Independent Electricity System Operator
Statement of Financial Position
Unaudited

As at (in thousands of Canadian dollars)	December 31, 2017	December 31, 2016
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	58,305	33,005
Accounts receivable	47,747	31,103
Regulated assets	39,529	65,064
Long-term investments	45,276	40,355
Market accounts - assets (Note 2)	1,912,057	1,674,074
TOTAL FINANCIAL ASSETS	**2,102,914**	**1,843,601**
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	36,786	38,963
Accrued interest on debt	-	315
Rebates due to market participants (Note 4)	2,307	12,551
Debt (Note 5)	120,000	90,000
Accrued pension liability	29,229	34,620
Accrued liability for employee future benefits other than pension	96,216	90,251
Market accounts - liabilities (Note 2)	1,912,057	1,674,074
TOTAL LIABILITIES	**2,196,595**	**1,940,774**
NET DEBT	**(93,681)**	**(97,173)**
NON-FINANCIAL ASSETS		
Net tangible capital assets	100,795	105,047
Prepaid expenses	6,809	6,614
TOTAL NON-FINANCIAL ASSETS	**107,604**	**111,661**
ACCUMULATED SURPLUS		
Accumulated surplus from operations (Note 4)	3,438	6,582
Accumulated remeasurement gains	10,485	7,906
ACCUMULATED SURPLUS	**13,923**	**14,488**

Independent Electricity System Operator
Statement of Operations and Accumulated Surplus
Unaudited

For the twelve months ended December 31 (in thousands of Canadian dollars)	2017 Budget	2017 Actual	2016 Actual
IESO CORE OPERATIONS	$	$	$
System fees	190,790	180,102	185,531
Other revenue	574	4,145	2,531
Interest and investment income	2,100	2,312	2,157
Core operation revenues	**193,464**	**186,559**	**190,219**
Core operation expenses	(193,464)	(184,252)	(177,668)
IESO-OPA amalgamation expenses	-	-	1
Core operations surplus/(deficit) before rebates	-	**2,307**	**12,551**
Rebates due to market participants	-	(6,307)	(12,551)
Core operations surplus/(deficit)	-	**(4,000)**	-
GOVERNMENT TRANSFERS			
Government transfer	-	1,826	-
Government transfer expenses	-	(1,826)	-
Government transfer surplus/(deficit)	-	-	-
SMART METERING ENTITY			
Smart metering charge	31,536	25,656	27,426
Smart metering expenses	(31,536)	(24,716)	(27,426)
Smart metering entity surplus/(deficit)	-	**940**	-
MARKET SANCTIONS AND PAYMENT ADJUSTMENTS			
Market sanctions and payment adjustments	4,219	3,177	3,889
Customer education and market enforcement expenses	(4,513)	(3,261)	(3,655)
Market sanctions and payment adjustments deficit	**(294)**	**(84)**	**234**
SURPLUS/(DEFICIT)	**(294)**	**(3,144)**	**234**
ACCUMULATED SURPLUS FROM OPERATIONS, BEGINNING OF PERIOD	6,582	6,582	6,348
ACCUMULATED SURPLUS FROM OPERATIONS, END OF PERIOD	**6,288**	**3,438**	**6,582**

Independent Electricity System Operator
Statement of Remeasurement Gains and Losses
Unaudited

For the twelve months ended December 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 - derivatives	-	-
Foreign exchange - other	457	477
Portfolio investments	2,599	286
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange - derivatives	-	-
Foreign exchange - other	(477)	(515)
Portfolio investments	-	-
NET REMEASUREMENT GAINS FOR THE PERIOD	**2,579**	**248**
ACCUMULATED REMEASUREMENT GAINS, END OF PERIOD	**10,485**	**7,906**

Independent Electricity System Operator
Statement of Change in Net Debt
Unaudited

