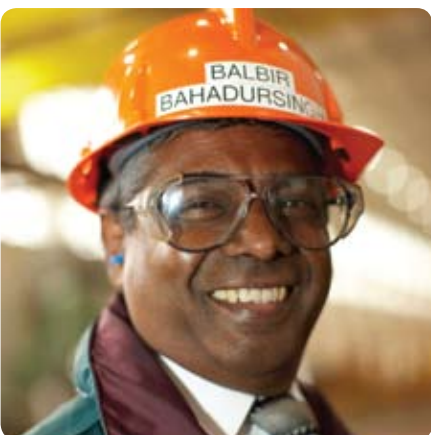
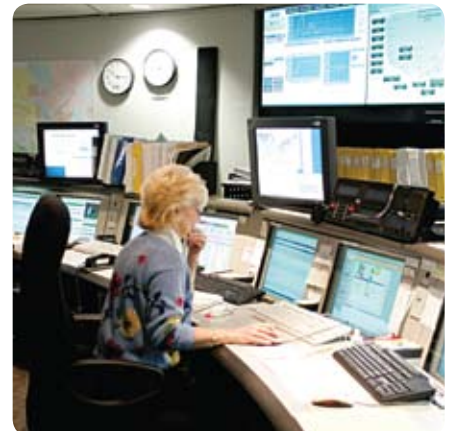


Generating 70% of Ontario's Electricity

It's All About Performance

MID-YEAR REPORT ON 2008 PERFORMANCE



ONTARIOPOWER
GENERATION

Performance excellence demands excellent people

OPG employees make a difference

OPG's nearly 12,000 employees are the ultimate source of our success, reputation and pride. Whether by volunteering in the community or by adding value on-the-job, our employees are making a difference. Here are some examples of their commitment and contribution.



Colette Villeneuve, of OPG's Northwest Plant Group, contributes over 1,500 hours of her time annually, averaging almost 30 hours a week, to charitable activities in her community. Described by the groups she helps as "tireless," "dependable," and "a lifesaver," Colette was recently awarded OPG's Community Service Award.

Building tomorrow's workforce

Through partnerships with educational institutions, proactive recruitment campaigns on university and college campuses and a focus on building talent largely from within – OPG continues to build and expand its pool of qualified employees and leaders.



National Aboriginal Day celebrations were held at several OPG sites in June, hosted by OPG's Native Circle. Native Circle helps build relationships between OPG and its aboriginal employees and aboriginal communities. OPG takes pride in the diversity of its workforce and has benefited significantly from the many contributions of its aboriginal employees.



In July, Darlington Nuclear employees gave 59 units of blood to help others in the community and across Ontario. Blood donor clinics are a regular feature at OPG facilities.



Early in 2008, employees at OPG's Atikokan station achieved three years without a lost time injury. Atikokan employees are also playing an important role in OPG's Biomass Test program to help reduce greenhouse gases at OPG's fossil-fuelled plants.



These Pickering nuclear operators-in-training will spend 24 months completing an extensive core training program – consisting of both classroom and on-the-job activities. In 2007, OPG Nuclear hired 72 nuclear engineering grads and 37 experienced staff for a total of 109 new hires. Over the next five years we will gradually increase the number of experienced employees while maintaining the current level of newly hired employees.

Safety and environment initiatives

Focus on improved workplace safety

Safety

The first half of 2008 saw many of OPG's generating stations reach major safety milestones. OPG's safety performance was recognized in safety awards received from third-party organizations. The company launched its first TV advertising campaign, highlighting its public water safety program. Partnering with its two unions, OPG also held a major safety conference in February in which more than 200 Joint Health and Safety Committee members participated.

OPG's workplace safety performance – as measured by All Injury Rate and Accident Severity Rate – was weaker in the first half of 2008 than for the same period in 2007. Many of the on-the-job injuries sustained in 2008 resulted in musculoskeletal disorders (MSD). OPG has launched a major program to prevent MSD injuries. Initiatives include improved training for workers, supervisors



In early June, high rainfall and high water levels on the Kaministiquia River caused flooding in parts of northwest Ontario. Employees at OPG's Northwest Plant Group helped keep the public, media and other stakeholders well informed about the emergency and how to respond to it.

and designers; employee involvement in MSD prevention projects; and improved methodologies to identify MSD hazards.

