

2011 – 2013 BUSINESS PLAN



CONTENTS

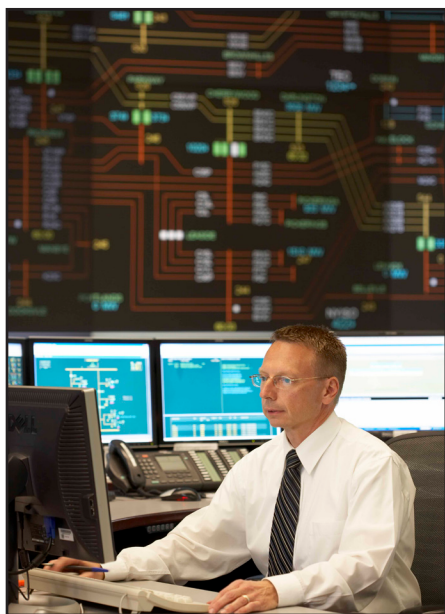
BUSINESS PLAN SUMMARY	1
FINANCIAL OVERVIEW	8
PROJECTED 2010 FINANCIAL RESULTS	8
FINANCIAL OUTLOOK 2011-2013	9
APPENDIX 1: IESO USAGE FEE FINANCIAL STATEMENTS	14
APPENDIX 2: IESO CAPITAL PROJECTS	17
APPENDIX 3: SMART METERING ENTITY	21
APPENDIX 4: CONSOLIDATED FINANCIAL STATEMENTS	23

SUMMARY

Maintaining reliability of Ontario's bulk power system continues to be the cornerstone of the Independent Electricity System Operator's (IESO) mandate. Coordinating all the industry players to achieve that responsibility will be particularly challenging as implementation of the provincial government's green energy policies phases out coal and ushers in substantial increases in new wind, solar and hydroelectric capacity. The 2011-2013 Business Plan addresses this challenge by addressing the implications to the IESO of the changing supply mix in Ontario and outlines the actions and resources needed to ensure that these new renewable facilities can be efficiently integrated into the operation of Ontario's power system without compromising reliability.

A broad-based transformation of Ontario's power system is well underway, revolutionizing the way electricity is generated, delivered, managed and even consumed in Ontario. Many of the changes at play are more profound and occurring faster than expected. The increasing investment in new renewable generation is accompanied by the expansion and enhancement of the transmission and distribution systems, the retirement of Ontario's coal generating fleet, and the development of a 'smart grid' for Ontario. As a result, the implementation of the government's *Green Energy and Green Economy Act, 2009* (GEGEA), and the associated commitments to change the characteristics of the Ontario power system, are now materializing with unprecedented urgency, with equivalent pressures on the IESO to coordinate, facilitate and advance many of these changes.

The IESO will continue its leadership in implementing the government's green energy policy, and in facilitating innovations in the way the province's bulk power system is operated, with an ongoing focus on reliability and efficiency. The changes underway are the most significant in the 100-plus-year history of the province's electricity industry. Given its interdependencies, the power system will be continuously reconfigured over the next decade as coal plants are shut down, new gas plants are commissioned, nuclear units are refurbished and returned to service, unprecedented amounts of renewable generation are integrated into the system, the transmission system is renewed, improved and expanded and the distribution system is equipped for two-way power flows. At the heart of this reconfiguration, the supply mix is being transformed to incorporate substantial increases in new wind, solar and hydroelectric capacity, which will require the IESO to overhaul many of its existing system management tools and techniques.



Over the next 10 years, electricity consumers will take a more active, engaged role in the market. Tools and systems are emerging to communicate with consumers, helping them to make informed decisions about electricity consumption. Developing and coordinating new demand-side resources with clear price signals, dynamic demand response programs, automated energy management tools and consumer education will be a growing priority for the industry.

Building on its operational expertise, the IESO has a key role in actively supporting and facilitating all these changes, enabling the newfound benefits while maintaining reliable and efficient operations.

The IESO has been planning for the elimination of coal-fired generation for several years now, and the plan to phase out coal by 2014 is progressing well. Four coal-fired units totalling 2,000 megawatts (MW) of capacity have been taken out of service in 2010, and Ontario is utilizing more gas-fired and renewable generation. The province is already relying on contributions from nearly 1,100 MW of grid-connected wind capacity. Between new wind, solar and biomass projects, variable generation is expected to climb to almost 7,000 MW by the end of the business planning cycle.

In the coming months and years, the growing contributions from contracted variable supply sources will see the IESO developing new approaches to balance supply and demand. Having the ability to dispatch all resources will allow us to reliably manage the variability and make the best use of all available resources. This means we need to find new and better ways to coordinate the dispatch of more resources such as Non-Utility Generators (NUGs), nuclear units and even consumers. It also means the renewable supply itself will, at times, need to be flexible. In order to do this in an efficient manner, the renewable resources will have to be fully incorporated into the market just like other resources.

The IESO continues to believe that a competitive real-time electricity market is the most fair and efficient way to organize the electricity sector, with real-time prices having the potential to provide the cohesive force needed to efficiently coordinate all efforts. As it has since its formation over a decade ago, the organization will be responding to stakeholder requests for the IESO to take a leadership role in evolving the real-time market over the long term.

Over the business planning cycle, however, the objective is to achieve efficient electricity price signals so as to drive economically efficient investment and operational decisions in the consumption of electricity. The Ontario electricity market will continue to play an important role in achieving operational efficiency in the province while advancing Ontario's electricity supply and consumption policy objectives.

The IESO has a proven track record when it comes to financial leadership. While the demands on the business have continued to grow, the rate charged to its customers has not increased since 2002. In fact, the proposed 2011 usage fee of \$0.822 per megawatt hour represents no increase from the 2010 rate, and is almost 14 per cent lower than the rate charged in 2003.

Throughout the 2011-2013 business planning period, the IESO will remain focused on maintaining reliability, preparing for future operations, efficiently managing our business and effectively contributing to the development and implementation of government policy. In doing so, the IESO will continue to capitalize on the restructured organization put in place last year, centred around the four pillars of Today, Tomorrow, Internal and External. The new structure was designed to help the IESO meet the demands associated with the implementation of the provincial clean energy policies.

STAKEHOLDER INPUT

Stakeholder consultation has always been an integral part of the IESO's planning process and this year's process provided the opportunity for more input than usual. Through the Stakeholder Advisory Committee, stakeholders identified a number of priorities on which the IESO was urged to focus its attention and activities for the next three years. These include:

- Improving price signals
- Evolving the electricity market to improve efficiency
- Integrating renewable energy into the electricity system and market
- Educating and engaging consumers
- Resolving global adjustment issues
- Addressing intertie issues
- Advocating on behalf of customers with the Ministry of Energy and other agencies to address issues and complexities outside of IESO control

These priorities will influence the company's key initiatives for the 2011-2013 business planning period.



