

November 15, 2004

**ONTARIO POWER GENERATION REPORTS THIRD QUARTER 2004  
EARNINGS**

[Toronto]: Ontario Power Generation Inc. ("OPG") today reported its financial and operating results for the third quarter and nine months ended September 30, 2004. Net loss for the three months ended September 30, 2004 was \$15 million or \$0.06 per share, compared with net income of \$34 million or \$0.13 per share for the three months ended September 30, 2003. For the nine months ended September 30, 2004, net income was \$8 million or \$0.03 per share compared to \$115 million or \$0.45 per share for the same period last year.

For the three months ended September 30, 2004, income before tax decreased by \$72 million. The decrease related to an increase in pension and other post employment benefit ("OPEB") costs of \$42 million, higher depreciation expense of \$33 million, increases in nuclear maintenance and repairs for planned outages and other improvements of \$28 million, and other net reductions in income before tax of \$10 million. These reductions in income were partially offset by an increase in gross margin from electricity sales of \$41 million.

The higher depreciation related to the planned early shutdown of the coal-fired generating stations by the end of 2007 and an increase in OPG's fixed assets in service, including the return to service of Unit 4 at the Pickering A nuclear generating station. Pension and OPEB expenses increased primarily as a result of changes in economic assumptions related to interest rates and inflation rates that resulted in an increase in the related liabilities. The increase in OPG's gross margin from the sale of electricity was primarily due to a change in generation mix related to higher production from OPG's lower marginal cost hydroelectric and nuclear generating stations.

OPG's average spot market sales price during the third quarter of 2004 approximated the average price during the same period last year in spite of cooler summer temperatures. The impact on prices of cooler weather and additional sources of low marginal cost generation in Ontario, was offset by the impact of higher demand and other market factors.

For the nine months ended September 30, 2004, income before tax decreased by \$153 million. The decrease related to higher depreciation expense of \$131 million, increased pension and OPEB costs of \$104 million, and increases in nuclear maintenance and repairs for planned outages and other improvements of \$68 million. The impact of these factors was partially offset by an increase in gross margin from electricity sales of \$118 million and other net increases in income before tax of \$32 million. The factors underlying these changes are consistent with those impacting the operating results for the third quarter of 2004 compared to the same period last year. During 2004, OPG has focused on cost reduction measures to mitigate the impact of higher depreciation and external economic factors impacting operating results.

Third quarter 2004 electricity production was 26.0 terawatt-hours (TWh) compared to 27.0 TWh for the same period last year. Electricity production for the nine months ended September 30, 2004 was 78.9 TWh compared to 82.1 TWh during the nine months ended September 30, 2003. The decrease in electricity production during the third quarter and for the nine months ended September 30, 2004 was primarily due to the addition of non-OPG generation capacity in Ontario that displaced OPG's higher marginal cost fossil-fuelled generation. In addition, there was an increase in unplanned outages at the Nanticoke fossil-fuelled generating station during the first half of 2004.

During the nine months ended September 30, 2004, OPG made Market Power Mitigation Agreement (MPMA) rebate payments to consumers through the Independent Electricity Market Operator of \$919 million compared to \$1,565 million for the same period last year. Since the Ontario market opened to competition on May 1, 2002, OPG's MPMA rebate payments have totalled \$2.9 billion. On average, since the market was opened, OPG has paid rebates of \$100 million a month.

In October 2004, OPG announced the addition of seven new Board members with substantial experience in restructuring large business enterprises, managing and operating nuclear stations, managing capital intensive businesses, and overseeing regulatory affairs, government relations and public affairs. "OPG's Board is committed to upholding the highest standards of corporate governance and will continue to focus on providing stewardship to OPG, as well as helping the Government to make decisions about the future direction, structure and role of OPG," said the Honourable Jake Epp, Chairman of the Board of Directors.

Construction activities for the return to service of Unit 1 at the Pickering A nuclear generating station are well underway. OPG has achieved its first major project milestone, which was to complete all planning and assessing for the entire project by October 15, 2004. As of September 30, 2004, the field work execution was approximately fifty percent complete. Delays in the mobilization of construction resources and lower start-up productivity resulted in a delay in certain non-critical path work that must be recovered.

Total cumulative expenditures to the end of September 30, 2004 for Unit 1 were \$526 million. The expenditures include those related to planning, estimating, assessing and construction activities. To date, the project expenditures are slightly less than the budget. However, project costs are expected to increase as a result of the need to add resources in order to accelerate work. The potential cost increase over the original estimate of \$900 million is in the range of \$75 to \$100 million. The construction phase is scheduled to be completed between early June and mid July 2005, followed by a commissioning and testing period of approximately three months. Performance over the next three months in terms of schedule adherence and productivity of the major construction resources will have a significant impact on the estimated cost to complete the project and the project schedule. The Board has established a special committee on the Pickering A project. The Committee will monitor progress on the project in terms of cost and schedule adherence. A further update on the project as a result of the Committee's review will be provided in the next quarterly report.

## HIGHLIGHTS

	Three Months Ended		Nine Months Ended	
	September 30 2004	2003*	September 30 2004	2003*
<i>(millions of dollars)</i>				
Revenue before Market Power Mitigation Agreement rebate	1,413	1,416	4,553	5,216
Market Power Mitigation Agreement rebate (revenue reduction)	(201)	(192)	(850)	(1,266)
Fuel expense	(290)	(382)	(870)	(1,262)
Operations, maintenance and administration	(636)	(550)	(1,893)	(1,799)
Other expenses	(299)	(233)	(898)	(694)
Income tax expenses	(2)	(25)	(34)	(80)
<b>Net (loss) income</b>	<b>(15)</b>	<b>34</b>	<b>8</b>	<b>115</b>
Cash flow (used in) provided by operating activities**	(3)	(642)	74	(74)
Market Power Mitigation Agreement rebate payments	267	806	919	1,565
Electricity generation (TWh)	26.0	27.0	78.9	82.1

\* In 2003, OPG early adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard for asset retirement obligations. In accordance with the CICA requirements, OPG has retroactively applied the new standard and accordingly restated the previously published financial results for the three and nine months ended September 30, 2003.

\*\* The favourable changes in cash flow in the three and nine months ended September 30, 2004 compared to the same periods in 2003 were primarily due to lower payments of the Market Power Mitigation Agreement rebate, increases in earnings before depreciation expense and other non-cash items, and other changes in non-cash working capital balances.

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario and to interconnected markets. Our focus is on the risk-managed production and sale of electricity from our generation assets, while operating in a safe, open and environmentally responsible manner.

Ontario Power Generation Inc.'s unaudited consolidated financial statements and Management's Discussion and Analysis of financial condition and results of operations as at and for the three and nine months ended September 30, 2004 can be accessed on OPG's website ([www.opg.com](http://www.opg.com)), the Canadian Securities Administrators' website ([www.sedar.com](http://www.sedar.com)), or can be requested from the Company.

For further information, please contact:

Investor Relations 416-592-6700  
1-866-592-6700  
[investor.relations@opg.com](mailto:investor.relations@opg.com)  
Media Relations 416-592-4008  
1-877-592-4008