Environment

In May, Ontario's Energy Ministry announced that OPG must reduce carbon dioxide levels from its coal-fired stations by two-thirds below 2003 levels by 2011. OPG will submit a strategy in November outlining its approach to reduce these emissions.

OPG also continued to test burn carbon-neutral biomass fuel at the Nanticoke and Atikokan coal-fired generating stations. While this program is still in the test phase, results have been promising. A video of OPG's biomass program is available on www.opg.com.

Under its biodiversity program, OPG and its environmental partners continued to plant native trees and shrubs across Ontario

to help capture carbon dioxide. OPG has planted more than 3 million trees in Ontario since 2000.



OPG recently received the Canadian Electricity Association's Gold President's Award of Excellence, recognizing three consecutive years of top quartile employee safety performance in 2005, 2006 and 2007. Earlier in the year, OPG's Niagara Plant Group received the Electrical Utilities Safety Association's Gold Award for sustaining three years of the Gold level (Outcomes) in its ZeroQuest Program, dedicated to achieving zero injuries in the utility industry. Staff at Pickering B and Thunder Bay GS received the same award.



Nearly 2,700 copies of OPG's *Sustainable Development Report* were distributed to major stakeholders across Ontario. Publications like this demonstrate OPG's commitment to being an open, transparent and accountable company. This report is available on www.opg.com.

Hydroelectric/nuclear performance was strong

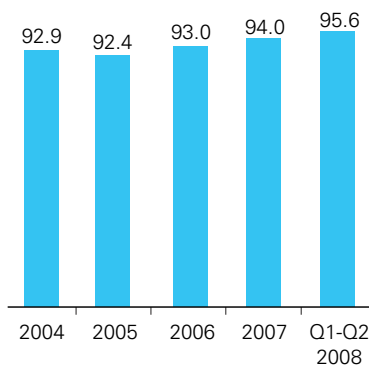
Fossil reliability continues to improve

Production up in Q1-Q2:

In the first half of 2008, OPG increased its generation by 1 TWh compared to the same period last year. Higher production levels at OPG's nuclear stations and at many hydro stations contributed to this increase. The increased production levels at these stations, combined with milder summer weather, allowed OPG to operate its fossil-fuelled plants less often – accounting for fossil's lower output in Q1-Q2 2008 compared to the first half of 2007.

Hydro availability continues to advance

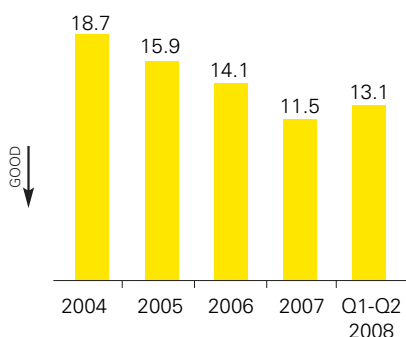
Hydro Availability (%)



The consistently strong availability of OPG's hydro stations continued to advance during Q1-Q2 2008 and remains at historically high levels.

Fossil performance improves in Q2

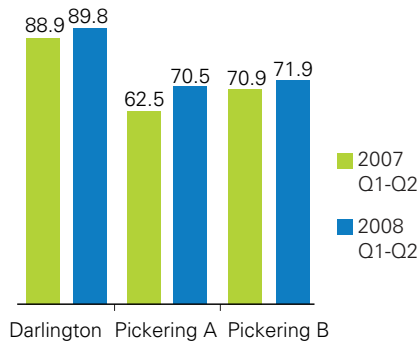
Fossil-Fuelled Station Forced Outage Rate (%)



Reliability at OPG's fossil plants declined slightly for the first six months of 2008 compared to the first six months of 2007. However, fossil reliability improved measurably in Q2 2008 compared to Q2 2007.

Nuclear reliability

Nuclear Unit Capability Factor (%)



Darlington Nuclear GS finished the first half of 2008 with a strong unit capability factor of nearly 90 per cent. Over the same period the Pickering nuclear stations had capability factors which, despite being higher than last year at this time, are still below corporate targets.

