

2006 – 2008 Business Plan

Stakeholder Session
August 24, 2005

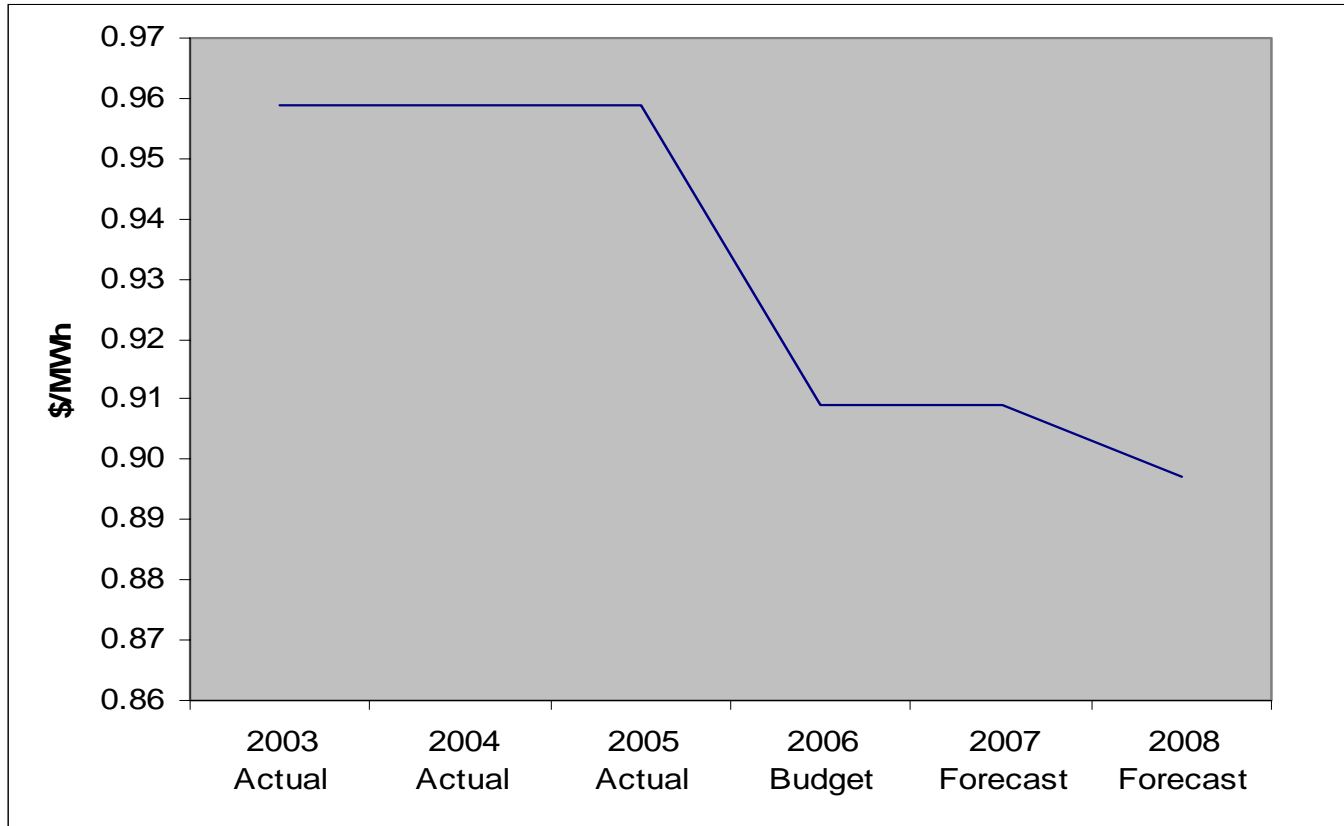


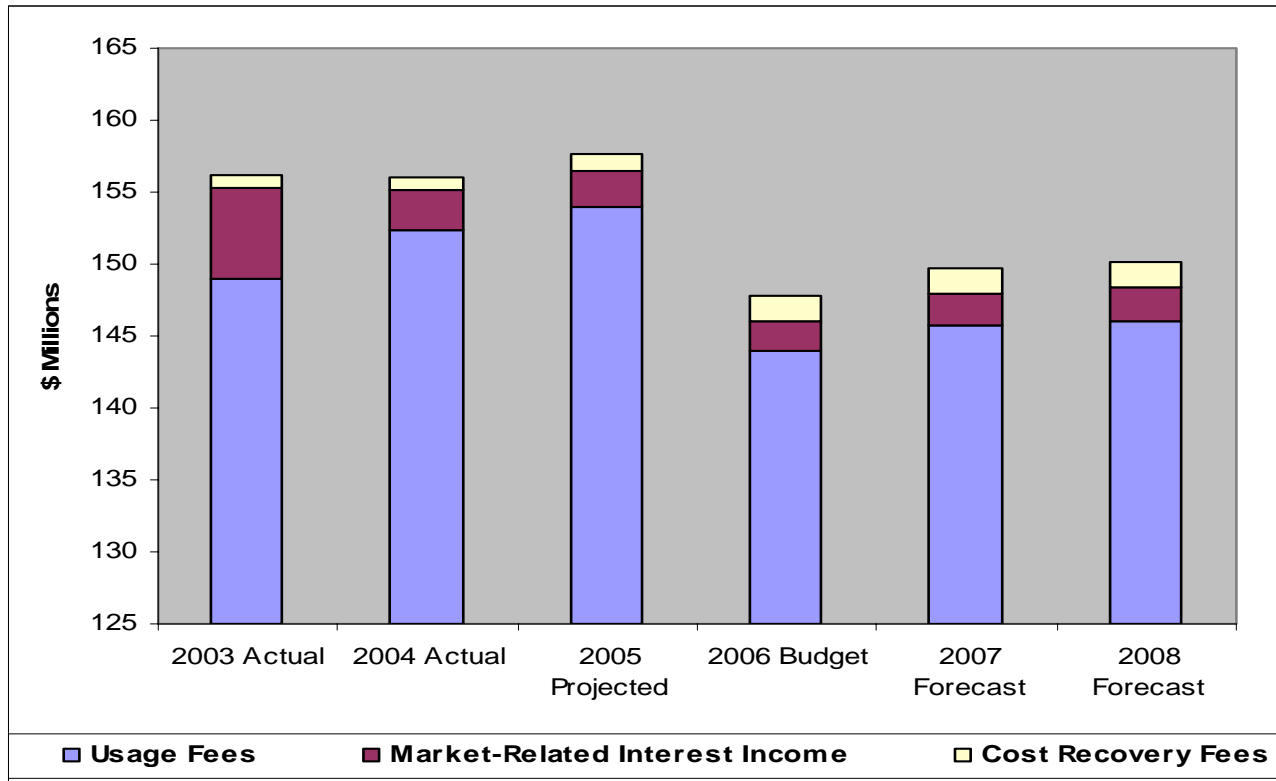
To demonstrate continued prudent financial management while achieving our objects as outlined in legislation, including supporting the further development of the industry.