MEETING THE CHALLENGES

The IESO's core strategic objective has always been to deliver and maintain electricity service in a manner that balances reliability and costs, while meeting all applicable standards. A number of challenges are emerging that the IESO will need to address if it is to continue to meet that objective.

Reliably integrating unprecedented amounts of renewable generation into Ontario's supply mix will pose unique demands on the IESO and its processes. The expected significant increases in renewable generation will add supply variability - both minute-by-minute and day-to-day - compounding the challenges associated with balancing supply and demand. As a result, the use of existing dispatchable generation will also vary widely from day to day, with less predictable patterns than in the past. Ontario is not the only jurisdiction adding significant amounts of variable generation to its mix. Increasing amounts of wind energy in neighbouring jurisdictions, particularly in the United States, are expected to lead to more variability in intertie flows.

The IESO's ability to support the integration of renewable generation through its connection assessment process is also being challenged with the high volume of Feed-in Tariff (FIT) applications. That increasing workload is now ramping up to a new plateau and the IESO is proposing resource additions to meet these new demands over the business planning period and beyond.

To manage potential surplus baseload generation (SBG) conditions the IESO will need to be able to utilize the dispatch provisions of FIT contracts for generators greater than 5 MW in addition to utilizing increased flexibility to economically direct the output of NUGs.

The IESO, like other Reliability Coordinators in the North American electricity sector, is managing its reliability and compliance responsibilities in an increasingly complex and constantly evolving regulatory environment. A large number of new and revised North American Electric Reliability Corporation (NERC) and Northeast Power Coordinating Council (NPCC) standards are being developed and applied, requiring the IESO to expand its existing focus on compliance and enforcement efforts.

From a market perspective, there are also a number of challenges facing the IESO and Ontario.

The vast majority of supply in Ontario is operating in the wholesale market with the assurance of long-term contracts as their backstop. While the original vision for the market included significant contracting, those contracts were expected to retain incentives to operate in an efficient manner, as have the contracts behind Ontario's gas-fired generation fleet. Many other generators are now operating under contracts that pay them simply to produce energy, effectively insulating them from the market signals. Originally, this disconnect from market forces was not of concern, provided the amount of this generation was small. However, the combined effect of a reduced demand for electricity and what we now know will be a significantly increased renewable energy fleet creates surplus situations with no obviously-willing dispatch partners.

The IESO strategy is two-fold. Over the near term, the IESO will maintain a focus on improving the efficiency of pricing signals – both in the wholesale market price and through influencing the design of consumer pricing. Over the longer term, the IESO needs to determine the future direction for the market.

KEY INITIATIVES

The IESO has developed a number of initiatives to address the expected challenges and respond to the stakeholder-identified priorities. These initiatives are described below.

RENEWABLES INTEGRATION PROJECT

A high priority for the IESO over the next three years will be meeting our obligations under the GEGEA including the integration of renewable technologies into reliable operation. From an initial expectation of 3,500 MW, the combination of FIT applications and the Korean Consortium project are likely to result in more than 11,000 MW of proposals for renewable generation, of which up to 7,000 MW are expected to be in service by 2012-2013, or within the timeframe of this Business Plan.

The IESO is already playing a critical role in finding ways to make this new supply mix work. To deliver on the promise of the GEGEA, we need to confirm the requirements for integrating large quantities of renewables into operations, and then develop and implement the associated business processes, tools and market rules – all within a very short period of time.



The IESO's Wind Tracker shows how wind power is helping to meet Ontario's electricity needs at www.ieso.ca/windtracker.

The objective of the Renewables Integration Project is to integrate renewables in a way that maintains the efficient and reliable scheduling and commitment of electricity supply on a daily basis. This means optimizing the use of existing and anticipated generation and providing mechanisms to efficiently dispatch variable resources. The project covers a broad range of areas including centralized wind forecasting, dispatch requirements, treatment of and relationships with embedded facilities, management of surplus baseload generation, settlement issues, etc.

ENERGY MODELLING

As Ontario's supply mix changes, our current focus on capacity will no longer be adequate to ensure reliability of supply in a world with high penetration of variable renewable resources, i.e., resources that have no assured fuel supply to maintain their output. Future-looking detailed probabilistic assessments of resource adequacy (energy, capacity and operability), transmission adequacy and congestion are increasingly becoming an essential requirement, consistent with the growing penetration of renewable generation and with emerging NERC recommendations.

The IESO plans to use forward energy simulations to better understand, assess and develop future operating strategies. This new capability will allow the IESO to analyze the impact of potential operating issues resulting from changes planned within and beyond Ontario and to address issues raised by NERC's Integration of Variable Generation Task Force. Of particular importance will be the improvement to provincial and inter-regional planning through the ability to account for the stochastic nature of variable renewable resources such as wind and solar from both a local and a wide-area perspective. Understanding future system energy capabilities and outcomes is becoming particularly important for a number of IESO functions including:

- Assessing future resource adequacy
- Assessing future operability

- Providing meaningful information to participants to support their production and outage planning
- Ensuring operational needs and implications are fully understood by planners and policy makers

MARKET ROAD MAP

The IESO proposes to develop a market road map that identifies market changes that would benefit Ontario's market structure and support GEGEA objectives. Issues driving the need for a review of Ontario's market strategy include: the complexity of our current market; the need to better integrate contract, market and operational drivers; the role and value of the market and the role of efficient pricing, both generally and in light of developments such as smart grid-enabled demand response; and the importance to Ontario of market co-ordination with surrounding jurisdictions.

ADDRESSING THE INCREASING COMPLEXITY OF REAL-TIME OPERATIONS

Over the past year, the IESO has seen how complex it is to achieve efficient operations with most suppliers operating under the influence of long-term contracts or revenue guarantees that are largely price insensitive. Going forward, this complexity will only grow with the significant increases in Ontario's renewable generation. The IESO remains committed to meeting the challenge of integrating these new renewable resources into its operations seamlessly, reliably and efficiently, though that will require modifications to processes, establishing needed market rules, and developing the new tools required to help manage this new operating environment.