For the twelve months ended December 31 (in thousands of Canadian dollars)	2017 Budget	2017 Actual	2016 Actual
	$	$	$
SURPLUS/(DEFICIT)	**(294)**	**(3,144)**	**234**
CHANGE IN NON-FINANCIAL ASSETS			
Acquisition of tangible capital assets	(27,500)	(16,705)	(24,769)
Amortization of tangible capital assets	23,126	20,957	23,438
Change in prepaid expenses	-	(195)	(417)
TOTAL CHANGE IN NON-FINANCIAL ASSETS	**(4,374)**	**4,057**	**(1,748)**
NET REMEASUREMENT GAINS FOR THE PERIOD	-	2,579	248
CHANGE IN NET DEBT	**(4,668)**	**3,492**	**(1,266)**
NET DEBT, BEGINNING OF PERIOD	(97,173)	(97,173)	(95,907)
NET DEBT, END OF PERIOD	**(101,841)**	**(93,681)**	**(97,173)**

Independent Electricity System Operator
Statement of Cash Flows
Unaudited

For the twelve months ended December 31 (in thousands of Canadian dollars)	2017	2016
	$	$
OPERATING TRANSACTIONS		
Change in accumulated surplus/(deficit)		
Surplus/(Deficit)	(3,144)	234
	(3,144)	234
Changes in non-cash items		
Amortization	20,957	23,438
Pension expense	8,111	11,610
Other employee future benefits expense	8,601	8,127
Change in fair value of long-term investments		
	37,669	43,175
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	(675)	(7,495)
Change in accounts receivable	(16,644)	2,096
Change in rebates due to market participants	(10,244)	2,956
Change in regulated assets	25,535	23,138
Change in prepaid expenses	(195)	(417)
	(2,223)	20,278
Other:		
Contribution to pension fund	(13,502)	(13,052)
Payment of employee future benefits	(2,636)	(2,377)
	(16,138)	(15,429)
Cash provided by operating transactions	**16,164**	**48,258**
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(16,705)	(24,769)
Change in accounts payable and accrued liabilities	(1,816)	(2,410)
Cash applied to capital transactions	**(18,521)**	**(27,179)**
INVESTING TRANSACTIONS		
Purchase of long-term investments	(2,323)	(2,751)
Cash applied to investing transactions	**(2,323)**	**(2,751)**
FINANCING TRANSACTIONS		
Issue debt	30,000	-
Cash applied to financing transactions	**30,000**	**-**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**25,320**	**18,328**
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	33,005	14,715
Unrealized foreign exchange (losses) for the period	(20)	(38)
CASH AND CASH EQUIVALENTS - END OF PERIOD	**58,305**	**33,005**

As at (in thousands of Canadian dollars)	March 31, 2017
	$
FINANCIAL ASSETS	
Cash and cash equivalents	58,305
Accounts receivable	47,747
Regulated assets (Note 3)	39,529
Long-term investments (Note 4)	45,276
Market accounts - assets (Note 3)	1,912,057
TOTAL FINANCIAL ASSETS	**2,102,914**
LIABILITIES	
Accounts payable and accrued liabilities (Note 5)	#REF!
Accrued interest on debt	#REF!
Rebates due to market participants (Note 6)	#REF!
Debt (Note 7)	#REF!
Accrued pension liability (Note 8)	#REF!
Accrued liability for employee future benefits other than pension (Note 8)	#REF!
Market accounts - liabilities (Note 3)	1,912,057
TOTAL LIABILITIES	**2,196,595**
NET DEBT	**(93,681)**
NON-FINANCIAL ASSETS	
Net tangible capital assets (Note 9)	100,795
Prepaid expenses	6,809
TOTAL NON-FINANCIAL ASSETS	**107,604**
ACCUMULATED SURPLUS	
Accumulated surplus from operations (Note 6)	3,438
Accumulated remeasurement gains	10,485
ACCUMULATED SURPLUS	**13,923**