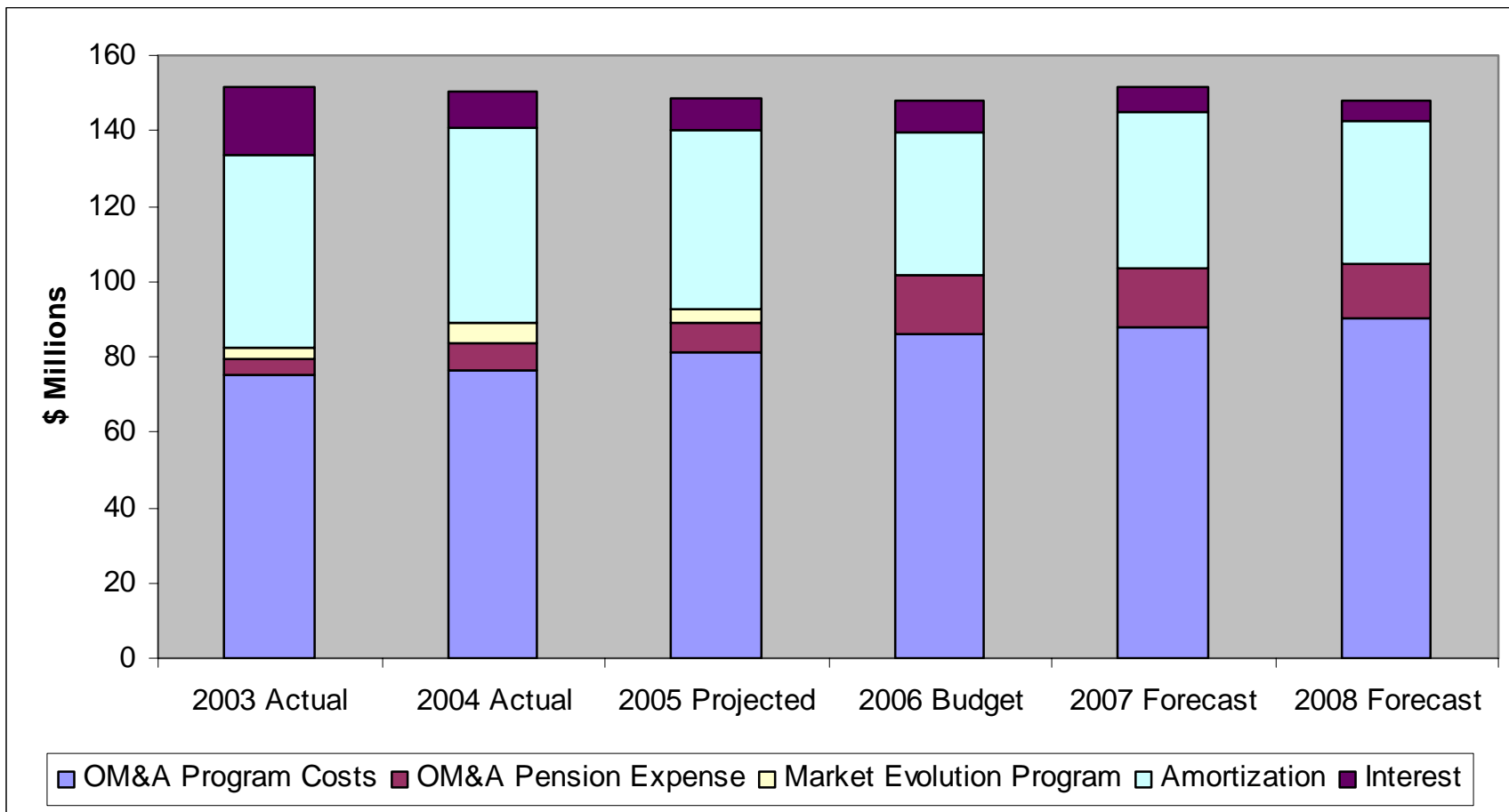
- ✓ Total costs are estimated to decrease in 2006, representing the third year in a row with reductions.
- ✓ Debts levels will have been significantly reduced:
 - ✓ \$220 million (62%) of debt repaid since 2002; and
 - ✓ further repayments of \$55 million over the planning period (total repayment of almost 80% since 2002).
- ✓ Usage fee has remained at \$0.959/MWh for four years in a row – 2002 through 2005.
- ✓ An estimated \$8.1 million, or over 5% of the usage fees collected by the IESO in 2005, will be refunded to participants.
- ✓ Usage fee is proposed to be reduced by a nickel, or over 5%, in 2006.
- ✓ Outlook is to maintain the reduced fee level in 2007 with a further reduction in the usage fee in 2008.