Spotlight on Pickering A, Unit 4

As of June 30, 2008, Pickering A, Unit 4 had been operating continuously for 247 days – one of the longest runs of any unit in OPG's nuclear fleet. The unit also achieved

a mid-year unit capability factor of 92.7 per cent – the highest capability factor of any Pickering nuclear unit and 4th highest of OPG's 10 nuclear reactors. The Pickering A station is OPG's oldest nuclear station, becoming operational in the early 1970s. Refurbished and returned to service in 2003, Unit 4's achievements are the result of effective maintenance, targeted performance improvements and the experience and skills of OPG's nuclear employees.

OPG licence renewals

During the year, three OPG nuclear facilities – Darlington, Pickering B, and the Pickering Waste Management Facility – applied for and received renewals of their operating licences from the Canadian Nuclear Safety Commission (CNSC). Darlington and Pickering B received five-year licences – the longest allowed for a nuclear generating station by the CNSC; the Pickering Waste Management Facility received a 10-year licence.



Pickering A, Unit 4, Turbine Hall

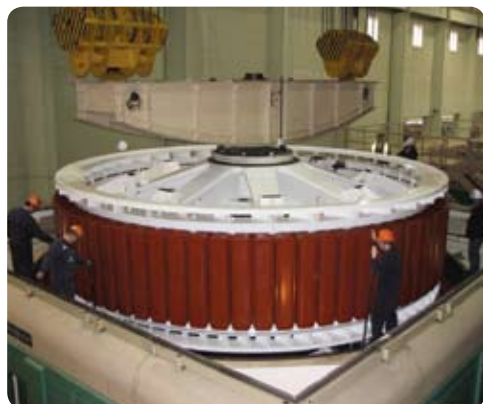
Keeping our stations reliable

Darlington outage a major success

Planned outages – the deliberate shutdown of a unit for maintenance, upgrades and repair work – are important in helping OPG's nuclear, and other generating facilities, operate at consistently high levels.



OPG employees at work during the Darlington Unit 1 planned outage (March 28-June 5). One of the largest undertakings of its kind at Darlington, the outage resulted in the completion of more than 15,000 tasks.



OPG's Otto Holden hydro station's Unit 4 rotor is reassembled after the completion of a mechanical overhaul and generator rewind. Over the past few years, the overhaul and realignment of turbine generator components was conducted on all eight units at the station.



A new Norcan Hydraulics Turbine arrives at OPG's McVittie small hydro station.

Nuclear planned outages

OPG conducted a very successful outage at Darlington's Unit 1 reactor that was completed ahead of schedule and under budget. With this outage, all four Darlington reactors now operate on a 36-month cycle, as opposed to the normal industry cycle of 24-months. The new cycle is designed to increase plant reliability and output, helping to advance Darlington into the ranks of world class performers.

Pickering B has had two planned outages. Outage work on its Unit 8 reactor began in mid-February and lasted until early May. Although it went past its scheduled completion date, the outage achieved a number of first-time "bests" – including feeder tube replacements. Another outage is currently underway on Unit 7. Initially scheduled for the fall, it was moved ahead to make use of the time created by a forced outage on Unit 7 to repair a calandria tube leak. Completion of this planned outage will enable Unit 7 to produce power to meet electricity demand in the fall and winter.

Hydro improvements continue

OPG's hydroelectric operations have a number of planned outages completed, underway or pending for 2008. These include unit outages at the Beck complex near Niagara Falls; Abitibi Canyon and Cameron Falls stations in northern Ontario; and the Otto Holden, Chats Falls and Des Joachims hydro stations on the Ottawa River. Work ranges from runner replacements...to inspections and repairs...to unit overhauls and rehabilitation work. These outages, along with outages at OPG's Evergreen Energy stations, are expected to increase OPG's hydroelectric capacity by about 3 MW, representing 24 GWh of energy.

Ensuring fossil plants are ready

OPG planned most of its fossil outages to take place from February to June, so they are available to help meet Ontario's electricity needs during typical peak summer demand periods. During the first half of 2008, 13 of OPG's 19 fossil units had planned outages. Work included stack inspections at Nanticoke; boiler work at the Thunder Bay station; and boiler feed pump work at Lambton.