To address this increasing complexity, the IESO is launching the following initiatives:

Create a Renewables Integration function in the Control Room

- Adding one additional position to our shift staff complement, on a 7 x 24 hour basis, to integrate the increased number of connected facilities, most of which will be variable generation sources, and to help participants address their complex operating challenges (creation of a Renewables Integration Desk)

System Operations Simulator

- Providing staff with training opportunities on a power system simulator to ensure ongoing compliance with changing NERC standards (initially using a basic system simulator, during which a needs assessment will be undertaken for a full replica simulator, as the user requirements are identified for the IESO's next Energy Management System)

Compliance Program

- Increasing the focus on compliance and enforcement of Market Rules, NPCC Criteria, NERC Standards and other related standards and obligations to operate effectively in today's increasingly integrated operating environment (All market participants, including the IESO, require an effective in-house compliance program, which will necessitate greater effort in the coming years to undertake risk identification, analysis and mitigation)

OTHER COMMITTED PROJECTS

The Enhanced Day-Ahead Commitment (EDAC) Process is designed to increase the efficiency of the electricity market through the advanced scheduling and commitment of resources required to provide electricity on a daily basis. It is currently on schedule and expected to be fully operational by the fall of 2011.

The IESO also has a number of projects underway to upgrade existing systems that have reached the end of their life and to introduce improvements to our infrastructure and customer-facing tools. These include projects related to customer information systems, system limit derivation and outage management.

FEE IMPACTS

In recognition of the impact that difficult economic conditions have had on customers and stakeholders, the IESO held its fee flat in 2010 by finding efficiencies and focusing on priorities, consistent with the 2009 organizational realignment. The IESO also restructured its financing arrangements at lower costs and continued to manage its capital projects consistent within approved budgets.

Delivering on the expectations associated with the GEGEA has already added to the IESO's work volumes, and will continue to do so in the coming years. Budgeted staff levels for 2011 need to rise as a result of work volume increases in key areas; however these increases will be moderated by efficiencies that have already been found, and are expected to continue across the IESO.

By reviewing and revising existing processes, practices and tools, the IESO's management team has achieved efficiencies across the organization, including in the areas of Settlements, Information Technology, Control Room Support, Market Information, Marketplace Training, Stakeholder Engagement, Market Entry and Finance, among others.

Continuing to find and implement efficiencies will be an ongoing focus of operations as the IESO re-invents so many aspects of the business to align operations with the new realities of this greener grid. However, there are resource implications stemming from the IESO's increased workload. To ensure the company has the resources required to meet its responsibilities, the IESO will be seeking a flat fee in 2011, with an expectation that the increases in the following two years would be in the order of two per cent. Total operating costs for 2011 are budgeted to be \$128.3 million, an increase of \$3.5 million (2.8 per cent) from the 2010 budget, attributable primarily to necessary staffing increases.

As part of its 2011 rate application to the Ontario Energy Board, the IESO will be proposing to retain any 2010 projected surplus to assist in rate stabilization and to address the higher than normal risk that energy volumes will be lower than assumed.

FINANCIAL OVERVIEW

The IESO's fiscal management continues to be based on a simple objective – to demonstrate continued diligent financial management while achieving its corporate objectives.

The IESO operates two separately funded aspects of the business – wholesale operations and the Smart Metering Entity. The financial outlook related to the IESO usage fee is included below and the financial outlook related to the Smart Metering Entity is included later in the document.

Financial Outlook Related to the IESO Usage Fee:

PROJECTED 2010 FINANCIAL RESULTS

The following table outlines the 2010 financial projections compared to the approved budgets for the year:

(\$ millions)	2010 Projected	2010 Budget	Projected Variance
Usage Fees	124.4	122.8	1.6
Cost Recovery for Services	3.1	2.0	1.1
Total Revenues	127.5	124.8	2.7
OM&A Program Costs	89.9	91.5	1.6
OM&A Pension Expense (Net)	14.8	11.3	(3.5)
Amortization	14.0	21.0	7.0
Net Interest	0.7	1.0	0.3
Total Costs	119.4	124.8	5.4
Operating Surplus	8.1	–	8.1
Accumulated Operating Surplus	13.1	5.0	8.1

The most recent projected 2010 financial results demonstrate the continued strong cost controls on the part of IESO management.

The usage fee revenues are a direct result of energy volumes within the province and exports. Provincial volumes are down relative to budget as a result of a strained economy and successful conservation initiatives. However, due to higher than expected exports, the energy volumes for 2010 are projected at 151.3 TWh, some 2.0 TWh above the budgeted volumes of 149.3 TWh.

On the cost side, the IESO has been effective in managing its operations, maintenance and administration (OM&A) costs to levels \$1.6 million below the approved budget. However, actual interest rates required to be used to calculate pension expense were lower than the planning assumption, which increases the projected pension expense for the year. Amortization costs are projected to be \$7.0 million less than the approved budget in 2010 largely as a result of successful asset management resulting in extensions to some asset service lives. The projected capital spending level for 2010 is \$18.5 million, some \$3.1 million below the approved budget of \$21.6 million.

FINANCIAL OUTLOOK 2011-2013

The financial outlook to 2011 and beyond extends the message from 2010 – prudent cost management on the part of the IESO. Financial statements related to the IESO Usage Fee are included in Appendix 1.

The following table outlines the planned operating results over the planning period:

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Usage Fees	124.4	126.0	124.1	124.5
Market-related Interest Income	–	–	2.8	2.6
Cost Recovery for Services	3.1	2.9	2.8	2.8
Total Revenues	127.5	128.9	129.7	129.9
OM&A Program Costs	89.9	96.3	98.0	98.9
OM&A Pension Expense (Net)	14.8	16.7	15.9	17.0
Amortization	14.0	14.3	18.7	21.8
Net Interest	0.7	1.0	1.9	1.8
Total Costs	119.4	128.3	134.5	139.5
Operating Surplus/Deficit	8.1	0.6	(4.8)	(9.6)
Accumulated Operating Surplus	13.1	13.7	8.9	(0.7)

Total Revenues

As depicted in the table, revenues are dependent on the forecast energy volumes.

	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Outlook Demand Forecast (TWh)	140.9	143.6	140.4	138.7
Less: Transmission Line Losses (TWh)	(3.1)	(3.2)	(3.1)	(3.1)
Exports (TWh)	13.5	12.9	10.8	10.0
Total Energy Volumes (TWh)¹	151.3	153.3	148.1	145.6
IESO Usage Fee (\$/MWh)	\$0.822	\$0.822	\$0.838	\$0.855
Total Usage Fee Revenue	\$124.4	\$126.0	\$124.1	\$124.5

The above usage fees represent a flat rate in 2011 and a 2% increase in both 2012 and 2013.

