

Form 51-102F6
Statement of Executive Compensation
(with respect to financial year ended on December 31, 2010)
Ontario Power Generation Inc.

Compensation Discussion and Analysis

Executive Summary

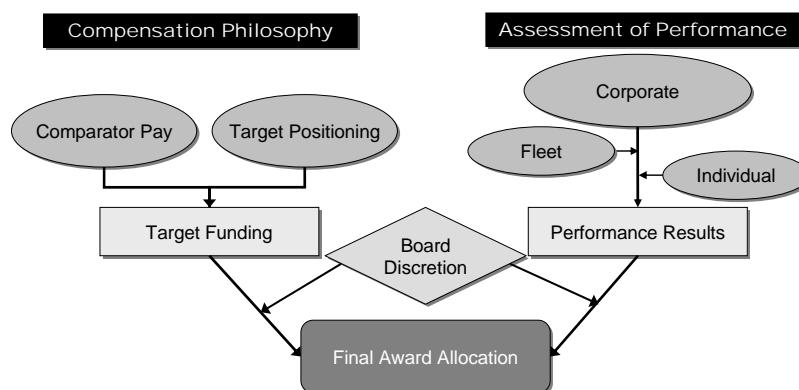
This Compensation Discussion and Analysis describes the material elements of the compensation paid to the named executive officers (“NEOs”) of Ontario Power Generation Inc. (“OPG”). When we refer to the NEOs in this Compensation Discussion and Analysis, we are referring to the following five individuals as a group:

Position	Name	OPG Title
Principal Executive Officer	T. Mitchell	President & Chief Executive Officer
Principal Financial Officer	D. Hanbidge	Chief Financial Officer
Next three most highly compensated executive officers	W. Robinson	Executive Vice President, Nuclear Refurbishments, Projects and Support
	W. Robbins	Chief Nuclear Officer
	J. Murphy	Executive Vice President, Hydro

OPG’s compensation program for the NEOs is generally designed to provide them with total target compensation at the 50th percentile of comparator companies with which we compete for executive talent (the “comparator group”). We describe our philosophy on, and process with respect to, executive officer compensation below, followed by an analysis of the resulting compensation paid to each NEO during 2010 under “2010 Compensation for Named Executive Officers”.

Context / Overview

The following diagram outlines the key elements involved in the funding and allocation of compensation to our executives, and is intended to provide the reader with a sense of how the various elements of target pay (i.e., our executive compensation philosophy) and actual performance are combined to determine individual pay decisions:



Compensation Governance

The OPG Board of Directors (“Board”) follows best practices when dealing with compensation. There is a four member Compensation and Human Resources Committee (“CHRC”) of the Board, all of whom are independent directors. The current CHRC members are former and seasoned CEOs and senior executives of large, complex, multi-national corporations including international nuclear and energy companies, each of whom brings considerable financial and human resources experience to the CHRC. The CHRC is responsible for overseeing all significant compensation matters including:

- Reviewing compensation structures, decisions and payouts (base salary, short-term incentive, etc.), and ensuring the link between pay and performance.
- Reviewing annually and approving changes, as appropriate, to OPG compensation, including compensation principles and objectives for total compensation, desired competitive positioning and comparator groups.
- Ensuring that performance measures in the Corporate Balanced Scorecard appropriately reflect the corporation’s approach to risk management.
- Ensuring that executive compensation levels and performance targets are consistent with the Board’s compensation philosophy and aligned with and designed to achieve OPG’s strategic and operating objectives.
- Overseeing senior executive pay, as it relates to corporate governance and legislation, including total compensation, individual contract provisions in senior executive employment offers, severance agreements.

The Compensation Committee has independently engaged Towers Watson to provide support to the Committee in reviewing compensation for the NEOs during the most recently completed fiscal year. Decisions made by the CHRC, however, are the responsibility of the Committee and may reflect factors and considerations other than the information and recommendations provided by Towers Watson.

Objectives of Executive Compensation

OPG’s compensation philosophy is designed to ensure that OPG is able to attract, retain and motivate key talent in a highly specialized and technical industry that is facing increasing competition for resources. The CHRC’s compensation philosophy is focused on total compensation, including base salary, short-term incentives, benefits, and pension, and will continue to do so consistent with the Agency Review Panel report, issued in 2007.

