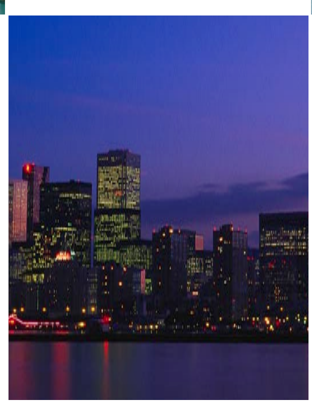
Ontario Power Generation

"IT'S ALL ABOUT PERFORMANCE"

Helping to Supply Ontario's Electricity



ONTARIOPOWER GENERATION

April 2006

Ontario Power Generation Works for You

Ontario Power Generation is owned by the people of Ontario. We work to help meet your electricity needs. OPG produces about 70% of the electricity consumed in Ontario from a balanced mix of generation sources. Two-thirds of the energy we supply is generated by nuclear and hydroelectric power. These sources produce virtually no emissions contributing to smog or global warming.

Ontario Power Generation (OPG) produces about 70% of the electricity consumed in Ontario. Two-thirds of this electricity is generated by nuclear and hydroelectric power. These sources produce virtually no emissions contributing to smog or global warming.

OPG is a commercial company, owned by the Province of Ontario – its sole shareholder. The company was incorporated in 1999 under the Ontario Business Corporations Act to operate the generating assets of its predecessor company, Ontario Hydro. OPG is still sometimes mistaken for Ontario Hydro, even though the latter company no longer exists.

Our principal business and focus is to produce electricity as efficiently and reliably as possible. This is significantly different from the role Ontario Hydro had, which was to be responsible for a wide range of electricity-related functions – including transmission, distribution, pricing, and supply reliability.

We are also a different company from the one we were just a few years ago. Our finances are stronger. Our project management capabilities are significantly improved – as evidenced by our recent success in returning our Pickering Unit 1 reactor to service this past November; and we have a new, highly qualified Board of Directors providing excellent governance to the company.

This past summer, OPG negotiated a new mandate with the Province of Ontario. Our priorities under this mandate are to:

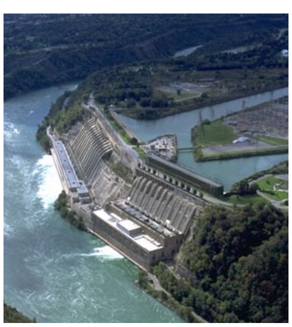
- manage all company operations according to solid business principles;
- continuously improve our generation performance – especially our nuclear performance;
- develop and expand our hydroelectric capacity; and
- follow the highest standards of corporate governance, social and environmental responsibility, and corporate citizenship.

Our new mandate gives focus and direction to our efforts; enables us – and our stakeholders – to measure our progress; and holds us accountable for achieving results.

We work to benefit the people of Ontario and its economy. Over the next few pages we will share our recent performance results with you.

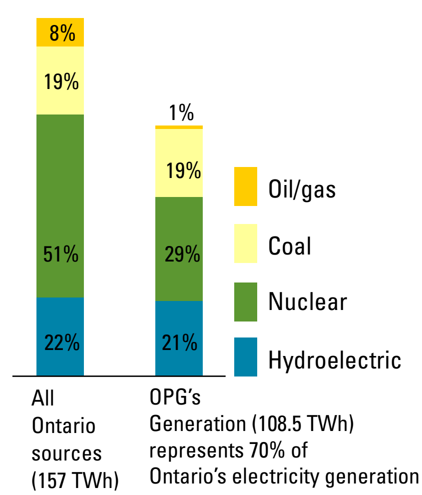
OPG's Beck Hydroelectric Complex

Located near Niagara Falls, the Beck stations account for about 30% of OPG's hydroelectric capacity.



How Electricity was Generated in Ontario in 2005

The bars show how various sources of generation contributed to supplying Ontario's electricity needs in 2005, with OPG supplying about 70% of Ontario's electricity.



