)	(686)	(1,082)
Operating and administration	(55)	(85)	(83)
Customer education and market enforcement expenses	(3,310)	(3,113)	(2,919)
Market sanctions and payment adjustments annual surplus/(deficit)	**(3,310)**	**8,706**	**(1,338)**
SMART METERING ENTITY			
Smart metering charge	**33,905**	**34,662**	**34,301**
Compensation and benefits	(2,460)	(1,943)	(2,045)
Professional and consulting	(14,432)	(11,294)	(12,098)
Operating and administration	(1,792)	(2,577)	(2,322)
Smart metering operating expenses	**(18,684)**	**(15,814)**	**(16,465)**
Amortization	(2,710)	(2,654)	(3,117)
Net interest	(2,320)	(755)	(1,004)
Smart metering expenses	(23,714)	(19,223)	(20,586)
Smart metering entity annual surplus	**10,191**	**15,439**	**13,715**
ANNUAL SURPLUS	**9,776**	**45,037**	**22,108**
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(116,226)	(116,226)	(98,911)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	**(106,450)**	**(71,189)**	**(76,803)**

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Statement of Remeasurement Gains and Losses

Unaudited

For the quarter ended September 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	-	73
Foreign exchange - other	435	465
Portfolio investments	699	2,734
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange - other	(591)	(178)
Portfolio investments	-	(615)
NET REMEASUREMENT GAINS FOR THE PERIOD	**543**	**2,479**
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**6,905**	**6,623**

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Statements of Change in Net Debt
Unaudited

For the quarter ended September 30 (in thousands of Canadian dollars)	2015 Budget $	2015 Actual $	2014 Actual $
ANNUAL SURPLUS	**9,776**	**45,037**	**22,108**
Change in accrued liability for employee future benefits other than pension	-	(6,567)	-
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(20,577)	(16,940)	(13,023)
Amortization of tangible capital assets	15,887	15,116	16,556
Change in prepaid expenses	-	(815)	(793)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**(4,690)**	**(2,639)**	**2,740**
NET REMEASUREMENT GAINS FOR THE PERIOD	767	543	2,479
CHANGE IN NET DEBT	**5,853**	**36,374**	**27,327**
NET DEBT, BEGINNING OF PERIOD	(209,016)	(209,016)	(195,680)
NET DEBT, END OF PERIOD	**(203,163)**	**(172,642)**	**(168,353)**

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Independent Electricity System Operator

Independent Electricity System Operator
Statements of Cash Flows
Unaudited

For the quarter ended September 30 (in thousands of Canadian dollars)	2015	2014
	$	$
OPERATING TRANSACTIONS		
Change in accumulated surplus		
Surplus	45,037	22,108
OPEB past service costs	(6,567)	-
	38,470	22,108
Changes in non-cash items		
Amortization	15,116	16,556
Pension expense	7,140	10,341
Other employee future benefits expense	11,691	6,124
Change in fair value of long-term investments	-	(716)
	33,947	32,305
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(7,168)	(6,319)
Change in accounts receivable	(14,393)	4,499
Change in rebates due to market participants	-	(25,755)
Change in prepaid expenses	(815)	(791)
	(22,376)	(28,366)
Other:		
Contribution to pension fund	(12,778)	(11,766)
Payment of employee future benefits	(1,725)	(1,709)
	(14,503)	(13,475)
Cash provided by operating transactions	**35,538**	**12,572**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(16,940)	(13,023)
Change in accounts payable & accrued liabilities	(3,877)	(4,050)
Cash applied to capital transactions	**(20,817)**	**(17,073)**
INVESTING TRANSACTIONS		
Sale / (purchase) of long-term investments	(772)	648
Cash provided by (applied to) investing transactions	**(772)**	**648**
FINANCING TRANSACTIONS		
Issue / (retire) debt	(14,000)	14,000
Cash provided by (applied to) financing transactions	**(14,000)**	**14,000**
INCREASE IN CASH AND CASH EQUIVALENTS	(51)	10,147
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	31,340	61,566
Unrealized foreign exchange gains / (losses) for the period	(156)	360
CASH AND CASH EQUIVALENTS - END OF PERIOD	**31,133**	**72,073**

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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 September 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 September 30, 2015	As at December 31, 2014
Approved regulatory deferral account	28,318	9,817
Accumulated market sanctions and payment adjustments	7,736	(970)
Smart metering entity – accumulated deficit	(45,440)	(60,879)
Pension and OPEB adjustments	(54,898)	(51,265)
Accumulated deficit – end of period	**(64,284)**	**(103,297)**

Approved Regulatory Deferral Account

(in thousands of Canadian dollars)	As at September 30, 2015
Accumulated surplus – December 31, 2014	9,817
Revenues (before rebates due to market participants)	149,751
IESO operation expenses	(128,140)
IESO-OPA amalgamation expenses	(719)
Change in accumulated remeasurement gains/(losses)	543
Recovery of PSAB transitional items	(2,934)
Accumulated surplus – end of period	**28,318**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at September 30, 2015
Accumulated deficit – December 31, 2014	(970)
Market sanctions and payment adjustments	11,819
Customer education and market enforcement expenses	(3,113)
Accumulated surplus – end of period	**7,736**

Smart Metering Entity – Accumulated Deficit

(in thousands of Canadian dollars)	As at September 30, 2015
Accumulated deficit – December 31, 2014	(60,879)
Smart metering charge	34,662
Smart metering expenses	(19,223)
Accumulated deficit – end of period	**(45,440)**

Pension and OPEB Adjustments - Accumulated Deficit

(in thousands of Canadian dollars)	As at September 30, 2015
Accumulated deficit - December 31, 2014	(51,265)
Recovery of PSAB transitional items	2,934
OPEB past service adjustment	(6,567)
Accumulated deficit – end of period	**(54,898)**

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 September 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 September 30, 2015, $25.0 million was drawn on the credit facility (December 31, 2014 - $39.0 million).