Comparator Group

OPG seeks to offer a competitive total compensation package. In order to ensure that our NEOs are competitively compensated, OPG benchmarks total compensation and each component of total compensation against market data for a comparator group of organizations. Pursuant to the recommendations of the Agency Review Panel report, OPG benchmarks against the 50th percentile of compensation levels for a combined private and public sector comparator group. In selecting the comparator group, OPG includes organizations of similar size, scope and complexity and includes only organizations that manage large assets and large operations. The following comparator group, composed of equally weighted private sector and public sector sub-groups of organizations, is used to make market comparisons of NEO compensation:

Private Sector	Public Sector
Air Canada	Atomic Energy of Canada Limited
Atco Ltd	BC Hydro
Canadian Natural Resources	Canada Post
Canadian Pacific Railway	Canadian Broadcasting Corporation
CN Rail	Hydro One Inc
Enbridge Inc	Hydro Quebec

Husky Energy	London Health Sciences
Nexen Inc	Mount Sinai Hospital
NOVA Chemicals Corp	Sunnybrook Health Sciences Centre
Talisman Energy Inc	The Hospital for Sick Children
TransAlta Corp	Trillium Health Centre
TransCanada Corp	University Health Network

Elements of Cash Compensation

Executive cash compensation consists of two main elements: base salary and short-term incentives.

Base Salary

The CHRC establishes salary ranges for all non-unionized (Management Group) staff including all Executives. The OPG salary structure is very detailed and rigorously maintained with base salaries defined by job responsibilities and salary ranges defined for each job level. When reviewing executive salaries (and incentives and benefits), the CHRC uses its external compensation advisors to provide information on the executive compensation market.

Aligned with the Agency Review Panel recommendations, OPG positions itself to the 50th percentile of the comparator market.

Effective March 25, 2010, the *Public Sector Compensation Restraint to Protect Public Services Act, 2010* (Ontario) was enacted to establish restraint measures with respect to the compensation plans of certain public sector employees and office holders, including OPG. This legislation freezes the compensation structures for all non-unionized employees until March 31, 2012. In light of this legislation, there were no adjustments to NEO, or broader Management Group, compensation after March 25, 2010.

Short-Term Incentives

Each of the NEOs in this report participates in an Annual Incentive Plan (“AIP”). In 2010, a new AIP program design was introduced to improve line of sight to Corporate objectives and provide greater certainty over program costs.. The intent of the AIP is to deliver a portion of compensation on a pay at-risk basis, if key financial and operational objectives of the Corporation, Fleet (i.e., business unit) and individual are met. Corporate objectives must be met in order for the AIP to payout; in the event that Corporate objectives are not met, the AIP will not be funded. Corporate, Fleet and individual scorecards are set out at the beginning of the year, outlining the expectations for performance. After the Chief Executive Officer has agreed on performance targets, the Corporate scorecard is reviewed by the CHRC and approved by the Board. The CHRC and the Board have the latitude to adjust the recommended awards under the plan.

The amount of an annual incentive award under the AIP is determined by the following formula:

$$\text{Individual award} = \text{Base salary} \times \text{performance based AIP Opportunity} \times \text{adjustment factor if needed}$$

The adjustment factor is a reduction that is applied as needed to ensure the sum of performance awards in an organization does not exceed available incentive funds.

Individual Performance and AIP Opportunity

The target level of incentive opportunity varies according to position level. Individual scorecards are set out at the beginning of the year that describe performance expectations. Individual scorecards are based on expected performance in areas such as finance, productivity, effectiveness and program deliverables. Individual performance levels are approved by the Chief Executive Officer.

The following table shows the NEOs' target incentive opportunity, based on individual performance level, as a percentage of base salary:

Name	Target AIP Opportunity (% of base salary)
T. Mitchell	100%
D. Hanbidge	45%
W. Robinson	50%
W. Robbins	50%
J. Murphy	45%

Short-term incentive payouts are determined by assessing Corporate performance as follows:

Corporate Performance

The Corporate Scorecard is communicated to all employees each year. Each measure has pre-set goals for threshold, target and maximum performance.

The targets are set carefully each year and are designed to align with the business plan and improve on the previous year's performance, where possible. The CHRC thoroughly reviews the targets and measures and makes a recommendation to the Board for approval. At the end of the year, the CHRC recommends and the Board approves the corporate performance score based on the numerical data and the assessment and recommendation of the Chief Executive Officer.