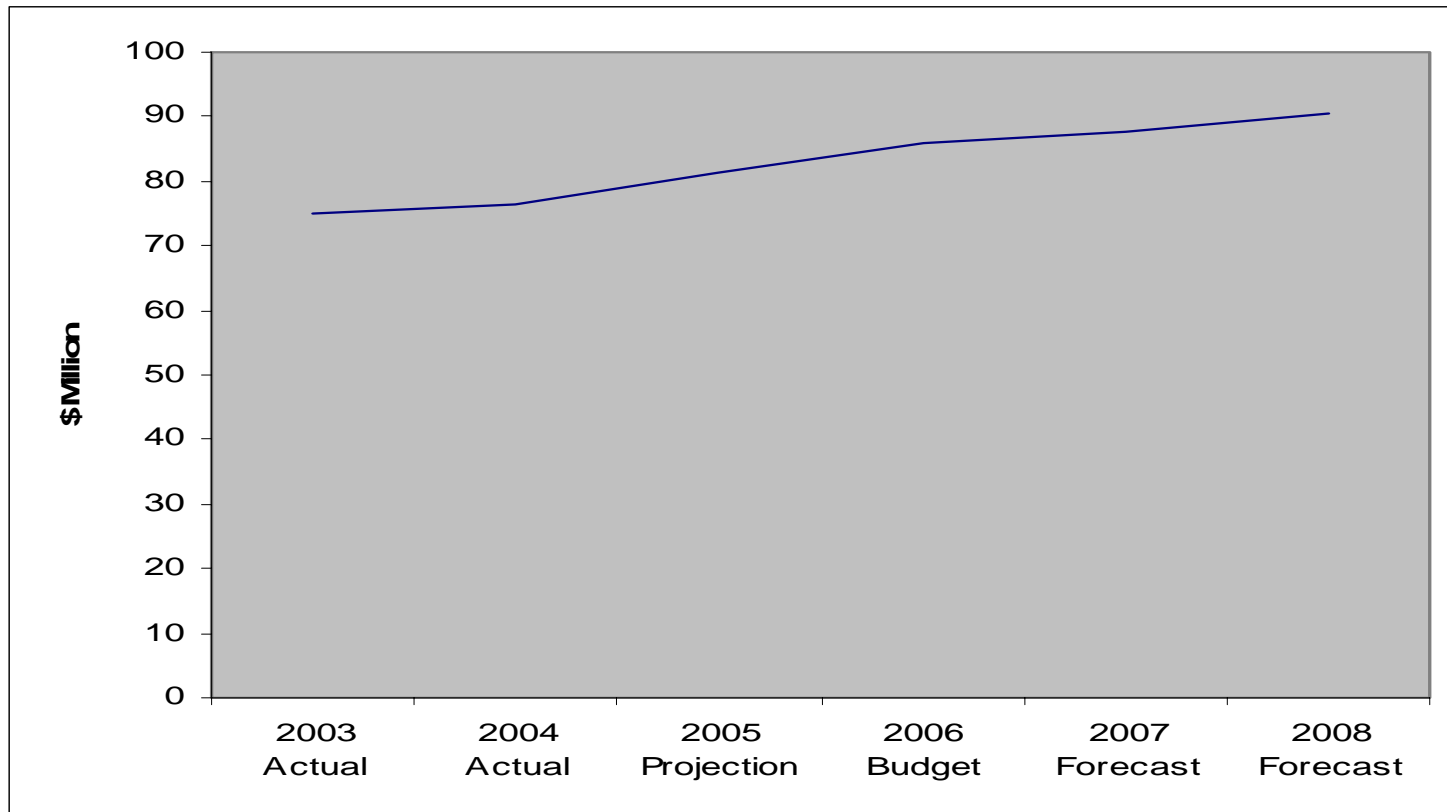
2005 Comparison to Budget

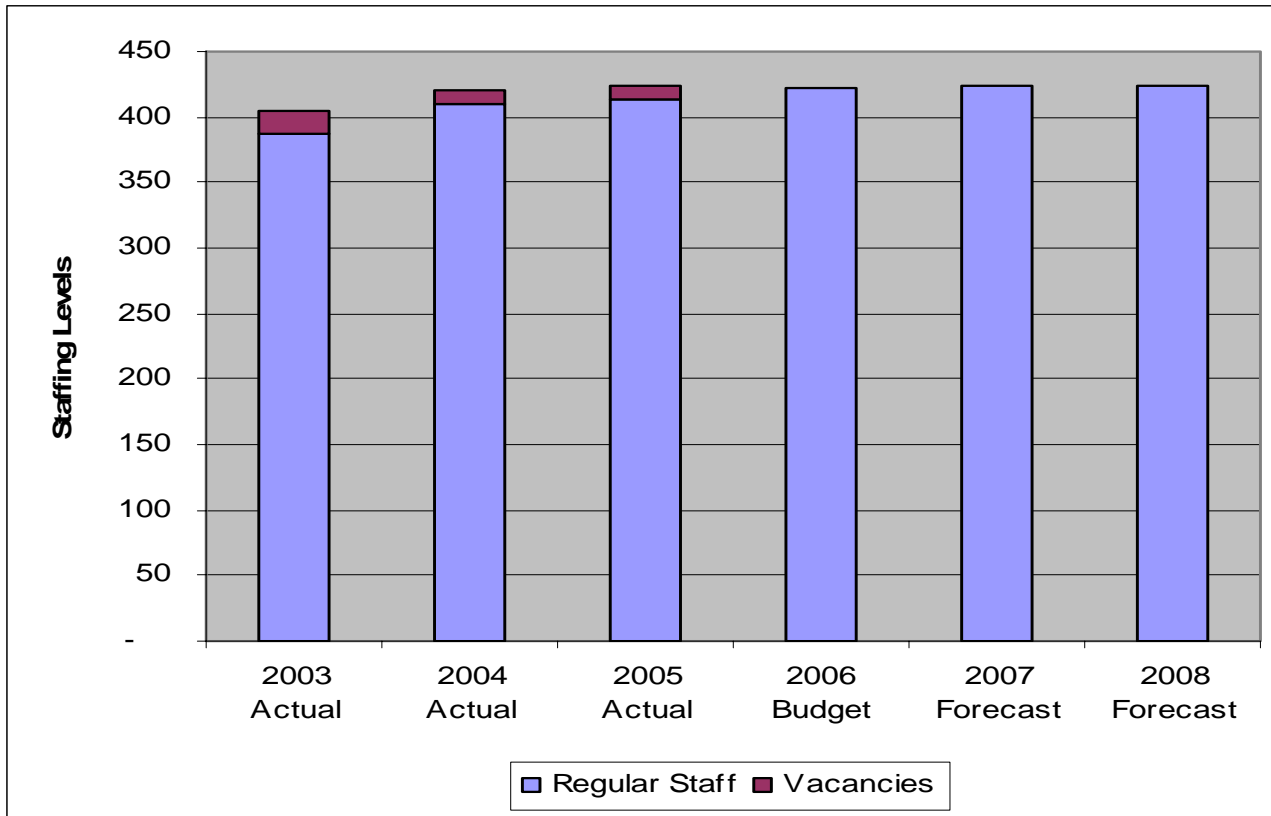
(\$Millions)	2005 Projection	2005 Budget	Variance
Revenues			
IESO Fees	153.9	149.2	4.7
Cost Recovery Fees	1.1	1.5	(0.4)
Market-related Interest Income	2.6	1.7	0.9
Total Revenues	157.6	152.4	5.2
Costs			
OM&A Program Costs	81.2	83.2	2.0
OM&A Pension Expense	8.1	8.2	0.1
Market Evolution Program	3.2	3.2	-
Amortization	47.6	48.5	0.9
Net Interest	8.3	8.5	0.2
Total Costs	148.4	151.6	3.2
Operating Surplus for the period	9.2	0.8	8.4