December 31, 2016	
$	
33,005	(25,300)
31,103	(16,644)
65,064	25,535
40,355	(4,921)
1,674,074	(237,983)
1,843,601	(259,313)
38,963	#REF!
315	#REF!
12,551	#REF!
90,000	#REF!
34,620	#REF!
90,251	#REF!
1,674,074	(237,983)
1,940,774	(255,821)
(97,173)	(3,492)
105,047	4,252
6,614	(195)
111,661	4,057
6,582	3,144
7,906	(2,579)
14,488	565

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

2) MARKET ACCOUNTS

As of January 1, 2016 the IESO changed its accounting policy regarding the recognition of market accounts assets and liabilities

In March 2017, the Government of Ontario announced its Fair Hydro Plan (FHP). Under this Plan, the IESO continues to settle

As at September 30, Deferred Global Adjustment Variance was $818,174 thousand. This balance includes the variance created by

The FHP also shifted the cost of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection

Prior to May 1 the balance of OESP funds collected and paid through the market was in a credit position of $116,096 thousand.

A new rate for the RRRP program under the FHP was effective July 1, 2017. The balance in the RRRP variance account to June

Components of the market accounts are as follows:	As at September 30, 2017	As at December 31, 2016
Cash, restricted for market accounts	215,476	244,755
Amounts due from market participants	939,095	1,391,260
Interest receivable	126	186
Regulatory assets/liabilities	766,505	37,873
Market Debt	(614,805)	(150,501)
HST receivable	131,000	25,531
Amounts due to market participants	(1,241,849)	(1,387,971)
Other net liabilities	(195,548)	(161,133)
Closing balance	-	-

Regulatory assets/liabilities consist of the following:	As at September 30, 2017	As at December 31, 2016
Deferred Global Adjustment Variance	818,174	-
Regulated Price Plan Variance	-	134,988
Ontario Electricity Support Program Variance	(62,312)	(92,443)
Rural or Remote Rate Protection Variance	10,643	(4,672)
Closing balance	**766,505**	**37,873**

3) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of Canadian dollars)	As at September 30, 2017	As at December 31, 2016
Relating to operations	30,844	35,630
Relating to tangible capital assets	2,513	3,333
Closing balance	**33,357**	**38,963**

4) REBATES DUE TO MARKET PARTICIPANTS AND ACCUMULATED SURPLUS

As at September 30, 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 September 30, 2017	As at December 31, 2016
Approved regulatory deferral account	12,307	10,000
Accumulated market sanctions and payment adjustments	642	726
Remeasurement gains	6,341	3,762
Accumulated surplus – end of period	**19,290**	**14,488**

Regulatory Deferral Account

(in thousands of Canadian dollars)	As at September 30, 2017	As at December 31, 2016
Accumulated surplus – December 31, 2016	10,000	10,000
Revenues (before rebates due to market participants)	186,559	190,219
Rebates due to market participants	-	(12,551)
IESO operation expenses	(184,252)	(177,668)
Accumulated surplus – end of period	**12,307**	**10,000**

Accumulated Market Sanctions and Payment Adjustments

(in thousands of Canadian dollars)	As at September 30, 2017	As at December 31, 2016
Accumulated surplus – December 31, 2016	726	492
Market sanctions and payment adjustments	3,177	3,889
Customer education and market enforcement expenses	(3,261)	(3,655)
Accumulated surplus – end of period	**642**	**726**

5) DEBT

Note Payable to Ontario Electricity Finance Corporation (OEFC)

In April 2017, the IESO entered into a note payable with the OEFC. The note payable is unsecured, bears interest at a fixed rate

Credit Facility

The IESO has an unsecured credit facility agreement with the OEFC, which will make available to the IESO an amount up to

4) SEGMENT DISCLOSURES

Expenses by object for the quarter ended March 31, 2015 comprise of the following:

	IESO operations	Customer education and market enforcement expenses	Smart metering entity	IESO-OPA amalgamation expenses
For the quarter ended March 31	**2015**	**2015**	**2015**	**2015**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Compensation and benefits	25,501	695	594	51
Computer services, support and equipment	3,727	-	343	-
Contract services and consultants	5,406	207	3,776	260
Telecommunications	729	-	5	-
Other costs	4,126	52	49	1
Amortization	4,053	-	875	-
Interest expense and financing charges	399	-	279	-
Total Expense	**43,941**	**954**	**5,921**	**312**