The aggregate Corporate score for 2010 is 1.254 as summarized on the following table:

Criteria	Measure	Threshold	Target	Maximum	Achievement	Weight	Weighted Score ¹
Financial Performance	EBITDA	\$1.1B	\$1.2B	\$1.3B	\$1.4B	10%	0.140
	OM&A Expenses	\$3.1B	\$2.9B	\$2.8B	\$2.8B	20%	0.280
Fleet Operating Performance	Nuclear (TW.h)	44.2	46.2	48.1	45.8	15%	0.134
	Thermal EFOR	17.0	12.1	9.0	7.3	7.5%	0.113
	Hydro availability	89.2	91.0	92.8	91.9	7.5%	0.094
Safety & Environment	Safety Results	---	CEA top quartile	---	Better than CEA top quartile	20%	0.214
	Significant events	---	Zero	---	Zero		
Project Performance	Pickering Safe Storage	---	On schedule & on or below budget	---	Better than schedule & budget	5%	0.075

	Pickering VBO	---	On schedule & on or below budget	---	Better than schedule & budget	5%	0.075
	Niagara Tunnel Progress	---	On schedule & on or below budget	---	Better than the 2010 schedule & budget	5%	0.055
	Upper Mattagami Progress	---	On schedule & on or below budget	---	Better than schedule & budget	5%	0.075
Total						100%	1.254

¹ Values as stated do not sum to 1.254 due to rounding.

Material Terms of Employment Agreements and Arrangements with Named Executive Officers

The following is a summary of the material terms of the employment agreements for the NEOs. For further information regarding the NEOs' pension benefits and other post-employment compensation, see "Pension Benefits" and "Termination Without Cause and Change in Control".

Mr. Mitchell

OPG entered into an employment agreement with Mr. Mitchell, commencing on July 1, 2009 as President & Chief Executive Officer. Prior to this agreement Mr. Mitchell was employed under a three-year agreement as the Chief Nuclear Officer. Mr. Mitchell is provided with a \$24,000 annual executive allowance.

Mr. Mitchell's former contract has an individual pension agreement in lieu of OPG's regular pension arrangements which would have provided him with a monthly pension of \$12,800 USD commencing December 1, 2009. Mr. Mitchell's pension arrangement was negotiated because of the difficulties attracting staff to Canada from the United States.

Since becoming President & Chief Executive Officer, Mr. Mitchell and OPG have established a retirement compensation arrangement for the previous benefit and for the pensionable service earned as President & Chief Executive Officer. That arrangement replicates the benefits afforded to all employees under the registered/supplementary pension plans. For this period Mr. Mitchell accrues 1.25 years of pensionable service per year of employment.

Further details of Mr. Mitchell's pension arrangements are provided in the Pension Benefits section below.

Mr. Hanbidge

Mr. Hanbidge's employment agreement with OPG, commenced in 1999 with an offer letter dated July 28, 1999, and was amended with an agreement dated September 23, 2005 for an indefinite term. Mr. Hanbidge participates in OPG's registered and supplemental pension plans and is provided with a \$30,000 annual executive allowance.

Mr. Robinson

Mr. Robinson's current employment agreement commenced on April 1, 2002, superseding a previous agreement on September 1, 1999, and was to be in effect until the end of the month following his 65th birthday (November 2013). Mr. Robinson's agreement was amended in

December 2009 to acknowledge his role as Executive Vice-President, Nuclear Refurbishment, Projects and Support.

Mr. Robinson participates in the OPG registered and supplementary pension plans. Based on the terms of his prior employment agreement, Mr. Robinson received two years of pensionable service for each of his first five years of employment. Mr. Robinson is an experienced executive who was successfully recruited by OPG from the United States. Mr. Robinson is provided with a \$30,000 annual executive allowance.

Mr. Robbins

Mr. Robbins' was appointed to the position of Chief Nuclear Officer effective June 1, 2009. Mr. Robbins participates in the OPG registered and supplemental pension plans. He is provided with a \$24,000 annual executive allowance.

Mr. Murphy

Mr. Murphy's current employment agreement was effective May 17, 2000 for an indefinite term and he was appointed to his current position in November 2005. Mr. Murphy is provided with a \$30,000 annual executive allowance.