Employees tighten bolts on Thunder Bay's Unit 2 generator. Unit 2 underwent a 52-day outage in May and June to ensure its reliability during peak demand times later in the year.

Saunders GS – 50 years of service to Ontario

Over 7,000 attend ceremonies

A premier community event

On June 27-28, OPG hosted a major anniversary celebration in Cornwall, Ontario to honour the men and women who have built and operated its Robert H. Saunders generating station over the past 50 years. The event involved an evening gala at St. Lawrence College in Cornwall and a day-long open house at the Saunders station. The open house included plant tours, an antique car show, children's rides, musical entertainment and a commemorative plaque unveiling.

Strong community support

The event was a huge success. More than 500 invited guests attended the gala on Friday – including former Ontario Energy Minister, the Honourable Gerry Phillips. The following day, over 7,000 people from the local community and across Ontario came to the open house. This was one of the largest turnouts of its kind in OPG's history and exceeded all expectations.

Enduring legacy

One of OPG's flagship facilities, the 1,045 MW Robert H. Saunders generating station has produced more than 300 billion kilowatt hours of clean, affordable hydroelectric power since coming into service in 1958 – enough to meet Ontario's electricity demand for two years. The station's equipment and physical structure are maintained and upgraded on an ongoing basis to ensure continued strong performance and efficiency for many decades to come.



Families and kids found plenty to keep them busy at the Saunders open house on Saturday, June 28 – including games and refreshments.



"This is a terrific facility for the people of Ontario..."

Former Ontario Energy Minister, the Honourable Gerry Phillips

OPG commissioned a special musical composition expressly for the Saunders 50th anniversary. Written by noted Canadian composer Howard Cable, the piece received its first public performances at the gala and open house events commemorating the station's many years of service

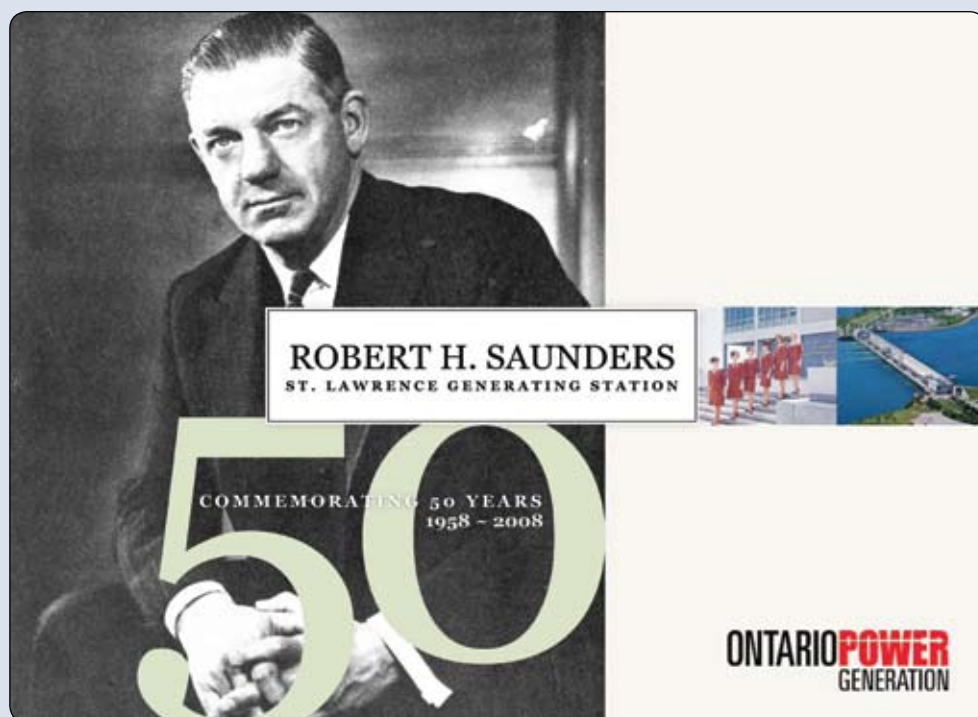
Model of international cooperation

The Saunders station and its U.S. counterpart, the Robert Moses generating station, form one of the few power complexes in the world operated by two countries. Together they constitute a single 32 unit hydroelectric plant maintained and operated by OPG and the New York Power Authority. The stations are a powerful symbol of partnership and cooperation between Canada and the United States.