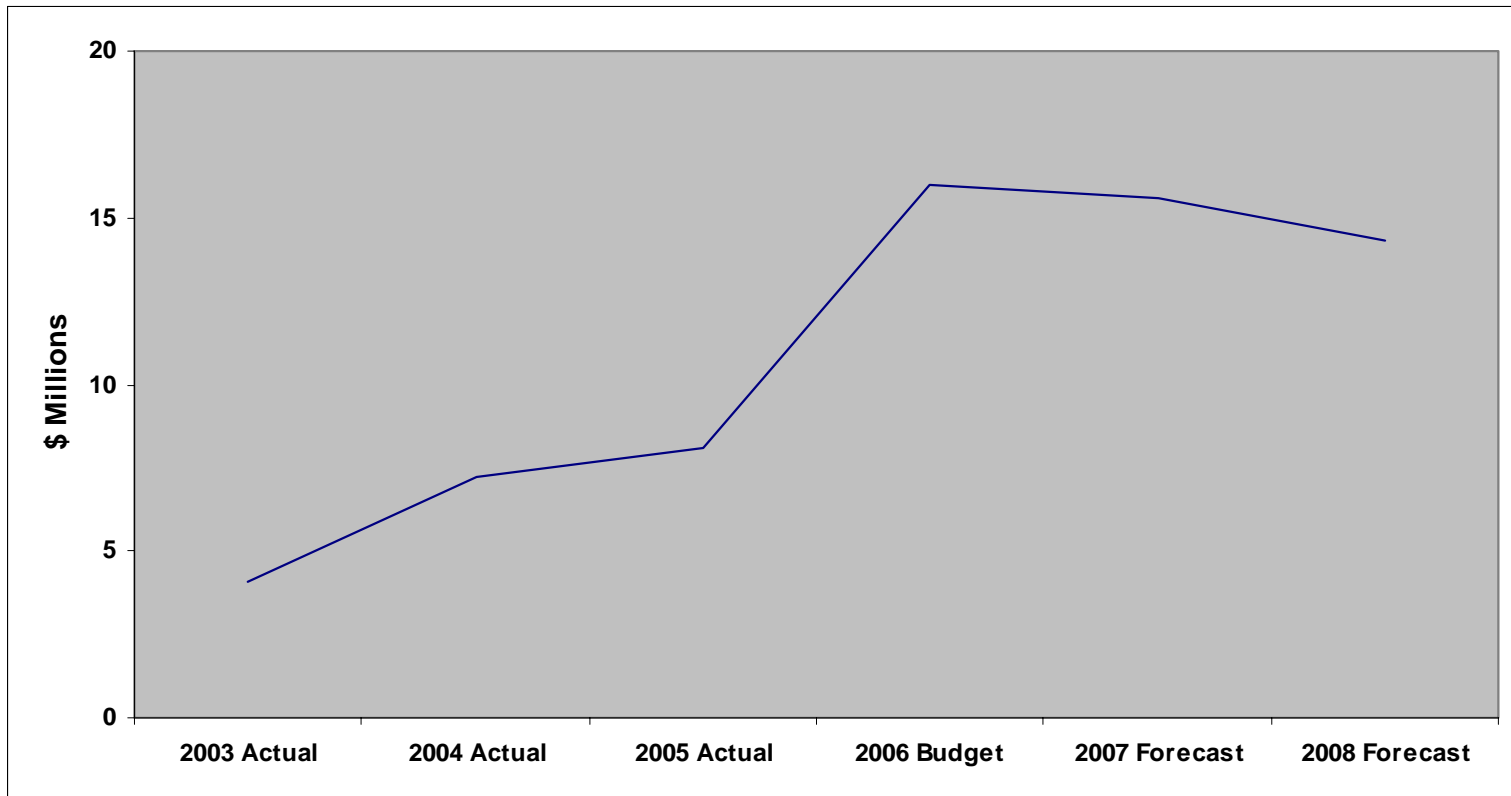


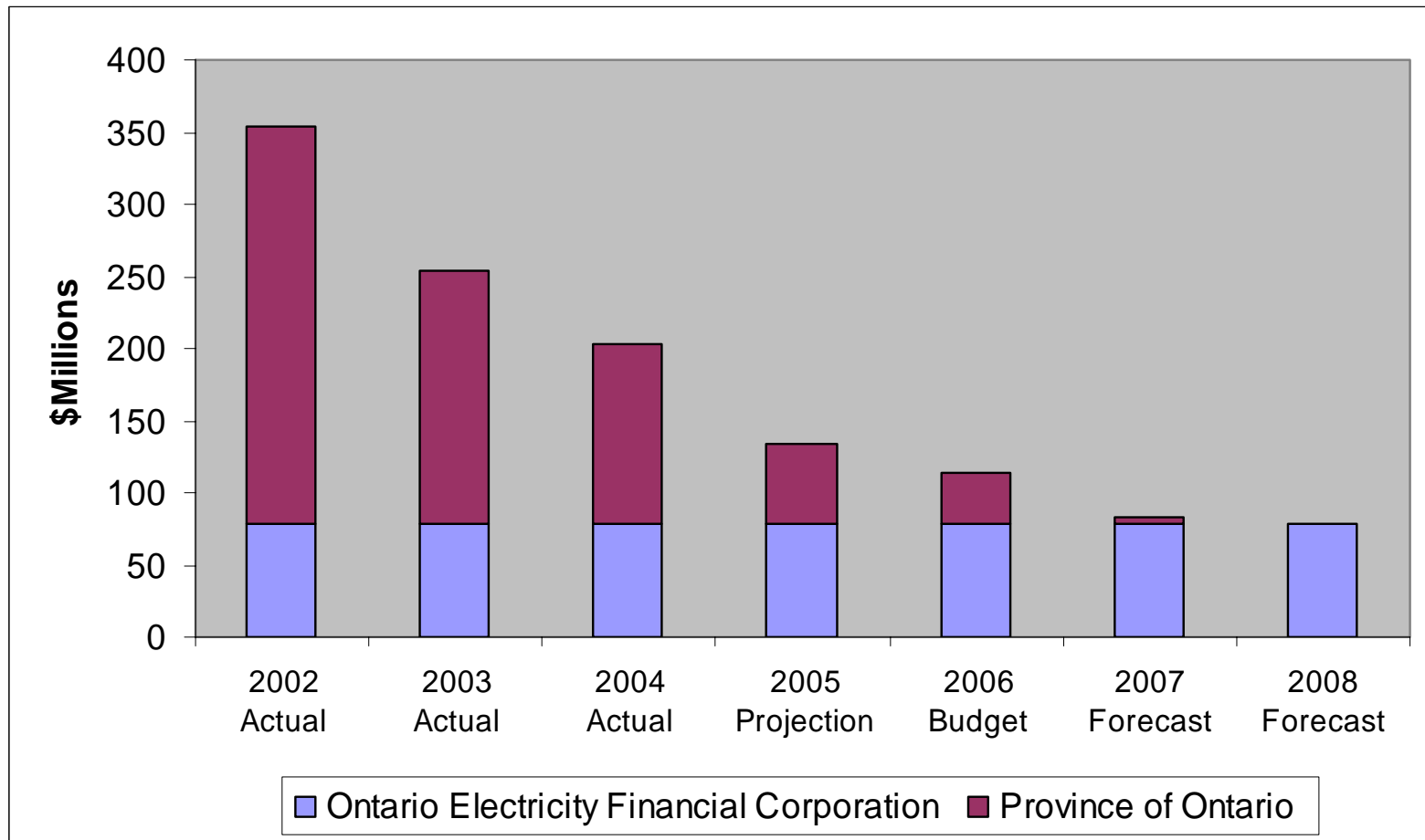


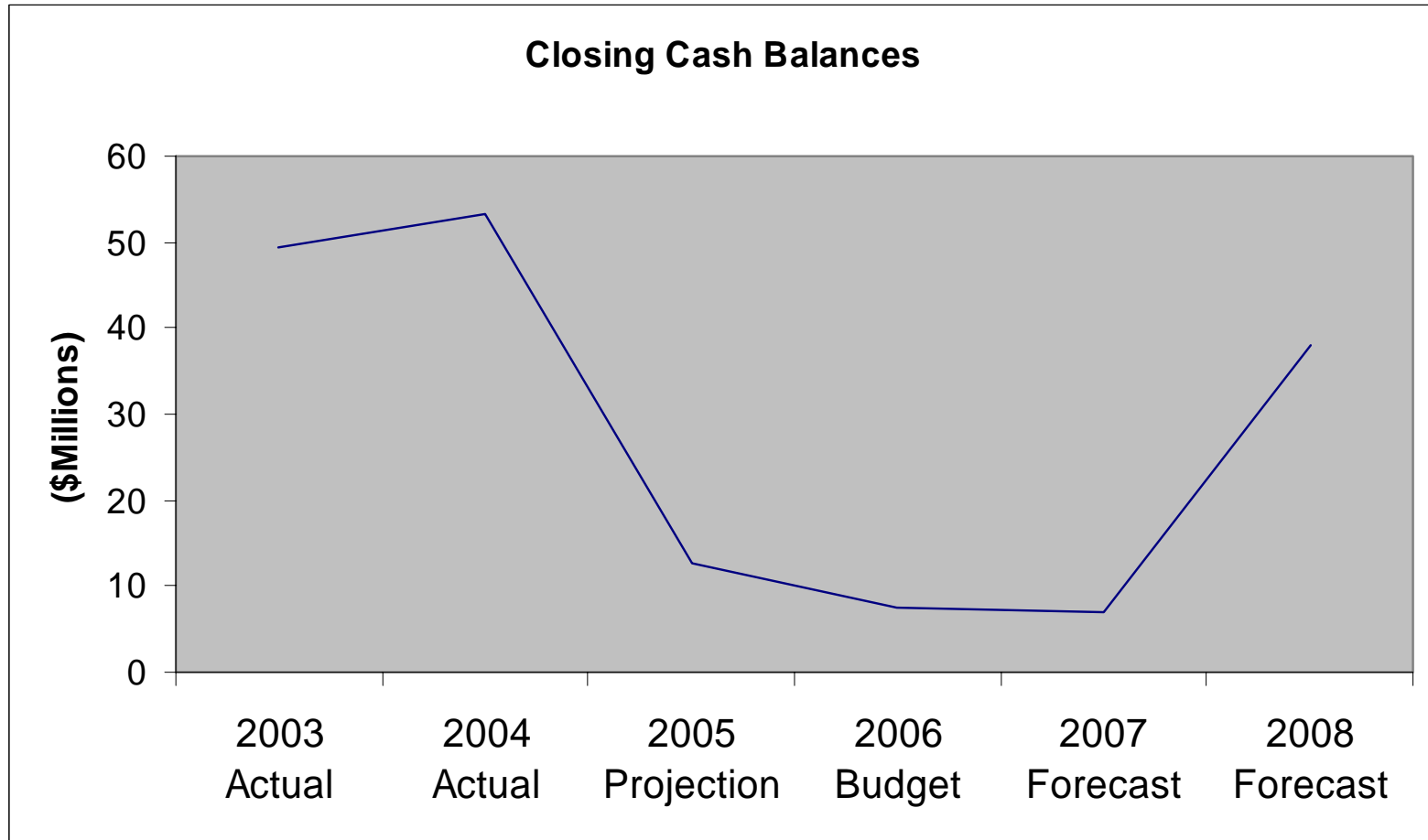


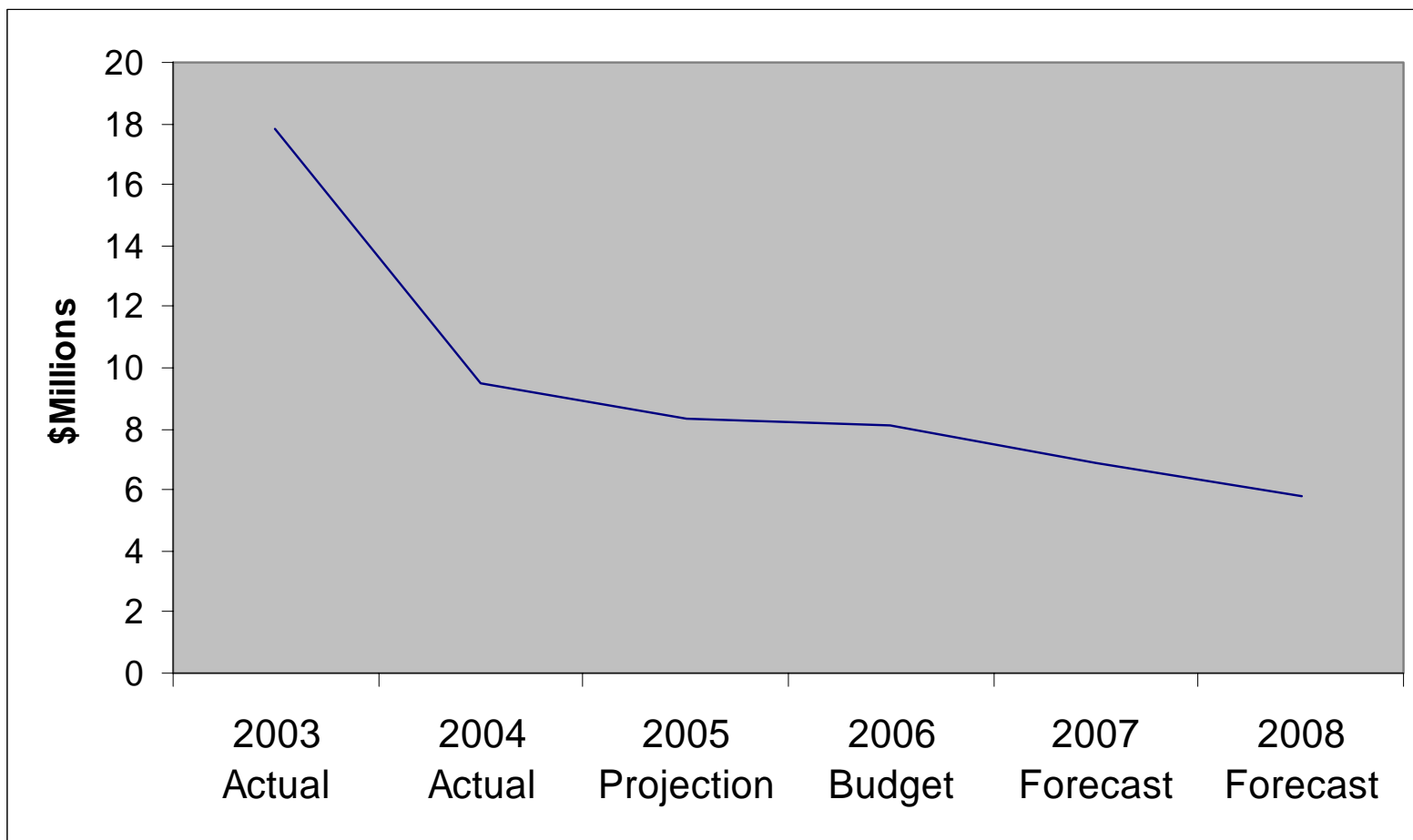


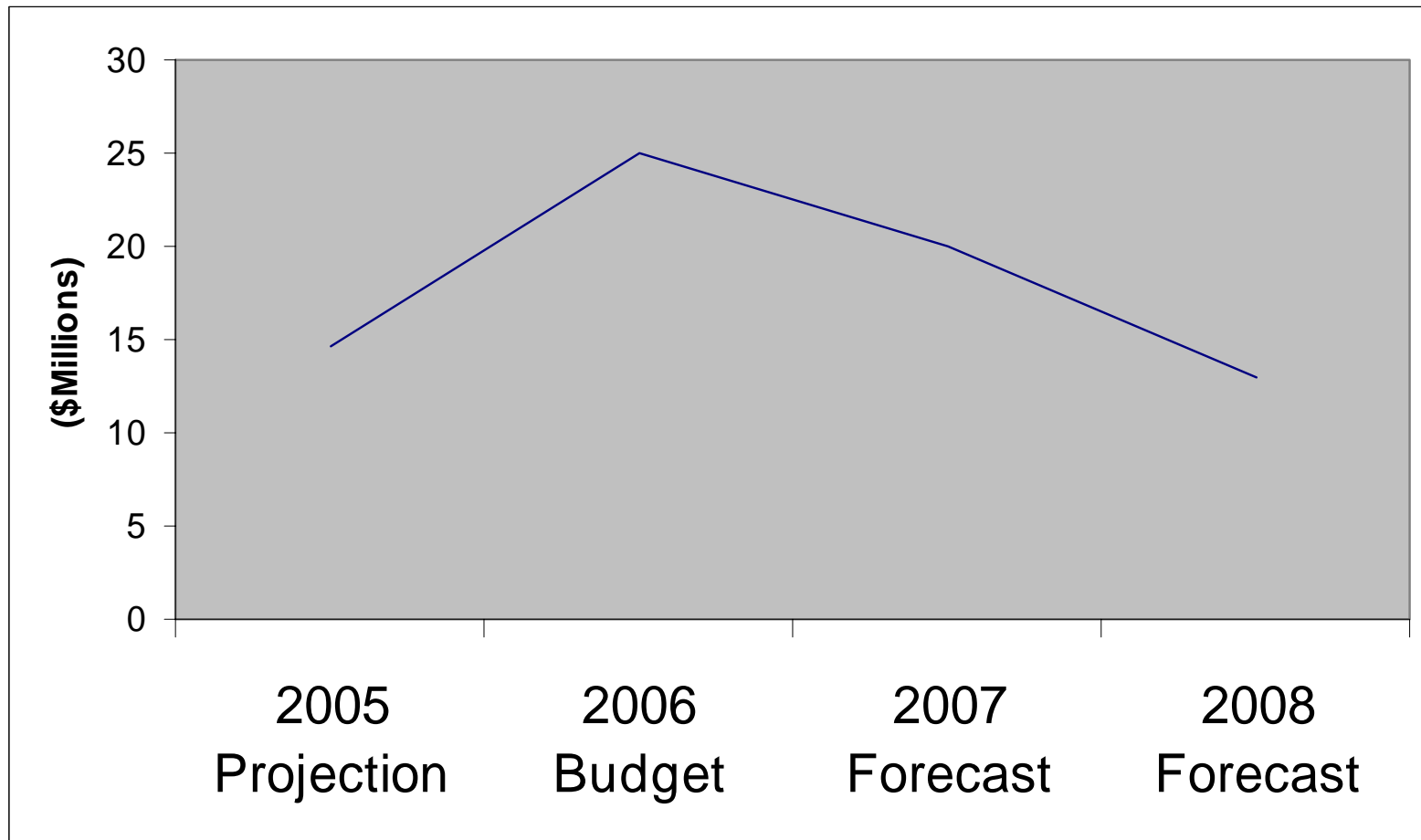








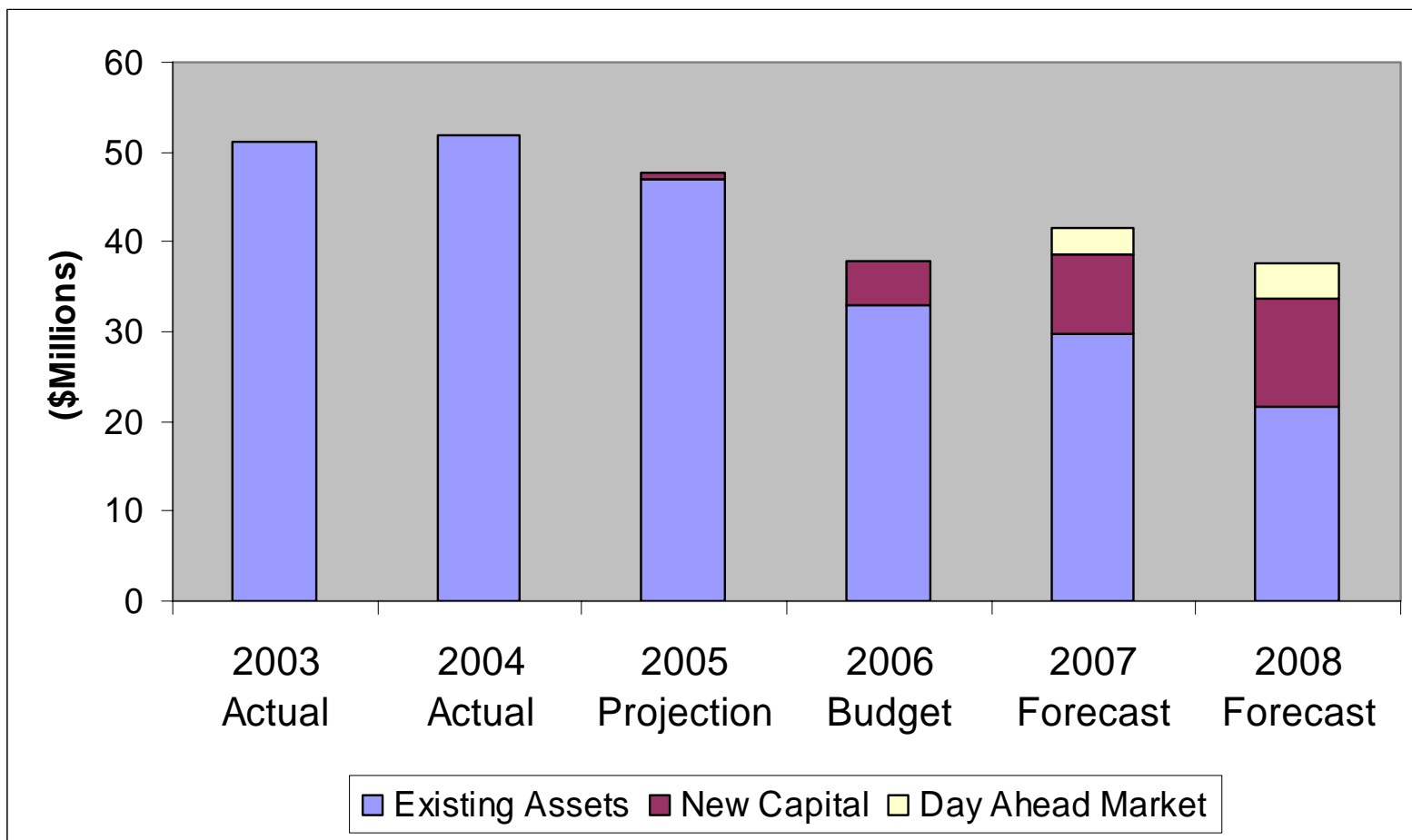




Major Capital Projects

(\$Millions)

	2005 Projection	2006 Budget	2007 Forecast	2008 Forecast
Day Ahead Market	-	9.0	6.0	-
Central Alarm Management	3.0	0.5	-	-
Application Changes/Vendor Change Requests	2.7	2.0	2.0	2.0
Energy Mgmt System/Market Info System Upgrade	-	3.0	2.0	-