Expenses by object for the quarter ended March 31, 2014 comprise of the following:

	IESO operations	Customer education and market enforcement expenses	Smart metering entity	IESO-OPA amalgamation expenses
For the quarter ended March 31	**2014**	**2014**	**2014**	**2014**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Compensation and benefits	29,258	521	628	-
Computer services, support and equipment	3,495	-	184	-
Contract services and consultants	2,985	108	4,312	-
Telecommunications	763	-	5	-
Other costs	4,244	32	50	-
Amortization	4,265	-	977	-
Interest expense and financing charges	404	-	324	-
Total Expense	**45,414**	**661**	**6,480**	**-**

5) MARKET ACCOUNTS

As of January 1, 2016 the IESO changed its accounting policy regarding the recognition of market accounts assets and liabilities on the statement of financial position. The IESO-administered markets is a balancing system and includes amounts due from market participants (e.g. LDCs) and amounts due to market participants (e.g. generators). The net position of market accounts will settle to a $nil balance.

In March 2017, the Government of Ontario announced its Fair Hydro Plan (FHP). Under this Plan, the IESO continues to settle

TO BE UPDATED
As at September 30, Deferred Global Adjustment Variance was $818,174 thousand. This balance includes the variance created by

The FHP also shifted the cost of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection

Prior to May 1 the balance of OESP funds collected and paid through the market was in a credit position of $116,096 thousand.

A new rate for the RRRP program under the FHP was effective July 1, 2017. The balance in the RRRP variance account to June

Components of the market accounts are as follows:	As at December 31, 2017	As at December 31, 2016
Cash, restricted for market accounts	543,391	244,755
Amounts due from market participants	1,186,326	1,391,260
Interest receivable	217	186
Regulatory assets/liabilities	182,123	37,873
Market Debt	(13,252)	(150,501)
HST receivable	110,162	25,531
Amounts due to market participants	(1,867,757)	(1,387,971)
Other net liabilities	(141,210)	(161,133)
Closing balance	-	-

Regulatory assets/liabilities consist of the following:	As at December 31, 2017	As at December 31, 2016
Deferred Global Adjustment Variance	195,855	-
Regulated Price Plan Variance	-	134,988
Ontario Electricity Support Program Variance	(26,352)	(92,443)
Rural or Remote Rate Protection Variance	12,620	(4,672)
Closing balance	**182,123**	**37,873**

4) SEGMENT DISCLOSURES

Expenses by object for the quarter ended March 31, 2015 comprise of the following:

	IESO operations	Customer education and market enforcement expenses	Smart metering entity	IESO-OPA amalgamation expenses
For the quarter ended March 31	**2015**	**2015**	**2015**	**2015**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Compensation and benefits	25,501	695	594	51
Computer services, support and equipment	3,727	-	343	-
Contract services and consultants	5,406	207	3,776	260
Telecommunications	729	-	5	-
Other costs	4,126	52	49	1
Amortization	4,053	-	875	-
Interest expense and financing charges	399	-	279	-
Total Expense	**43,941**	**954**	**5,921**	**312**

Expenses by object for the quarter ended March 31, 2014 comprise of the following:

	IESO operations	Customer education and market enforcement expenses	Smart metering entity	IESO-OPA amalgamation expenses
For the quarter ended March 31	**2014**	**2014**	**2014**	**2014**
(in thousands of Canadian dollars)	**$**	**$**	**$**	**$**
Compensation and benefits	29,258	521	628	-
Computer services, support and equipment	3,495	-	184	-
Contract services and consultants	2,985	108	4,312	-
Telecommunications	763	-	5	-
Other costs	4,244	32	50	-
Amortization	4,265	-	977	-
Interest expense and financing charges	404	-	324	-
Total Expense	**45,414**	**661**	**6,480**	**-**