Cost recovery revenues are budgeted to remain relatively flat over the planning period. These revenues represent services that are provided at cost and there are corresponding costs within the OM&A program for these services.

The actual, projected and budgeted interest income earned on other real-time market investments to the end of 2011 is projected to be insufficient to offset the estimated investment loss on the IESO's investment in Asset-Backed Commercial Paper (ABCP) to the end of 2011; therefore, no market-related investment income is assumed until 2012.

¹ Load forecasts used in calculating the usage fees over the planning horizon are based on the 18-month Outlook released May 20, 2010.

Total Costs

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
OM&A Program Costs	89.9	96.3	98.0	98.9
OM&A Pension Expense (Net)	14.8	16.7	15.9	17.0
Amortization	14.0	14.3	18.7	21.8
Interest (Net)	0.7	1.0	1.9	1.8
Total Operating Costs	119.4	128.3	134.5	139.5

Over the planning period, it is expected that total operating costs are expected to increase by \$8.9 million, \$6.2 million and \$5.0 million respectively.

OM&A Program Costs

OM&A program costs are budgeted to increase by \$6.4 million in 2011, \$1.7 million in 2012 and \$0.9 million in 2013. These program cost increases are largely the result of the IESO's budgeted staff costs over the planning period. The IESO will continue to employ focused vendor management to limit inflationary and other increases in computer support, maintenance and equipment costs and telecommunication costs.

Staffing

In 2010, IESO management achieved efficiencies resulting from the 2009 organizational redesign, as well as through business process redesign and the acceptance of increased risk levels in some areas of the business. Identifying and implementing further efficiencies will continue to be our focus, however, the workload expected for 2011 is dramatically different than the assumptions included in last year's business plan. As a result, IESO management expects increased staff levels beginning in 2011 in key areas, including support of renewable integration, compliance activities and project effort required in advance of capital work.

As the following table indicates, budgeted staffing levels will fluctuate from year to year depending on the business requirements. The total budgeted staff level of 448 for 2010 will increase in 2011, reflecting the need for new resources primarily to ensure that new renewable facilities can be efficiently integrated into the operation of Ontario's power system without compromising reliability and to address customer, stakeholder and regulatory needs. These staffing levels include regular and temporary staff for wholesale operations, Smart Metering Entity, and Customer Education.

	2009		2010		2011		2012		2013	
	Regular	Temp	Regular	Temp	Regular	Temp	Regular	Temp	Regular	Temp
Wholesale Operations	430	14	414	18	430	25	430	20	430	19
Customer Education	1	1	1	1	1	–	1	–	1	–
Smart Metering	4	10	4	10	7	14	7	5	7	4
Total	435	25	419	29	438	39	438	25	438	23

OM&A Pension Expense²

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Pension Costs ³	15.7	18.6	18.0	19.3
Capitalized Pension	(0.5)	(0.6)	(0.6)	(0.6)
SERP Investment Income ⁴	(0.4)	(1.3)	(1.5)	(1.7)
OM&A Pension Expense (net)	14.8	16.7	15.9	17.0

The pension expense reflects no change in pension benefits over the planning period.

Amortization

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Amortization	14.0	14.3	18.7	21.8

The amortization expense reflects the following capital spending:

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Enhanced Day-Ahead Commitment	12.5	9.9	–	–
On Line Limits Development	0.3	0.5	1.5	1.0
Enrolment Automation	0.5	0.2	0.1	0.1
Outage Management Replacement	0.1	–	–	–
NERC Standards Compliance Monitoring Tool	0.3	–	–	–
Energy Modelling	–	0.2	–	–
Renewables Integration	–	1.0	2.5	3.0
Total Key Capital Projects	13.7	11.8	4.1	4.1
Other Projects	4.8	9.7	14.6	14.5
Total Capital Projects	18.5	21.5	18.7	18.6

The total 2010-2013 capital spending level of \$77.3 million includes an anticipated spending level for the Enhanced Day-Ahead Commitment (EDAC) of \$26.5 million⁵, as approved previously by the IESO Board and included in the 2009 Business Plan approved by the OEB. With the focus of capital effort on EDAC, the remaining average annual spending level for the planning period of \$13.7 million (\$54.9 million in total) is slightly higher than actual and projected spending levels over the past number of years, reflecting the need to invest in existing and replacement solutions, as well as additional tools and services to improve forecasting and impact of demand over the planning period.

The IESO continues to have an ongoing need for changes and reprioritization, and accordingly, the business planning process is not used as the mechanism for capital project approval. Rather, through business planning, an appropriate capital envelope is established for future years. This practice is consistent with prior years. As well, the IESO recognizes the need for robust disclosure and information about the projects for which this capital funding will be utilized.

Detailed project descriptions and timing are included in Appendix 2.

² Pension expense is based on a discount rate of 6.5%.

³ As a result of changes to accounting standards effective January 1, 2011, pension costs include \$1.6 million in 2011 for unamortized past service costs and \$5.1 million per annum in 2011 to 2013 for unamortized actuarial losses.

⁴ The IESO's long-term investments represent corporate assets that have been notionally put in place to discharge the liabilities associated with the Supplemental Employee Retirement Plan (SERP).

⁵ \$4.1 million was spent on EDAC in 2009.

Interest Expense (Net)

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Interest Expense (Net)	0.7	1.0	1.9	1.8

Net interest expense is comprised of the following components:

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Interest on Debt	0.3	1.1	1.6	1.4
Financing Charges	0.6	0.5	0.5	0.5
Investment/Other Income	(0.1)	(0.1)	(0.1)	–
Capitalized Interest	(0.1)	(0.5)	(0.1)	(0.1)
Net Interest Expense	0.7	1.0	1.9	1.8

In 2009, the IESO entered into a two-year note payable with Ontario Electricity Financial Corporation (OEFC) for \$78.2 million at an interest rate equal to Province of Ontario treasury bills plus 0.25% per annum. In April 2010 the IESO entered into a new unsecured credit facility with OEFC replacing one that was with a Canadian chartered bank. Advances under the credit facility are payable at an interest rate equal to Province of Ontario's cost of borrowing for a 30-day term plus 0.25% per annum.

The interest on debt also reflects the following assumptions:

(\$ millions)	2010 Projected	2011 Budget	2012 Plan	2013 Plan
Debt at End of Year	33.5	35.3	40.0	42.3
Average Interest Rate	0.92%	2.78%	3.7%	3.7%

Financial Outlook Related to the Smart Metering Entity:

In 2006, a regulation under the Electricity Act was issued expanding the IESO's objects to include responsibilities under the provincial government's Smart Metering Initiative (SMI). These responsibilities cover overall co-ordination of the Smart Metering System Implementation Program and project management of the development and delivery of the Meter Data Management and Repository (MDM/R).