Attending the gala and open house were Ms. Mardi Falconer and Mr. Robert Saunders. Ms Falconer is the daughter of the late Robert Hood Saunders, the Ontario Hydro Chairman after whom the power station was named. She was also present at the station's opening ceremonies in 1958. Mr. Robert Saunders is the nephew of Chairman Saunders.



Thousands of local residents took advantage of the self-guided plant tour to see the Saunders station up close. It was a first-time experience for many of the massive hydroelectric station's inner workings.



Nearly 5,000 copies of this commemorative booklet were distributed during the two-day Saunders anniversary. Featured prominently on its cover is a photo of Ontario Hydro Chairman, Robert Hood Saunders (1903-1955). A former mayor of Toronto, Saunders was the driving force behind the creation of the St. Lawrence Seaway Project and the Saunders power station that now bears his name. A forceful and dynamic leader, he died tragically from injuries sustained in a plane crash, near London, Ontario, in 1955. Copies of this booklet are available at www.opg.com.

Portlands produces its first power...

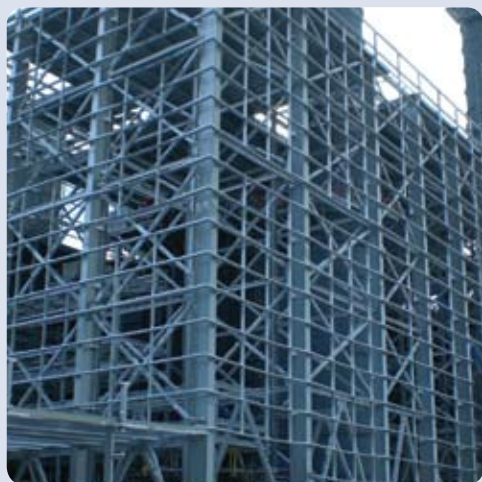
...online, on time and on budget



Site preparation for the Portlands Energy Centre, summer/fall 2006.



Structural steel on the main turbine building begins to take shape in the summer and fall of 2007.



Turbine building, February 2008



The Portlands Energy Centre in June 2008, ready to produce power for Toronto.



Portlands Energy Centre online

On June 9, 2008, the Portlands Energy Centre fired up its two natural gas-fuelled turbines, sending 340 MW of electricity from the station into downtown Toronto for the first time. The generating station, a partnership between TransCanada Energy and OPG, came online, on time and on budget in less than two years.

Combined cycle will enhance efficiency

Currently operating in simple cycle mode, Portlands will be taken out of service in September to complete the construction work that will enable it to operate in combined cycle mode. The station is expected to resume operations, with a capacity of 550 MW – in time to help meet Toronto's electricity needs during the high demand summer months. This is ahead of the station's planned resumed-service date of June 1, 2009. Operating in a combined cycle mode will considerably increase the power plant's efficiency.

Important need met

Portlands was built to fill a generating gap that existed in Toronto, which lacked a power plant in its downtown core. When fully operational, the facility will be able to meet about 25 per cent of central Toronto's energy needs – enough power to serve more than 500,000 Greater Toronto Area (GTA) households.



The Portlands Energy Centre is ideally located to serve Toronto's energy needs.

"As Toronto continues to grow, we need to have a reliable source of energy in our own backyard..."

George Smitherman,
Deputy Premier and Minister of Energy
and Infrastructure, June 26, 2008

Completed in two years

About 150 people attended the "throwing of the switch" ceremonies to mark Portlands' official opening on June 26. The facility will cost about \$730 million – of which \$470 million was spent in the GTA.

Construction took only about two years from groundbreaking to first electricity – a credit to the efforts of everyone involved in the project.