Our Focus is on Getting the Most from Our Generating Assets

OPG's electricity production grew by 3.3% in 2005.

During the summer of 2005, one of the hottest on record, OPG's fossil-fuelled stations produced 62% more electricity (June - August) than in the summer of 2004.

Production from our nuclear facilities has grown over the past two years.

OPG's generation performance rose to 108.5 terawatt hours (TWh) in 2005 from 105 TWh in 2004. Output from our nuclear and fossil-fuelled stations exceeded 2004 levels. Hydroelectric output fell compared to 2004 due to lower water levels as a result of reduced precipitation in 2005.

Operationally, our stations performed at high levels of efficiency and reliability for much of 2005 – especially during the cold winter and the very hot summer. From June through August, OPG's fossil-fuelled plants accounted for 22% of Ontario's total electricity needs. This is strong performance from assets that are most heavily used as "swing" resources during periods of high demand. OPG's nuclear stations performed reliably as well, accounting for over 25% of Ontario's total electricity production from June through August.

OPG's Darlington nuclear station was Canada's best performing multi-unit nuclear station for the second year in a row, and four of our nuclear units were ranked in the top 10 out of the 39 CANDU nuclear units worldwide. OPG's Pickering B station also had a good year as a result of a major continuous-improvement initiative designed to enhance the plant's physical condition, improve equipment reliability and increase its overall operational strength.

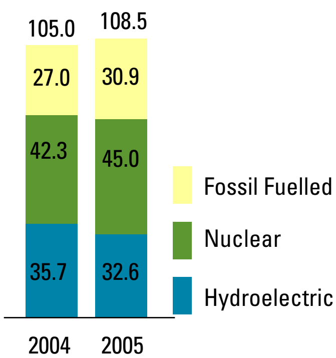
The reliability of our hydroelectric assets continued to be strong throughout 2005 despite lower water levels. Many of our hydroelectric stations are over 50 years old, and some are approaching 100 years or more. OPG invests in these long-lived assets to produce reliable, low-cost, renewable power. They are among OPG's best performing facilities.

The year was not without its challenges, which included a major, unplanned outage at the Pickering A station to inspect and maintain some of its equipment. We also made a difficult but necessary commercial decision not to refurbish our two remaining laid-up nuclear units at Pickering A; and we successfully took out of service and began decommissioning the Lakeview coal-fired station, as directed by the Ontario government.

Overall, it was a positive year for our generating units, and we look forward to another successful year in 2006.

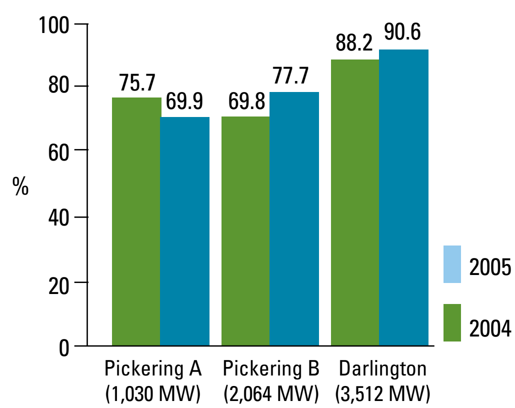
OPG's Total Electricity Production (TWh)

OPG's electricity production increased in 2005, led by higher nuclear and fossil-fuelled production.



Nuclear Unit Capability Factor (%)

The Pickering B and Darlington stations, which represent 85% of OPG's nuclear production capacity, both achieved production efficiency gains in 2005.



OPG's Financial Performance Improved in 2005

OPG has a moderating effect on the price of power paid by Ontario consumers. We are providing more than a billion dollars in rebates to the Independent Electricity System Operator for 2005.

OPG's 2005 net income was $366 million compared to $42 million in 2004. These earnings will be reinvested in our business to maintain reliability and enhance capacity and output.