In 2007, a regulation under the Electricity Act further designated the IESO as the interim Smart Metering Entity. As such, in addition to its current role, the IESO is responsible for the administration and operation of the MDM/R and the enrolment into the MDM/R of all the local distribution companies in the province.

In 2009, the IESO was requested by the Minister of Energy to produce a roadmap for the issuance of time-of-use bills across the province. Pursuit of the roadmap was endorsed by Government, including the required additional support from the IESO.

On August 4, 2010 the Ontario Energy Board issued its determination to mandate the implementation of time-of-use billing for all local distribution companies in the province. The mandate requires most LDCs to transition all of their customers to time-of-use in 2011.

The budget for the Smart Metering Implementation program is \$89 million, reflecting amounts for the MDM/R design, delivery, and operation for four years (thru February 2012) and support of time of use rollout. The IESO is forecasting to deliver the Smart Metering Implementation program within the approved budget.

From a cost perspective, it is intended that the IESO's internal and contracted expenses will be recovered through a regulatory mechanism, which will be independent of the IESO's current fee structure and of the revenues derived from the wholesale market. Until the regulatory mechanism is in place, the IESO has included preliminary estimates of high-level revenues and costs for its Smart Metering Entity activities. These are shown in the following table and reflected in the consolidated financial statements provided in Appendix 4.

All direct and/or incremental costs associated with the MDM/R will be charged separately from all other IESO costs that form part of the revenue requirements for the IESO usage fee.

At this point, the IESO does not expect to begin recovering its investment until the fourth quarter of 2011 or beyond. This will allow the IESO to develop a solution to address requirements identified by Measurement Canada related to the presentation of smart meter data on customer bills and, on the basis of OEB projections, complete enrolment of local distribution companies in the central data storage system. Approximately 10 per cent of Ontario's 4.6 million residential customers are currently being billed on a time of use basis through this system. The timing of the recovery of these costs has no impact on the IESO usage fee.

(\$ millions)	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
SME Fees	–	–	–	33.0	33.0
Total Revenues	–	–	–	33.0	33.0
SME Program Costs	11.6	16.4	14.8	10.8	14.8
Amortization	3.1	1.6	1.7	2.8	4.6
Net Interest	0.4	0.5	1.5	1.9	2.1
Total Costs	15.1	18.5	18.0	15.5	21.5
Operating Surplus/(Deficit)	(15.1)	(18.5)	(18.0)	17.5	11.5
Accumulated (Deficit)	(25.9)	(44.4)	(62.4)	(44.9)	(33.4)

The relevant assumptions and resulting Smart Metering Entity balance sheet are included in Appendix 3.

Overall Financial Outlook:

The overall financial outlook of the IESO, including both wholesale operations and smart metering entity activities, are presented in the consolidated financial statements in Appendix 4.

Appendix 1: IESO Usage Fee Financial Statements

Actual and Pro Forma Statement of Operations and Accumulated Surplus

For the Year Ended December 31
(in Millions of Canadian Dollars)

	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
REVENUES					
Usage Fees	124.3	124.4	126.0	124.1	124.5
Market-Related Interest Income	–	–	–	2.8	2.6
Cost Recovery for Services	1.4	3.1	2.9	2.8	2.8
Total Revenues	125.7	127.5	128.9	129.7	129.9
EXPENSES					
OM&A Program Costs	87.7	89.9	96.3	98.0	98.9
OM&A Pension Expense	12.1	14.8	16.7	15.9	17.0
Amortization	21.2	14.0	14.3	18.7	21.8
Net Interest	0.4	0.7	1.0	1.9	1.8
Total Expenses	121.4	119.4	128.3	134.5	139.5
Operating Surplus/(Deficit)	4.3	8.1	0.6	(4.8)	(9.6)
Rebates to Market Participants	(4.3)	–	–	–	–
Accumulated Surplus – Usage Fees	5.0	13.1	13.7	8.9	(0.7)
Market-Related Penalties & Fines	0.1	–	–	–	–
Customer Education Fund Expenditures	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)
Accumulated Fines and Penalties	1.4	0.9	0.6	0.3	–

Actual and Pro Forma Statements of Financial Position

For the Year Ended December 31
(in Millions of Canadian Dollars)

	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
ASSETS					
Current Assets					
Cash & Cash Equivalents	9.0	2.0	2.0	2.0	2.0
Accounts Receivable	13.5	14.7	14.7	18.1	18.4
Short-Term Prepaid Expenses	3.7	4.0	4.0	4.0	4.0
	26.2	20.7	20.7	24.1	24.4
Property & Equipment					
Property & Equipment in Service	367.3	374.2	412.2	430.9	449.5
Less: Accumulated Amortization	(300.4)	(314.4)	(328.7)	(347.4)	(369.2)
Net Book Value	66.9	59.8	83.5	83.5	80.3
Construction-in-Progress	7.0	18.6	2.0	2.0	2.0
	73.9	78.4	85.5	85.5	82.3
Other Assets					
Long-Term Investments	18.2	20.3	23.3	26.5	29.9
Prepaid Pension Expense	3.3	3.5	0.5	–	–
TOTAL ASSETS	121.6	122.9	130.0	136.1	136.6
LIABILITIES					
Current Liabilities					
Accounts Payable & Accrued Liabilities	19.1	19.3	19.3	19.3	19.4
Accrued Interest	–	0.1	0.3	0.3	0.2
Rebates to Market Participants	4.3	–	–	–	–
	23.4	19.4	19.6	19.6	19.6
Debt	40.8	33.5	35.3	40.0	42.3
Accrued Pension Liability	–	–	–	1.5	4.3
Accrual for Employee Future Benefits Other than Pension	51.0	56.0	60.8	65.8	71.1
TOTAL LIABILITIES	115.2	108.9	115.7	126.9	137.3
Accumulated Surplus – Usage Fees	5.0	13.1	13.7	8.9	(0.7)
Accumulated Fines and Penalties	1.4	0.9	0.6	0.3	–
TOTAL LIABILITIES & ACCUMULATED SURPLUS	121.6	122.9	130.0	136.1	136.6

Actual and Pro Forma Statement of Cash Flows

For the Year Ended December 31
(in Millions of Canadian Dollars)