Last year, staff at the Portlands Energy Centre, along with friends and family, participated in the Great Canadian Shoreline Cleanup. The event attracted 30,000 volunteers nationwide and disposed of more than 84,735 kg. of waste from Canada's waterways. On September 20, 2008, Portlands staff again participated in this event.



The official opening of the Portlands Energy Centre drew senior officials from TransCanada Energy, Ontario Power Generation and the Ontario Government – including the Honourable George Smitherman, Minister of Energy and Infrastructure.

**ONLINE ON TIME
ON BUDGET**

OPG congratulates the Portlands Energy Centre as it begins generating electricity for Toronto, on time and on budget, as promised. The new centre will meet Toronto's growing demand for reliable power. We are proud of our partnership with TransCanada Energy in bringing this new facility online. Congratulations Portlands Energy Centre for creating a brighter energy future for Toronto.

**ONTARIOPOWER
GENERATION**
www.opg.com

The above ad ran in the Toronto Star, Globe and Mail and local community newspapers in the Portlands area of Toronto to celebrate this new source of electricity generation.

Darlington is the site for new nuclear units

Hydroelectric expansion continues

OPG to operate two new reactors

On June 16, OPG received welcome news from the Ontario government that it would be the operator of two new nuclear units to be constructed at its Darlington site. The reactors will be the first to be built in Ontario since the early 1990s. OPG is currently engaged in the environmental assessment (EA) and licensing process to prepare the site for the new reactors. Financing arrangements and negotiation of contracts also need to be put in place. The Ontario government has a competitive procurement process underway to choose a preferred nuclear vendor, with OPG providing expert advice and assistance as part of this process. The date for vendor selection is scheduled for March 2009.



OPG CEO Jim Hankinson (left) meets with Darlington employees, following the government's announcement that OPG will operate two new reactors at the Darlington site. Hankinson attributed the decision to "OPG's strength as an operator and history of safe operation of nuclear stations for more than 35 years."

Pickering B refurbishment continues to be explored

In July, the CNSC issued a draft of its Screening Report, which concludes that Pickering B's refurbishment and continued operation is not likely to result in significant environmental impacts given available

mitigation. The CNSC has since hosted two community information sessions to obtain public input on the report. The input will be considered as the report is finalized. The CNSC is expected to hold a public hearing on the EA in late 2008.

Darlington refurbishment

Planning work to support the future refurbishment of Darlington began in the first half of 2008. It included: a plant condition assessment; identification of the major activities for refurbishment; completing the Integrated Safety Review necessary for regulatory approval of the project; and preparing preliminary outage schedules. The EA in support of the plant's refurbishment and continued operation will be initiated later.

Hydroelectric projects move forward

Niagara Tunnel: As of June 30, work on the Niagara Tunnel had advanced 2,399 metres. Progress continued to be slower than expected through rock conditions encountered under the St. David's gorge.

Lac Seul: Construction continued on the 12.5 MW Lac Seul generating station in northwest Ontario. Various contractor difficulties have delayed the in-service date of the station to Q4 2008.

Upper Mattagami: OPG began construction work on the redevelopment



Upgrades at the three Upper Mattagami stations – Wawaitin, Sandy Falls and Lower Sturgeon—will allow OPG to make fuller use of the water at these sites without changing existing operating levels and flows.

of four hydroelectric stations on the Upper Mattagami and Montreal rivers in northeast Ontario. These stations are nearing the end of their operating lives. The upgrades at these stations will increase their total installed capacity from 23 MW to 44 MW – enough to power 21,000 homes for a year.

Mattagami Lake Control Dam and

Newpost Creek: OPG is also pursuing two other projects in Northeast Ontario. The Mattagami Lake Dam project involves adding a 5 MW generating station to the existing control dam. The New Post Creek has the potential for 25 MW. OPG is working with the Taykwa Tagamou First Nation to determine what can be done to jointly develop the latter site. OPG has initiated engineering and environmental studies for both projects.



Progress of the Niagara Tunnel Boring Machine has recently increased following completion of the excavation under the St. David's gorge. However, considerable schedule uncertainty remains until the TBM establishes consistent tunneling performance beyond the gorge area.

OPG not only operates in communities...