These improved financial results were due to strong performance from OPG's generating assets and the replacement in April 2005 of the Market Power Mitigation Agreement (MPMA) by Ontario's new electricity pricing structure. In previous years through the MPMA, OPG rebated an average of about $1 billion annually to benefit Ontario consumers – for a total of $4 billion between 2002 and 2005. The new pricing structure puts OPG on a firmer financial footing.

OPG has a moderating effect on the price of power paid by Ontario consumers. Under Ontario's pricing regime, OPG received an average price of 4.9 cents per kilowatt hour (kWh) on the 2005 output from all of its generating facilities. This was higher than the 4.1 cents/kWh received in 2004 and helped account for OPG's improved financial performance. But it was still considerably less than the weighted average hourly Ontario wholesale electricity price of 7.2 cents/kWh, received by Ontario generators selling into Ontario's electricity market. Given that OPG produced about 70% of Ontario's electricity, the lower price we receive for our power represents a substantial moderating influence on the price that consumers pay.

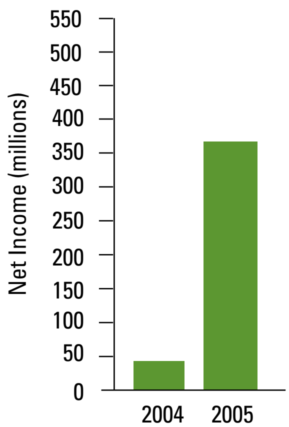
Starting May 1, 2006 the price Ontario consumers pay for electricity will increase under the Ontario Energy Board's Regulated Price Plan. The price OPG receives for electricity will remain the same, however, and our moderating impact on prices will continue.

OPG continues to provide rebates to Ontario's electricity users under the province's new electricity pricing system. In 2006, we will pay approximately $740 million in rebates to Ontario's Independent Electricity System Operator (IESO) related to most of the output produced by our fossil-fuelled and hydroelectric plants (excluding those at Niagara Falls and the St. Lawrence River) from April 1 to December 31, 2005.

These rebates are paid on revenues from our unregulated generation that exceed the revenue limit of 4.7 cents/kWh established by the Ontario government. Starting May 1, 2006, this revenue limit will decrease to 4.6 cents/kWh. On May 1, 2007, it will return to 4.7 cents/kWh and increase to 4.8 cents/kWh effective May 1, 2008. Revenues above these limits will be returned as rebates to consumers.

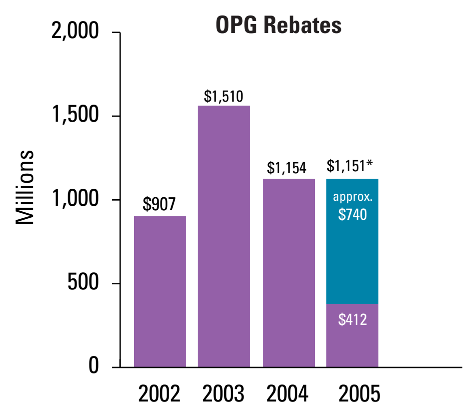
Net Income

OPG's net income rose in 2005. OPG's earnings are reinvested to keep plant operations reliable and to expand our electricity supply.



OPG's Moderating Impact on Ontario's Electricity Prices

From 2002 through 2005, OPG paid, through the Independent Electricity System Operator, an average of about $1 billion a year in MPMA rebates which benefit Ontario consumers. In addition, OPG will pay to the IESO in 2006 a revenue limit rebate of approximately $740 million on most of the output from its unregulated generation in 2005.



* Consists of MPMA rebate of $412 million in 2005 and revenue limit rebate of approximately $740 million on most of the output from OPG's unregulated generation in 2005, for a total rebate of $1.151 billion.

We are Adding to Ontario's Electricity Supply

OPG completed the return to service of the Pickering A, Unit 1 nuclear reactor in 2005. The project contributes 515 MW of electricity capacity at a time when the province needs additional electricity supply. We also have a number of hydroelectric projects and a high-efficiency gas generation project underway.