	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
OPERATING ACTIVITIES					
Operating Surplus/(Deficit) After Rebates	–	8.1	0.6	(4.8)	(9.6)
Change in Rebates to Market Participants	2.9	(4.3)	–	–	–
Market Penalties and Fines	0.1	–	–	–	–
Customer Education Fund Expenditures	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)
Amortization	21.2	14.0	14.3	18.7	21.8
Change in Fair Value Long-Term Investment	(1.2)	(0.4)	(1.3)	(1.5)	(1.7)
Pension Cost	12.5	15.7	18.6	18.0	19.3
Increase in Accrual for Employee Future Benefits	6.2	7.1	7.0	7.3	7.8
Pension Plan Contributions	(17.6)	(15.9)	(15.6)	(16.0)	(16.5)
Payment of Employee Future Benefits	(1.7)	(2.1)	(2.2)	(2.3)	(2.5)
Other Non-Cash Items Related to Operations	(1.2)	(1.2)	0.2	(3.4)	(0.3)
Cash Provided from Operations	20.7	20.5	21.3	15.7	18.0
INVESTING ACTIVITIES					
Purchase of Long-Term Investments	(2.0)	(1.7)	(1.7)	(1.7)	(1.7)
Investment in Property & Equipment	(9.1)	(18.5)	(21.4)	(18.7)	(18.6)
Cash Used in Investing Activities	(11.1)	(20.2)	(23.1)	(20.4)	(20.3)
FINANCING ACTIVITIES					
Issue/(Retirement) of Debt	(13.3)	(7.3)	1.8	4.7	2.3
Cash Provided from Financing Activities	(13.3)	(7.3)	1.8	4.7	2.3
Net Change in Cash Flow	(3.7)	(7.0)	–	–	–
Cash and Cash Equivalents – Beginning of Year	12.7	9.0	2.0	2.0	2.0
Cash and Cash Equivalents – End of Year	9.0	2.0	2.0	2.0	2.0

Appendix 2: IESO Capital Projects

(\$ Thousands)

Project	Stage	2010 Capital	2011 Capital	2012 Capital	2013 Capital
Key Initiatives					
Enhanced Day-Ahead Commitment		12,500	9,900		
On Line Limits Development (OLLD)	OLLD Phase 11, Stage 2 - DSA Tools Enhancements	300			
	Other OLLD Projects		500	1,500	1,000
Enrolment Automation	Customer Information and Data Efficiency	400			
	Registration Automation	100	200		
	Grid Assessments Automation			120	130
Outage Management Replacement	Outage Submission Automation	100			
NERC Standards Compliance Monitoring Tool		300			
Energy Modelling			200		
Renewables Integration			1,000	2,500	3,000
Key Initiatives Total		13,700	11,800	4,120	4,130

Other Projects					
Alternative Regulation Technologies		100	500		
Centralized Forecast for Wind Generation		100	700		
PKI Replacement - (Strong Authentication Technology)		200	300		
Dispatch Issues	Load Predictor/Self-schedulers	300	200		
Market Information Management Refresh	Technical Refresh		500	1,000	1,500
Operations Simulator			500	2,000	
RTU Router Upgrade & MPLS Migration		200	300	250	
Aspen Technical Refresh		200	400		
BITS Refresh			300	700	
Revenue Metering System Replacement			500	1,500	
Commercial Reconciliation System (CRS) Replacement				500	1,500
Message Exchange Refresh				300	600
PBX/Enhanced Voice Communication			500	700	
SDR Refresh			500	1,300	
UPS Replacement				600	
Network Refresh			400	600	
OSL Refresh					1,000
EMS/MIS Refresh				500	2,500
Outage Management Replacement	Internal System Replaced			100	900
Building Switchgear Electronic Protection Replacement				1,000	
RT Improvements (3 part bidding, multi hour optimization)					500
Misc. Application and Infrastructure Projects <\$500,000		3,000	2,900	2,300	5,000
Other Project Total		4,100	8,500	13,350	13,500

Project	Stage	2010 Capital	2011 Capital	2012 Capital	2013 Capital
Funding Provisions					
Increased Disk Storage		300	200	200	200
Interconnection Metering Replacements			200	200	200
Microsoft Licenses		100	300	350	350
Miscellaneous Hardware and Software		100	100	100	100
IESO Energy Conservation Initiatives			100	100	100
Rack Enclosure Capacity Planning		200	250	250	
Funding Provision Total		700	1,150	1,200	950
Capital Funding Total		18,500	21,450	18,670	18,580

Key Initiatives - Descriptions

Project	Stage	Description
Enhanced Day-Ahead Commitment		Improved efficiency of unit commitment to reduce the overall cost of supplying market demand through improved operational signals to generators, which, among other things, should result in improved coordination of gas and electricity markets. This will also support the anticipated changes in Ontario's electricity sector without inhibiting future market evolution initiatives.
On Line Limits Development (OLLD)	OLLD Phase 11, Stage 2 - DSA Tools Enhancements	Project to: 1. Add functionality to the DSA Suite of tools, including VSAT, TSAT and DSA Manager, and the interface with models extracted from the ABB system model downloads. 2. Add two more studies in the ABB Dispatcher Power Flow environment. These enhancements will provide the functionality to apply the tools across Ontario.
	Other OLLD Projects	These projects will enhance functionality and fully integrate the Online Limits Derivation capability into the EMS and MIS/DSO functions.
Enrolment Automation	Customer Information and Data Efficiency	The project will develop a new Customer Data Management System (CDMS) that eventually will replace multiple stand-alone systems that contain customer information as well as the IESO's Participant Lifecycle (PLC) system expected to be retired in 2010. The CDMS will be flexible, expandable and will enhance business efficiency.
	Registration Automation	This replaces the Customer Process Automation project. The Registration Automation project will automate all aspects of the Registration Process for both MP and IESO achieving early improvements and efficiencies necessary for managing the renewable generation coming on line.
	Grid Assessments Automation	This replaces the Customer Interface project. It will automate all aspects of the Connection Assessment Process for both MP and IESO achieving early improvements and efficiencies necessary for managing the large volume of new renewable generation and transmission projects.
Outage Management Replacement	Outage Submission Automation	This project will provide all market participants with a user interface for submitting and viewing their outages. This project will reduce IESO effort to process outages for MPs that do not have an Automatic Programmable Interface (API) with the IESO.
NERC Standards Compliance Monitoring Tool		This project is required in order to improve management and effectiveness of the NERC standards compliance process at the IESO. The tool will provide improved monitoring capabilities and reporting and reduce the audit preparation time in advance of the NERC audit currently anticipated for 2011.