...we're a part of them

An engaged corporate citizen

During the first half of 2008, OPG helped support over 500 small, grassroots, not-for-profit initiatives in the communities that host our major facilities. With nearly 12,000 employees and operations across Ontario, OPG's community impact is significant. We are committed to ensuring that this impact continues to be productive and positive.



Employees from OPG's Nanticoke GS with their prize-winning float during Canada Day in Port Dover. The float received second prize (commercial category) as the best-decorated float. OPG employees, like those at Nanticoke, commonly participate in activities and volunteer work to enhance the quality of life of their communities.



During the summer, OPG's Pickering Nuclear station operates its successful *Tuesdays on the Trail* program. The program allows families to participate in entertaining and educational activities on the station's portion of the Waterfront Trail along Lake Ontario.

"OPG is the kind of corporate citizen any community would give their eye teeth for."

Clarington Mayor Jim Abernethy



Bob McLaren, Production Manager, RH Saunders GS; Pat MacDonald, CEO, St. Lawrence Parks Commission; and MPP Jim Brownell are shown unveiling an artist's rendering of the new OPG Community Pavilion near Morrisburg, Ontario. Accommodating up to 700 people, the facility features drama and other forms of entertainment for tourists visiting the area. OPG provided financial support to help build the Pavilion.



Musicians perform at the Special Olympics Ontario Provincial Spring Games May 29-31, 2008, hosted by the Durham Regional Police Service in Durham Region. The Games attracted more than 900 athletes and coaches from across the Province. The athletes were supported by 700 volunteers, including over 100 volunteers from OPG, which was a major sponsor of the Games.

Sustaining our financial results...

...despite market volatility

Financial performance lower but solid

OPG's net income for first six months of 2008 was \$261 million – a decline from \$296 million earned over the same period in 2007. Net income benefited from an increase in gross margin driven primarily by higher electricity output at OPG's nuclear and unregulated hydro stations. At the same time, this reduced the need to operate the company's higher-marginal cost fossil plants, which partially offset gross margin gains.

The company's \$261 million profit was achieved even though earnings on its nuclear funds were significantly reduced due to volatility and unfavourable returns in the financial markets. For the six months ended June 30, 2008, these funds earned \$57 million. They earned \$300 million for the same period in 2007.

OPG Net Income (\$ million)



Rating upgrade

In August, OPG's long-term credit rating was raised by Standard & Poor's rating agency from "BBB+" to "A-". This upgrade recognizes the improvement in OPG's financial performance, the requested rate increase from the Ontario Energy Board and the company's progress towards financial sustainability.

OPG rate request

In November 2007, OPG filed a rate application with the Ontario Energy Board (OEB) seeking a rate increase on production from its regulated assets. The rate increase will enable OPG to fulfill its mandate of supplying the people of Ontario with reliable power, while also developing additional clean and reliable nuclear and hydroelectric generation that the Province will need in the future. If approved, this would represent an increase of about 3 per cent on a typical residential electricity bill.

From May to June 2008, the OEB conducted public hearings on the application. During these hearings, 32 OPG witnesses were called upon to testify in support of the application. They provided detailed information on various aspects of the company's regulated operations and responded to questions from the OEB and from intervenors representing industry, business and public interest groups.

"Regulatory oversight of OPG's baseload nuclear and baseload hydroelectric assets, a diverse generation portfolio, and strong cost-competitive position, support OPG's strong business risk profile."

Standard & Poor's Rating Services,
Commentary Report on OPG ,
August 13, 2008

The hearings concluded on June 20. Ten intervenors filed arguments following the hearings, to which OPG formally responded in early August.

The OEB's decision on the rate application is expected by early October.



Finance students from St. Clair College in Windsor visited OPG. They met with OPG staff, who talked to them about the opportunities for finance students at OPG and how finance applies to the power industry.



Materials used in this report are environmentally friendly. Cover and text stocks are recycled and recyclable, with a minimum of 10% post-consumer waste. Vegetable-based inks have been used throughout.

Design, Print, Distribution: OPG Office Services

Where to go for more information about OPG

General information, including press releases, speeches and financial, environmental and safety information: www.opg.com.

Employment and career opportunities: www.mypowercareer.com.

ONTARIO POWER
GENERATION