Independent Electricity System Operator
Statements of Financial Position
Unaudited

As at (in thousands of Canadian dollars)	**September 30, 2016**	**December 31, 2015**
	$	
FINANCIAL ASSETS		
Cash and cash equivalents	22,836	14,715
Accounts receivable	39,547	33,199
Long-term investments	40,207	37,318
TOTAL FINANCIAL ASSETS	**102,590**	**85,232**
LIABILITIES		
Accounts payable and accrued liabilities	33,914	48,868
Accrued interest on debt	776	315
Rebates due to market participants	14,069	9,595
Debt	90,000	90,000
Accrued pension liability	33,961	36,062
Accrued liability for employee future benefits other than pension	88,813	84,501
TOTAL LIABILITIES	**261,533**	**269,341**
NET DEBT	**(158,943)**	**(184,109)**
NON-FINANCIAL ASSETS		
Net tangible capital assets	106,826	103,716
Prepaid expenses	6,833	6,197
TOTAL NON-FINANCIAL ASSETS	**113,659**	**109,913**
ACCUMULATED SURPLUS / (DEFICIT)		
Accumulated deficit from operations (Note 2)	(54,652)	(81,854)
Accumulated remeasurement gains	9,368	7,658
ACCUMULATED DEFICIT	**(45,284)**	**(74,196)**

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Independent Electricity System Operator
Statement of Operations and Accumulated Deficit
Unaudited

For the nine months ended September 30 (in thousands of Canadian dollars)	2016 Budget	2016 Actual	2015 Actual
IESO CORE OPERATIONS	$	$	$
System fees	134,734	139,004	144,777
Other revenue	750	1,886	4,470
Interest and investment income	-	862	505
Core operation revenues	**135,484**	**141,752**	**149,752**
Compensation and benefits	(80,000)	(78,257)	(75,651)
Professional and consulting	(12,699)	(10,668)	(14,113)
Operating and administration	(25,029)	(24,512)	(25,456)
Core operating expenses	**(117,728)**	**(113,437)**	**(115,220)**
Amortization	(13,706)	(14,827)	(12,463)
Interest expense and financing charges	(553)	(898)	(1,177)
Core expenses	**(131,987)**	**(129,162)**	**(128,860)**
Core operations annual surplus	**3,497**	**12,590**	**20,892**
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	**-**	**2,557**	**11,819**
Compensation and benefits	(2,102)	(1,571)	(2,342)
Professional and consulting	(1,136)	(537)	(686)
Operating and administration	(112)	(535)	(85)
Customer education and market enforcement expenses	**(3,350)**	**(2,643)**	**(3,113)**
Market sanctions and payment adjustments annual surplus/(deficit)	**(3,350)**	**(86)**	**8,706**
SMART METERING ENTITY			
Smart metering charge	**33,905**	**34,988**	**34,662**
Compensation and benefits	(2,508)	(1,870)	(1,943)
Professional and consulting	(13,996)	(10,771)	(11,294)
Operating and administration	(1,774)	(4,463)	(2,577)
Smart metering operating expenses	**(18,278)**	**(17,104)**	**(15,814)**
Amortization	(3,252)	(2,733)	(2,654)
Interest expense and financing charges	(2,330)	(453)	(755)
Smart metering expenses	**(23,860)**	**(20,290)**	**(19,223)**
Smart metering entity annual surplus	**10,045**	**14,698**	**15,439**
ANNUAL SURPLUS	**10,192**	**27,202**	**45,037**
ACCUMULATED DEFICIT FROM OPERATIONS, BEGINNING OF PERIOD	(81,854)	(81,854)	(116,221)
ACCUMULATED DEFICIT FROM OPERATIONS, END OF PERIOD	**(71,662)**	**(54,652)**	**(71,184)**

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Independent Electricity System Operator
Statement of Remeasurement Gains and Losses
Unaudited

For the nine months ended September 30 (in thousands of Canadian dollars)	2016 Actual $	2015 Actual $
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	**7,658**	**6,362**
UNREALIZED GAINS ATTRIBUTABLE TO:		
Foreign exchange - other	478	435
Portfolio investments	1,747	699
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange - other	(515)	(591)
NET REMEASUREMENT GAINS FOR THE PERIOD	**1,710**	**543**
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**9,368**	**6,905**

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Independent Electricity System Operator
Statements of Change in Net Debt
Unaudited