Project	Stage	Description
Energy Modelling		Energy modelling will provide the IESO with the capability to perform detailed probabilistic assessments of resource adequacy, transmission adequacy and congestion and elements of system operability over timeframes of typically one year or more, with hourly resolution, further enabling the IESO to effectively meet its business objective to facilitate the implementation of Feed-in-Tariff (FIT) facilities and other GEA infrastructure developments.
Renewables Integration		New consolidated project for Renewables Integration. Additional tools and services are required by the IESO to improve the forecasting of available energy from renewable sources and the impacts on demand. Also includes various additional system changes to implement the Renewables Integration Project design into other related IESO processes. Estimates are based on limited analysis of the high level business design.

Other Capital Projects - Descriptions

Project	Stage	Description
Alternative Regulation Technologies		Integrate Loads into the Regulation Service.
Centralized Forecast for Wind Generation		Wind forecasting for renewable wind generators.
PKI Replacement - (Strong Authentication Technology)		PKI Replacement will allow us to replace the existing PKI certificates with another secure authentication means such as adaptive authentication.
Dispatch Issues	Load Predictor/Self-schedulers	Address dispatch issues related to the variability of dispatchable loads in real time and inaccurate schedules provided by self schedulers.
Market Information Management Refresh	Technical Refresh	The existing MIM system will be refreshed to extend its life and provide support for additional functionality required by the IESO Markets.
Operations Simulator		An Operations Simulator is required by NERC and will need to be implemented to support control room operations.
RTU Router Upgrade & MPLS Migration		This project will convert the IESO real-time telemetry network from Frame Relay to MPLS. This project will result in a substantial savings in telemetry costs for the IESO.
Aspen Technical Refresh		This project is a technical refresh which will upgrade or replace the existing Corporate File Server ASPEN. This will ensure that access to our Corporate Files is provided at an acceptable performance level as data volumes grow.
BITS Refresh		Replace the current corporate Business Intelligence Tool and internal reporting system.
Revenue Metering System Replacement		The Revenue Metering Repository system needs to be replaced.
Commercial Reconciliation System (CRS) Replacement		The Commercial Reconciliation System will be replaced.
Message Exchange Refresh		This project will replace the existing Message Exchange (MX) application. Significant functional and technological enhancements are expected. These changes are required to improve market participant interfaces and the API. There is also the assumption that MX should support operational instructions over the internet and enable provision of operation instructions to renewable resources.
PBX/Enhanced Voice Communication		The existing IESO phone system will be refreshed or replaced to improve internal and customer communications.
SDR Refresh		The project will refresh the IESO Data Warehouse to address maintainability and usability aspects.
UPS Replacement		The IPM Uninterruptible Power Supply is aging and should be replaced.
Network Refresh		This project will upgrade the Network infrastructure components as part of a five year Lifecycle Update.

Project	Stage	Description
OSL Refresh		This project will replace the existing Operating Security Limits (OSL) application. Significant functional enhancements are envisioned to improve the user experience and integrate with the OLLD initiatives.
EMS/MIS Refresh		Lifecycle update/replacement to the Energy management System (EMS) and Market Information System (MIS) application platforms. This will be an RFP process to evaluate all vendors who offer to meet our requirements for the EMS/MIS. A SoW will then be developed and the work to replace or upgrade the current EMS/MIS will be undertaken.
Outage Management Replacement	Internal Systems Replaced	This project will replace the existing outage management systems (IOMS and OS) and associated APIs.
Building Switchgear Electronic Protection Replacement		Replacement of internal electrical protection equipment for the Clarkson building switchgear.
RT Improvements (3 part bidding, multi hour optimization)		Focus on Real Time efficiency - through our EDAC work we discovered the large efficiencies which can be brought forward with additional information from generators, importers and exporters and optimization over a short time frame to reflect the characteristics of the supply mix we are creating. This step would bring three part bidding to RT to encompass quick start and not so quick start facilities and would optimize dispatch over several hours. Once again we can look to other markets for implementation experience of these changes. This would allow a move to increased frequency of dispatch with neighbouring markets, improved ability to incorporate variable dispatch, and an improved coordination signal in HOEP.

Appendix 3: Smart Metering Entity

Smart Metering Entity - Projected Balance Sheet

(\$ millions)	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
ASSETS					
Property & Equipment	12.6	13.6	16.6	22.8	18.2
TOTAL ASSETS	12.6	13.6	16.6	22.8	18.2
LIABILITIES					
Accounts Payable & Accrued Liabilities	1.1	1.0	1.0	1.0	1.0
Debt	37.4	57.0	78.0	66.7	50.6
TOTAL LIABILITIES	38.5	58.0	79.0	67.7	51.6
Accumulated Deficit	(25.9)	(44.4)	(62.4)	(44.9)	(33.4)
TOTAL LIABILITIES & ACCUMULATED DEFICIT	12.6	13.6	16.6	22.8	18.2

Smart Metering Entity - Financial Assumptions

- SME and MDM/R Operations: To support and operate the Smart Metering Entity and the MDM/R, resources will be required in the areas of MDM/R service management, registration and enrolment, change and release management, quality assurance and testing, help desk and LDC service support, training, communications, stakeholder management, design authority, technical architecture, audit, finance, settlements, legal, regulatory, information technology, and human resources. Resource requirements: up to 14 full time equivalents (FTEs) for 2011 to 2012, and 13 FTEs for 2013 to 2017 depending on activity levels. These resource requirements are planned to be met through 6.5 regular employee FTEs, 2.5 FTEs of support from IESO's mainstream business, and by 4 to 5 FTEs of temporary resources as required for specific exercises such as major system upgrades. Shared support from IESO's business will be primarily in the areas of finance, settlements, legal, regulatory, information technology and human resources, and that this support work will be resourced through over-time, temporary resources or other means.
- Accelerated TOU Implementation Plan and support of OEB Mandate, which is expected to bring an increase in parallel registration activity, will result in specific resource requirements of nine temporary staff in 2011.
- Changes to the MDM/R and contingency resource requirements: SME forecasted costs include a contingency provision for changes to the MDM/R and supporting the needs of MDM/R service recipients in the operation and support of the MDM/R. These contingency costs have been forecast until the end of December 2017 and are intended to cover IESO labour, contractor costs, external vendor costs, and the cost of implementing changes to the MDM/R to support Measurement Canada requirements. These costs and resources are not intended to cover extraordinary or significant changes to the SME, MDM/R or the MDM/R Agreement.
- The IESO and the Ministry of Energy have set up a working group with representatives of affected stakeholders to develop a practical and cost-effective way to modify metering and billing systems to comply with Measurement Canada requirements. As soon as a reasonable schedule and cost estimate for the MDM/R portion of the solution has been determined we will establish a budget and update our forecasts.

