Independent Electricity System Operator
Statement of Financial Position
Unaudited

As at (in thousands of Canadian dollars)	March 31, 2017	Dec 31, 2016
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	34,937	33,005
Accounts receivable	38,131	31,103
Regulated assets	58,403	65,064
Long-term investments	41,818	40,355
Market accounts - assets (Note 2)	1,724,102	1,636,201
TOTAL FINANCIAL ASSETS	**1,897,391**	**1,805,728**
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	36,750	38,963
Accrued interest on debt	776	315
Rebates due to market participants (Note 4)	12,551	12,551
Debt (Note 5)	90,000	90,000
Accrued pension liability	31,714	34,620
Accrued liability for employee future benefits other than pension	91,837	90,251
Market accounts - liabilities (Note 2)	1,724,102	1,636,201
TOTAL LIABILITIES	**1,987,730**	**1,902,901**
NET DEBT	**(90,339)**	**(97,173)**
NON-FINANCIAL ASSETS		
Net tangible capital assets	102,303	105,047
Prepaid expenses	4,960	6,614
TOTAL NON-FINANCIAL ASSETS	**107,263**	**111,661**
ACCUMULATED SURPLUS		
Accumulated surplus from operations (Note 4)	7,681	6,582
Accumulated remeasurement gains	9,243	7,906
ACCUMULATED SURPLUS	**16,924**	**14,488**

Independent Electricity System Operator
Statement of Operations and Accumulated Surplus
Unaudited

For the quarter ended March 31 (in thousands of Canadian dollars)	2017 Budget	2017 Actual	2016 Actual
IESO CORE OPERATIONS	**$**	**$**	**$**
System fees	48,668	44,875	46,625
Other revenue	574	1,295	804
Interest and investment income	550	203	193
Core operation revenues	**49,792**	**46,373**	**47,622**
Compensation and benefits	(27,892)	(28,350)	(26,459)
Professional and consulting	(3,491)	(3,006)	(3,331)
Operating and administration	(9,530)	(8,964)	(9,308)
Core operating expenses	**(40,913)**	**(40,320)**	**(39,098)**
Amortization	(4,718)	(4,519)	(4,562)
Interest	(184)	(397)	(204)
Core expenses	**(45,815)**	**(45,236)**	**(43,864)**
Core operations surplus before rebates	3,977	**1,137**	**3,758**
Rebates due to market participants	-	-	-
Core operations surplus	**3,977**	**1,137**	**3,758**
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	**930**	**664**	**556**
Compensation and benefits	(580)	(465)	(485)
Professional and consulting	(379)	(65)	(103)
Operating and administration	(38)	(172)	(25)
Customer education and market enforcement expenses	(997)	(702)	(613)
Market sanctions and payment adjustments deficit	**(67)**	**(38)**	**(57)**
SMART METERING ENTITY			
Smart metering charge	**7,548**	**6,137**	**6,343**
Compensation and benefits	(753)	(615)	(493)
Professional and consulting	(4,240)	(3,534)	(3,651)
Operating and administration	(881)	(909)	(1,141)
Smart metering operating expenses	**(5,874)**	**(5,058)**	**(5,285)**
Amortization	(1,028)	(984)	(881)
Interest	(646)	(95)	(177)
Smart metering expenses	(7,548)	(6,137)	(6,343)
Smart metering entity surplus	**-**	**-**	**-**
SURPLUS	**3,910**	**1,099**	**3,701**
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	6,582	6,582	6,348
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	**10,492**	**7,681**	**10,049**

Independent Electricity System Operator
Statement of Remeasurement Gains and Losses
Unaudited

For the quarter ended March 31 (in thousands of Canadian dollars)	2017 Actual	2016 Actual
	$	$
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF PERIOD	**7,906**	**7,658**
UNREALIZED GAINS ATTRIBUTABLE TO:		
Foreign exchange - other	767	481
Portfolio investments	1,333	(686)
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange - other	(763)	(515)
NET REMEASUREMENT GAINS/(LOSSES) FOR THE PERIOD	**1,337**	**(720)**
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**9,243**	**6,938**

Independent Electricity System Operator
Statement of Change in Net Debt
Unaudited

For the quarter ended March 31 (in thousands of Canadian dollars)	2017 Budget	2017 Actual	2016 Actual
	$	$	$
SURPLUS	**3,910**	**1,099**	**3,701**
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(5,625)	(2,759)	(5,332)
Amortization of tangible capital assets	5,746	5,503	5,443
Change in prepaid expenses	-	1,654	983
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**121**	**4,398**	**1,094**
NET REMEASUREMENT GAINS/(LOSSES) FOR THE PERIOD	-	1,337	(720)
CHANGE IN NET DEBT	**4,031**	**6,834**	**4,075**
NET DEBT, BEGINNING OF PERIOD	(97,173)	(97,173)	(95,907)
NET DEBT, END OF PERIOD	**(93,142)**	**(90,339)**	**(91,832)**