OPG is investing in improvements, refurbishment and new generating plants to provide more electricity supply to Ontario. These include a number of hydroelectric initiatives, reflecting a key element of OPG's mandate – which is to increase its hydropower capacity through improvement, expansion and development. These initiatives include:

- Completion of a nine-year rehabilitation initiative at the Beck 2 hydroelectric station near Niagara Falls, which added 194 megawatts (MW) to OPG's hydroelectric capacity. The project was completed 15% below its original estimated budget of $200 million.
- Construction launch of a new 10.4 kilometre tunnel to divert more water to the Beck hydroelectric stations, increasing their average annual output by about 14%. The project is estimated to cost $985 million and will provide enough electricity to power a city the size of Burlington for one year. The tunnel is expected to be in service by 2009.
- Construction launch of a new 12.5 MW hydroelectric generating station at Lac Seul in Northwestern Ontario. The planned in-service date for the new facility is late 2007 at an estimated cost of $47 million.

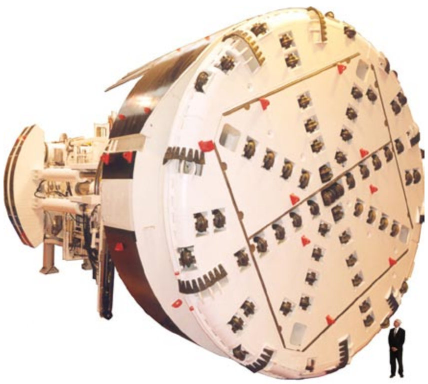
In addition, OPG is investigating options for the redevelopment of four existing hydroelectric plants in the Lower Mattagami River system in Northeast Ontario, representing between 150 MW and 450 MW of additional capacity.

OPG completed preparations in partnership with TransCanada Energy to proceed with construction of the Portlands Energy Centre – a 550 MW combined cycle gas and cogeneration-capable facility in downtown Toronto. Construction of this low-emission, high-efficiency facility will begin this summer and is expected to be completed by 2008.

Finally and importantly, OPG completed the return to service of the Pickering A, Unit 1 nuclear reactor. The project contributed 515 MW of electricity capacity at a time when the province needs additional electricity supply.

Niagara Tunnel Construction

The Tunnel Excavation Machine, to be used in building the Niagara Tunnel, will bring water from the Niagara River under the city of Niagara Falls to OPG's Beck generating complex in Queenston. This is the largest hard rock tunnel-boring machine in the world. Its diameter is more than twice that of a Toronto subway tunnel.



Pickering A Unit 1 Restart

OPG's 515 MW Pickering A Unit 1 nuclear reactor was successfully returned to commercial service in early November 2005 after being laid up for almost eight years.

Environment and Community Citizenship is Important to OPG

OPG's 2005 acid gas emissions were among the lowest in more than two decades – even though OPG's five fossil-fuelled plants generated 14% more energy than they did in 2004.

OPG builds trust and relationships in its host communities through outreach programs; ongoing communication; and support for local educational, environmental and community initiatives.

As a large generating company with operations across Ontario, OPG has an impact on the environment and strives to minimize that impact to the fullest extent possible.

OPG's 2005 acid gas emissions were among the lowest in over two decades – even though our five fossil plants generated 14% more energy than in 2004. The acid gas emission rate of 4.43 grams/kWh was our lowest ever and almost 70% lower than in 1983. Our acid gas emissions were also at their lowest level since 1996. This performance is a tribute to combustion improvements, the environmental controls installed on our fossil units, and the use of low-sulphur coal as fuel. OPG is also converting its Thunder Bay coal-fired station to burn natural gas as directed by the Ontario government.