- The development costs for the Meter Data Management and Repository are being amortized over a ten-year service life.
- The development costs for the MDM/R are being amortized over a 10-year service life.
- Revenues used a model that derives a monthly fee based on, as a minimum, the total 4.6 million smart meters that are projected to be installed across the province.
- Required debt financing will be obtained through the IESO's OEFC note payable, and the corporate credit facility.

Appendix 4: Consolidated Financial Statements

Actual and Pro Forma Statement of Operations and Accumulated Surplus

For the Year Ended December 31
(in Millions of Canadian Dollars)

	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
REVENUES					
Usage Fees	124.3	124.4	126.0	124.1	124.5
SME Fees	–	–	–	33.0	33.0
Market-Related Interest Income	–	–	–	2.8	2.6
Cost Recovery for Services	1.4	3.1	2.9	2.8	2.8
Total Revenues	125.7	127.5	128.9	162.7	162.9
EXPENSES					
OM&A Program Costs	99.1	106.2	110.9	108.6	113.5
OM&A Pension Expense	12.3	14.9	16.9	16.1	17.2
Amortization	24.3	15.6	16.0	21.5	26.4
Net Interest	0.8	1.2	2.5	3.8	3.9
Total Expenses	136.5	137.9	146.3	150.0	161.0
Operating Surplus/(Deficit)	(10.8)	(10.4)	(17.4)	12.7	1.9
Rebates to Market Participants	(4.3)	–	–	–	–
Accumulated Surplus – Usage fees	5.0	13.1	13.7	8.9	(0.7)
Accumulated Deficit – SME fees	(25.9)	(44.4)	(62.4)	(44.9)	(33.4)
Accumulated Fines and Penalties	1.4	0.9	0.6	0.3	–

Actual and Pro Forma Statements of Financial Position

For the Year Ended December 31
(in Millions of Canadian Dollars)

	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
ASSETS					
Current Assets					
Cash & Cash Equivalents	9.0	2.0	2.0	2.0	2.0
Accounts Receivable	13.5	14.7	14.7	18.1	18.4
Short-Term Prepaid Expenses	3.7	4.0	4.0	4.0	4.0
	26.2	20.7	20.7	24.1	24.4
Property & Equipment					
Property & Equipment in Service	385.5	395.0	437.7	465.4	484.0
Less: Accumulated Amortization	(306.0)	(321.6)	(337.6)	(359.1)	(385.5)
Net Book Value	79.5	73.4	100.1	106.3	98.5
Construction-in-Progress	7.0	18.6	2.0	2.0	2.0
	86.5	92.0	102.1	108.3	100.5
Other Assets					
Long-Term Investments	18.2	20.3	23.3	26.5	29.9
Prepaid Pension Expense	3.3	3.5	0.5	–	–
	21.5	23.8	23.8	26.5	29.9
TOTAL ASSETS	134.2	136.5	146.6	158.9	154.8
LIABILITIES					
Current Liabilities					
Accounts Payable & Accrued Liabilities	20.2	20.3	20.3	20.3	20.4
Accrued Interest	–	0.1	0.3	0.3	0.2
Rebates to Market Participants	4.3	–	–	–	–
	24.5	20.4	20.6	20.6	20.6
Debt	78.2	90.5	113.3	106.7	92.9
Accrued Pension Liability	–	–	–	1.5	4.3
Accrual for Employee Future Benefits Other than Pension	51.0	56.0	60.8	65.8	71.1
TOTAL LIABILITIES	153.7	166.9	194.7	194.6	188.9
Accumulated Surplus – Usage Fees	5.0	13.1	13.7	8.9	(0.7)
Accumulated Deficit - SME Fees	(25.9)	(44.4)	(62.4)	(44.9)	(33.4)
Accumulated Fines and Penalties	1.4	0.9	0.6	0.3	–
TOTAL LIABILITIES & ACCUMULATED SURPLUS	134.2	136.5	146.6	158.9	154.8

Actual and Pro Forma Statement of Cash Flows

For the Year Ended December 31
(in Millions of Canadian Dollars)

	2009 Actual	2010 Projected	2011 Budget	2012 Plan	2013 Plan
OPERATING ACTIVITIES					
Operating Surplus/(Deficit) after Rebates	(15.1)	(10.4)	(17.4)	12.7	1.9
Change in Rebates to Market Participants	2.9	(4.3)	–	–	–
Market Penalties and Fines	0.1	–	–	–	–
Customer Education Fund Expenditures	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)
Amortization	25.9	15.6	16.0	21.5	26.4
Change in Fair Value Long-Term Investment	(1.2)	(0.4)	(1.3)	(1.5)	(1.7)
Pension Cost	12.5	15.7	18.6	18.0	19.3
Increase in Accrual for Employee Future Benefits	6.2	7.1	7.0	7.3	7.8
Pension Plan Contributions	(17.6)	(15.9)	(15.6)	(16.0)	(16.5)
Payment of Employee Future Benefits	(1.7)	(2.1)	(2.2)	(2.3)	(2.5)
Other Non-Cash Items Related to Operations	(2.5)	(1.3)	0.2	(3.4)	(0.3)
Cash Provided from Operations	9.0	3.5	5.0	36.0	34.1
INVESTING ACTIVITIES					
Purchase of Long-Term Investments	(2.0)	(1.7)	(1.7)	(1.7)	(1.7)
Investment in Property & Equipment	(10.6)	(21.1)	(26.1)	(27.7)	(18.6)
Cash Used in Investing Activities	(12.6)	(22.8)	(27.8)	(29.4)	(20.3)
FINANCING ACTIVITIES					
Issue/(Retirement) of Debt	(0.1)	12.3	22.8	(6.6)	(13.8)
Cash Provided from Financing Activities	(0.1)	12.3	22.8	(6.6)	(13.8)
Net Change in Cash Flow	(3.7)	(7.0)	–	–	–
Cash and Cash Equivalents – Beginning of Year	12.7	9.0	2.0	2.0	2.0
Cash and Cash Equivalents – End of Year	9.0	2.0	2.0	2.0	2.0

Independent Electricity System Operator

655 Bay Street, Suite 410
P.O. Box 1
Toronto, Ontario M5G 2K4
Reception: 905.855.6100
Media inquiries: 416.506.2823

IESO Customer Relations

Phone: 905.403.6900
Toll-free: 1.888.448.7777
E-mail: customer.relations@ieso.ca



Power to Ontario.
On Demand.