Independent Electricity System Operator
Statement of Cash Flows
Unaudited

For the quarter ended March 31 (in thousands of Canadian dollars)	2017	2016
	$	$
OPERATING TRANSACTIONS		
Change in accumulated surplus		
Surplus	1,099	3,701
	1,099	3,701
Changes in non-cash items		
Amortization	5,503	5,443
Pension expense	2,051	2,690
Other employee future benefits expense	2,221	2,143
	9,775	10,276
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(1,118)	1,830
Change in accounts receivable	(7,028)	(27,207)
Change in rebates due to market participants	-	1,348
Change in regulated assets	6,662	6,297
Change in prepaid expenses	1,654	983
	170	(16,749)
Other:		
Contribution to pension fund	(4,957)	(4,606)
Payment of employee future benefits	(635)	(526)
	(5,592)	(5,132)
Cash provided by operating transactions	**5,452**	**(7,904)**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,759)	(5,332)
Change in accounts payable and accrued liabilities	(635)	3,079
Cash applied to capital transactions	**(3,394)**	**(2,253)**
INVESTING TRANSACTIONS		
Purchase of long-term investments	(130)	(127)
Cash applied to investing transactions	**(130)**	**(127)**
FINANCING TRANSACTIONS		
Debt repayment	-	-
Cash applied to financing transactions	**-**	**-**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,928**	**(10,284)**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	33,005	14,715
Unrealized foreign exchangegains/(losses) for the period	4	(34)
CASH AND CASH EQUIVALENTS - END OF PERIOD	**34,937**	**4,397**

Independent Electricity System Operator
Notes to Financial Statements (unaudited)

March 31, 2017

1) INTERIM FINANCIAL STATEMENTS

The interim financial statements follow the same accounting policies and methods of their application as the 2016 IESO annual financial statements.

The interim financial statements have been prepared on a going concern basis and should be read in conjunction with the 2016 IESO annual financial statements.

2) MARKET ACCOUNTS

(in thousands of Canadian dollars)	As at March 31, 2017	As at December 31, 2016
Cash, restricted for market activities	443,514	244,755
Market Accounts Receivable	1,155,992	1,370,053
Net Congestion Rent Receivable	2,166	5,727
Global Adjustment Other Charges Receivable	49,846	15,480
Interest Receivable	207	186
Regulated Price Plan Variance	72,377	-
Closing balance	**1,724,102**	**1,636,201**
Revolving line of credit	(81,209)	(150,501)
HST receivable/(payable)	(11,140)	25,531
Accounts Payable	(1,249,690)	(1,326,011)
Prepayments	(63,772)	(62,980)
Market Interest Payable to IESO Corporate	(846)	(2,508)
Market Penalties Payable to IESO Corporate	(827)	(1,144)
Regulated Price Plan Variance	-	134,988
Provision for Future Transmission Rights Activity	(96,270)	(53,305)
Provision for Future Ontario Electricity Support Program Activity	(110,867)	(92,443)
Provision for Future Rural or Remote Rate Protection Activity	(2,666)	(4,672)
Provision for Future Enforcement Activity	(60,944)	(58,484)
Deferred Transmission Rights Revenue	(45,871)	(44,672)
Closing balance	**(1,724,102)**	**(1,636,201)**

3) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of Canadian dollars)	As at March 31, 2017	As at December 31, 2016
Relating to operations	34,052	35,630
Relating to tangible capital assets	2,698	3,333
Closing balance	**36,750**	**38,963**

4) REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED SURPLUS

As at March 31, 2017 and December 31, 2016, the components of the IESO's Accumulated Surplus were as follows:

Accumulated Surplus

(in thousands of Canadian dollars)	As at March 31, 2017	As at December 31, 2016
Approved regulatory deferral account	11,137	10,000
Accumulated market sanctions and payment adjustments	688	726
Remeasurement gains	5,099	3,762
Accumulated surplus – end of period	**16,924**	**14,488**

Regulatory Deferral Account

(in thousands of Canadian dollars)	As at March 31, 2017
Accumulated surplus – December 31, 2016	10,000
Revenues (before rebates due to market participants)	46,373
IESO operation expenses	(45,236)
Accumulated surplus – end of period	**11,137**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at March 31, 2017
Accumulated surplus – December 31, 2016	726
Market sanctions and payment adjustments	664
Customer education and market enforcement expenses	(702)
Accumulated surplus – end of period	**688**

5) 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, 2017, the note payable to the OEFC was $90 million (December 31, 2016 - $90 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, 2017, no funds were drawn on the credit facility (December 31, 2016 - $nil).