For the nine months ended September 30 (in thousands of Canadian dollars)	2016 Budget $	2016 Actual $	2015 Actual $
SURPLUS FOR THE PERIOD	**10,192**	**27,202**	**45,037**
Change in accrued liability for employee future benefits other than pension	-	-	(6,567)
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(19,884)	(20,670)	(16,940)
Amortization of tangible capital assets	16,958	17,560	15,116
Change in prepaid expenses	-	(636)	(815)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**(2,926)**	**(3,746)**	**(2,639)**
NET REMEASUREMENT GAINS FOR THE PERIOD	-	1,710	543
CHANGE IN NET DEBT	**7,266**	**25,166**	**36,374**
NET DEBT, BEGINNING OF PERIOD	(184,109)	(184,109)	(209,016)
NET DEBT, END OF PERIOD	**(176,843)**	**(158,943)**	**(172,642)**

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Independent Electricity System Operator
Statements of Cash Flows
Unaudited

For the nine months ended September 30 (in thousands of Canadian dollars)	2016	2015
	$	$
OPERATING TRANSACTIONS		
Change in accumulated deficit		
Surplus	27,202	45,037
OPEB past service costs		(6,567)
	27,202	38,470
Changes in non-cash items		
Amortization	17,560	15,116
Pension expense	8,614	7,140
Other employee future benefits expense	6,095	11,691
	32,269	33,947
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(13,306)	(7,168)
Change in accounts receivable	(6,348)	(14,393)
Change in rebates due to market participants	4,474	-
Change in prepaid expenses	(636)	(815)
	(15,816)	(22,376)
Other:		
Contribution to pension fund	(10,715)	(12,778)
Payment of employee future benefits	(1,783)	(1,725)
	(12,498)	(14,503)
Cash provided by operating transactions	**31,157**	**35,538**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(20,670)	(16,940)
Change in accounts payable & accrued liabilities	(1,187)	(3,877)
Cash applied to capital transactions	**(21,857)**	**(20,817)**
INVESTING TRANSACTIONS		
Purchase of long-term investments	(1,142)	(772)
Cash applied to investing transactions	**(1,142)**	**(772)**
FINANCING TRANSACTIONS		
Retire debt	-	(14,000)
Cash applied to financing transactions	**-**	**(14,000)**
INCREASE IN CASH AND CASH EQUIVALENTS	8,158	(51)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	14,715	31,340
Unrealized foreign exchange losses for the period	(37)	(156)
CASH AND CASH EQUIVALENTS - END OF PERIOD	**22,836**	**31,133**

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Independent Electricity System Operator
Notes to Financial Statements (unaudited)

September 30, 2016

1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2015 IESO annual financial statements.

The interim financial statements have been prepared on a going concern basis and should be read in conjunction with the 2015 IESO annual financial statement.

2) REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED DEFICIT

As at September 30, 2016 and December 31, 2015, the components of the IESO's Accumulated Deficit were as follows:

Accumulated Deficit

(in thousands of Canadian dollars)	As at September 30, 2016	As at December 31, 2015
Approved regulatory deferral account	19,656	10,000
Accumulated market sanctions and payment adjustments	406	492
Smart metering entity – accumulated deficit	(26,151)	(40,849)
Pension and OPEB adjustments	(44,419)	(47,353)
Remeasurement gains/(losses)	5,224	3,514
Accumulated deficit – end of period	**(45,284)**	**(74,196)**

Approved Regulatory Deferral Account

(in thousands of Canadian dollars)	As at September 30, 2016
Accumulated surplus – December 31, 2015	10,000
Revenues (before rebates due to market participants)	146,226
Rebates due to market participants	(4,474)
IESO operation expenses	(129,162)
Recovery of PSAB transitional items	(2,934)
Accumulated surplus – end of period	**19,656**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at September 30, 2016
Accumulated surplus – December 31, 2015	492
Market sanctions and payment adjustments	2,557
Customer education and market enforcement expenses	(2,643)
Accumulated surplus – end of period	**406**

Smart Metering Entity – Accumulated Deficit

(in thousands of Canadian dollars)	As at September 30, 2016
Accumulated deficit – December 31, 2015	(40,849)
Smart metering charge	34,988
Smart metering expenses	(20,290)
Accumulated deficit – end of period	**(26,151)**

Pension and OPEB Adjustments - Accumulated Deficit

(in thousands of Canadian dollars)	As at September 30, 2016
Accumulated deficit - December 31, 2015	(47,353)
Recovery of PSAB transitional items	2,934
Accumulated deficit – end of period	**(44,419)**

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, 2016, the note payable to the OEFC was $90.0 million (December 31, 2015 - $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, 2016, $0.0 million was drawn on the credit facility (December 31, 2015 - $0.0 million).