In 2005, our environmental performance included the following additional milestones and achievements:

- We planted approximately 326,000 native trees and shrubs to enhance regional biodiversity and to offset carbon dioxide emissions, for a total of 2.2 million trees planted across Ontario since 2000. OPG intends to plant another 300,000 trees in 2006.
- The environmental management systems at our nuclear, hydroelectric and fossil plants were all recertified under ISO 14001.
- The Darlington nuclear station was nominated for the Corporate Habitat of the Year Award by the Wildlife Habitat Council (WHC). The Lennox generating station was also nominated for the WHC's Rookie of the Year award. Currently, seven OPG sites are certified under the WHC for their wildlife habitat programs.
- In 2005, OPG set aside $450 million in segregated funds to cover future costs of decommissioning our nuclear plants and storing their used nuclear fuel and will do so again in 2006. These funds now total approximately $7 billion against a present value liability of $8.5 billion. This means that more than 80% of our waste and decommissioning liabilities are covered, freeing future generations from this obligation.

OPG has strong relationships with the communities where we operate, based on trust, transparency and accountability. We work to strengthen these relationships through outreach initiatives such as employee "neighbourhood walks" and open houses at our plants. In addition, we regularly communicate with local residents through community newsletters, reports and appearances at local municipal council meetings. We also "give back" to communities by providing support for local educational, environmental and community initiatives that help enhance quality of life.

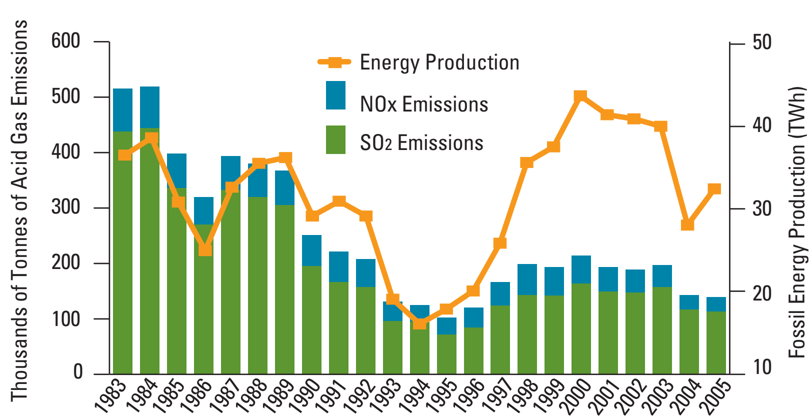
OPG employees support many charities and community initiatives. In 2005, our employees and pensioners contributed $1.87 million to a wide range of charities through OPG's annual Charity Campaign.

Giving Back to Communities

OPG supported 230 youth sports teams in 2005 in our site communities.

Emissions and Energy Production

Over the past decade, OPG's acid gas reduction program has been effective in limiting acid gas emissions at a time when our fossil-fuelled plants have been used more frequently to produce electricity.



Safety is a Fundamental Value

In Ontario's 40 years of using nuclear energy, no member of the public has been harmed as a result of radiation from our nuclear plants or nuclear waste management facilities.

OPG continued to adhere to very high standards of public and workplace safety compliance and performance in 2005.

Our commitment to safety is rigorous at all our facilities. We operate our nuclear plants according to strict regulatory standards and codes. No member of the public has been harmed from radiation as a result of the operation of our nuclear reactors or nuclear waste management facilities. Maintaining this excellent record of safety is a critical priority.

We also continued to operate our extensive Public Water Safety program, which is designed to inform the public of the potential hazards at our hydroelectric sites and the measures people should take to remain safe.

OPG's commitment to safety was also reflected in our workplace safety performance. Our All Injury Rate for 2005 was one of our lowest and well within the top quartile threshold as set by the Canadian Electricity Association (three year average: 2002 through 2004).

OPG's strong commitment to safety extends to the expectations we have for our contractors. We continued to implement a program requiring that the contractors we employ work to high safety standards. We also require them to go through a pre-qualification process before working at our sites.

We also continued to increase our focus on promoting strong safety behaviors among our young worker population and participated in many initiatives to promote the safety of young workers in the communities where we operate.