Market Participant Interface Modernization	0.7	0.2	-	-
Outage Management	0.5	0.6	-	-
Telecom Expansion Program	0.5	0.4	-	-
Wide Area Network Expansion	0.3	0.4	0.4	-
Windows Server Infrastructure Replacement	1.5	1.5	2.7	1.5
UNIX Server Infrastructure Refresh & QA Environment	0.3	2.5	2.5	1.0



(\$Millions)	2006 Budget in the 2006-2008 Business Plan	2006 Forecast in Last Year's Business Plan	Variance(%)
Total Revenues	147.8	154.9	(4.6%)
Total Costs	147.8	154.0	4.0%
Operating Surplus for the period	-	0.9	
Usage Fee (\$/MWh)	0.909	0.959	-5.2%

Actual and Estimated Results

(\$Millions)	2003 Actual	2004 Actual	2005 Projection	2006 Budget	2007 Forecast	2008 Forecast
Revenues						
IESO Fees	148.9	152.4	153.9	144.0	145.7	146.0
Cost Recovery Fees	0.9	0.9	1.1	1.7	1.7	1.8
Market-related Interest Income	4.2	2.5	2.6	2.1	2.3	2.4
Total Revenues	154.0	155.8	157.6	147.8	149.7	150.2
Costs						
OM&A Program Costs	75.1	76.5	81.2	85.9	87.7	90.5
OM&A Pension Expense	4.1	7.2	8.1	16.0	15.6	14.3
Market Evolution Program	3.1	5.1	3.2	-	-	-
Amortization	51.2	52.0	47.6	37.8	41.6	37.6
Net Interest	17.8	9.5	8.3	8.1	6.9	5.7
Total Operating Costs	151.3	150.3	148.4	147.8	151.8	148.1
Operating Surplus/(Deficit) for the period	2.7	5.5	9.2	0.0	(2.1)	2.1
Accumulated Surplus	13.4	18.9	13.1	5.0	2.9	5.0
Actual/Forecasted Rate (\$/MWh)	0.959	0.959	0.959	0.909	0.909	0.897

A Summary of What You Have Heard

- 2005 costs have been successfully managed.
- Debt has been and will continue to be aggressively repaid.
- Participants will receive a refund of over 5% of the IESO usage fees they will have paid in 2005.
- The IESO is going to lower its fee by a nickel in 2006, a reduction of more than 5%.
- The current outlook is that the fee would remain unchanged in 2007 and then further reduced in 2008.
- Based on the refund and the reduced fees, market participants will experience an estimated savings on IESO usage fees of over \$34 million over the planning period.

Gary Sherkey

gary.sherkey@ieso.ca

(416) 506-2850

Ted Leonard

ted.leonard@ieso.ca

(905) 855-6168