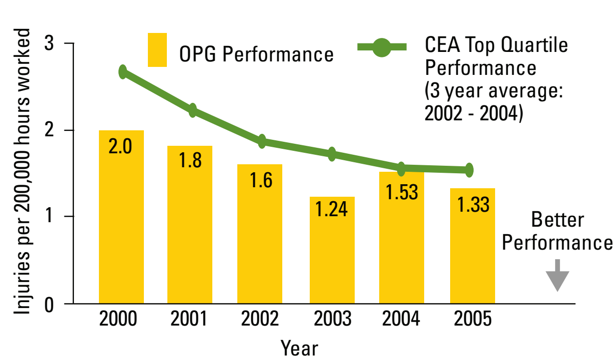
In 2005, OPG received the Electrical and Utilities Safety Association's (E&USA) "Gold Award" for excellence in building and maintaining a strong safety management system and safety culture. OPG is the first recipient of this award.

Safety: Our Fundamental Value

Safety comes first at OPG. In 2005, OPG received the E&USA Gold Award for safety performance and a strong safety culture.

All Injury Rate

OPG is consistently within the top quartile of Canadian electricity companies in protecting its employees from injury.



We Will Continue to Improve in 2006

OPG operates in an exciting and challenging industry. We employ highly qualified and committed people – including engineers, technicians and skilled tradespeople – and we are seeking such individuals to enhance our workforce.

OPG is also a responsible employer. We provide competitive benefits and life-long learning opportunities to our employees. If you think you might be interested in a career at OPG, please access: www.mypowercareer.com

During 2006, OPG will continue to focus on enhancing generation performance, containing costs and maintaining our commitment to be a responsible, transparent and accountable power provider.

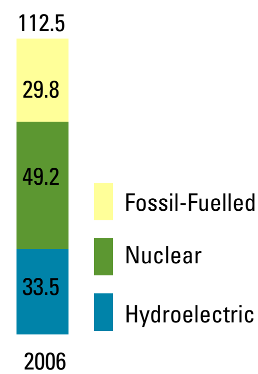
Our forecasted electricity production in 2006 is 112.5 TWh. We expect to achieve this largely through higher nuclear production due to continuing performance increases and a full year of operation from our newly refurbished Pickering A, Unit 1 reactor. Our total generation will be affected by weather, economic activity and other market factors.

In our nuclear operations, we will be moving ahead in implementing ongoing performance improvement strategies at all three of our nuclear generating stations. We will also be initiating the business cases for possible extension of the lives of the Pickering B plant and eventually the Darlington nuclear plant, as these facilities approach the end of their operating lives.

In our hydroelectric operations, we will continue to improve plant performance through capital investment, enhanced maintenance practices and the replacement of aging equipment. Our equipment upgrade program will add another 81 MW of clean energy capacity between 2006 and the end of 2009. We will also continue to explore economically viable hydroelectric expansion opportunities in Ontario.

With respect to our coal-fired stations, the Ontario government is committed to closing these stations but has said it will not do so until sufficient replacement energy is available. OPG will implement the government's policy according to the government's direction. Until the plants shut down, however, we will continue to operate them responsibly and efficiently. We will ensure that their condition is as good – if not better – on the day they close, as it is today. We will invest prudently in these assets to achieve this outcome.

OPG's Projected Generation for 2006 (TWh)*



* Total generation will be affected by weather, economic activity and other market factors.

Where to Go for More Information About OPG

- Recent OPG press releases, speeches and details of our 2005 performance at: www.opg.com
- OPG's Management, Discussion and Analysis of our 2005 performance at: www.sedar.com

Other Sites of Interest

- The Canadian Nuclear Safety Commission at: www.cnsc-ccsn.gc.ca
- Independent Electricity System Operator at: www.ieso.ca
- Ontario Energy Board at: www.oeb.gov.on.ca
- Ontario Ministry of the Environment at: www.ene.gov.on.ca
- Ontario Ministry of Energy at: www.energy.gov.on.ca

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