Mr. Murphy participates in the OPG registered and supplementary pension plans.

Summary Compensation Table

The following table summarizes the compensation paid by OPG for the year ended December 31, 2010 to the Chief Executive Officer, Chief Financial Officer and to each of the three most highly paid officers, other than those who served or acted as the Chief Executive Officer and Chief Financial Officer.

The information provided in the Summary Compensation Table below differs from that published under the *Public Sector Salary Disclosure Act, 1996* (Ontario) for the year ended December 31, 2010. The differences are due to the timing of payment of incentive awards. Salary disclosure under the *Public Sector Salary Disclosure Act, 1996* (Ontario) is limited to amounts reported on T4 forms for each year. Information in the Summary Compensation Table is based on the year the incentive was earned. The incentive is generally earned in one year and paid in the following year.

Name and Title	Year	Salary (\$)	Annual Incentive Plan (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
T. Mitchell President & Chief Executive Officer	2010	\$800,000	\$1,000,000	\$430,000	\$34,343 ¹	\$2,264,343
	2009	\$705,000	\$501,119	\$320,000	\$65,057	\$1,591,176
	2008	\$610,000	\$272,510	\$180,000	\$33,367	\$1,095,877
D. Hanbidge Chief Financial Officer	2010	\$396,000	\$217,800	\$80,000	\$59,502 ²	\$753,302
	2009	\$390,000	\$167,427	\$90,000	\$58,128	\$705,555
	2008	\$390,000	\$174,228	\$140,000	\$57,822	\$762,050
W. Robinson Executive Vice President,	2010	\$580,000	\$362,500	\$210,000	\$34,272 ³	\$1,186,772

Nuclear Refurbishments, Projects and Support	2009	\$580,000	\$253,692	\$240,000	\$34,292	\$1,107,984
	2008	\$580,000	\$252,042	\$260,000	\$47,750	\$1,139,792
W. Robbins Chief Nuclear Officer	2010	\$485,000	\$363,750	\$450,000	\$47,931 ⁴	\$1,346,681
	2009	\$419,184	\$165,964	\$540,000	\$36,989 ⁵	\$1,162,137
	2008	\$338,000	\$128,963	\$80,000	\$34,863 ⁶	\$581,826
J. Murphy Executive Vice President, Hydro	2010	\$452,000	\$248,600	\$50,000	\$85,262 ⁷	\$835,862
	2009	\$445,000	\$176,621	\$40,000	\$74,202	\$735,823
	2008	\$445,000	\$194,042	\$120,000	\$81,139	\$840,181

¹ Includes executive allowance of \$24,000 and flexible benefits of \$10,343.25.

² Includes executive allowance of \$30,000; flexible benefits of \$25,465.28; and taxable benefits of \$4,036.76

³ Includes executive allowance of \$30,000; flexible benefits of \$141.92; and taxable benefits of \$4,130.40.

⁴ Includes executive allowance of \$24,000; flexible benefits of \$19,849.40; and taxable benefits of \$4,081.80.

⁵ Includes executive allowance of \$22,333.35; flexible benefits of \$11,094.22; and taxable benefits of \$3,561.77.

⁶ Includes executive allowance of \$20,000.04; flexible benefits of \$11,883.95; and taxable benefits of 2,979.09.

⁷ Includes executive allowance of \$30,000; flexible benefits of \$50,960.64; and taxable benefits of \$4,301.64.

⁸ Decisions on 2010 base pay adjustments were taken in 2009.

Pension Benefits

The table below shows the following information for each NEO participating in OPG's defined benefit pension arrangements:

- Years of credited service as at December 31, 2010;
- Estimated annual benefit accrued, or earned, for service up to December 31, 2010 and up to the age of 65; and
- A reconciliation of the accrued obligation from December 31, 2009 to December 31, 2010.

Name	Number of years of credited service	Annual benefits payable (\$)		Accrued obligation at start of year (\$)	Compensatory change	Non-compensatory change	Accrued obligation at end of year (\$)
		At end of year	At age 65				
T. Mitchell	9.1	\$210,000	\$720,000	\$2,250,000	\$430,000	\$560,000	\$3,240,000
D. Hanbidge	11.3	\$130,000	\$230,000	\$1,390,000	\$80,000	\$240,000	\$1,710,000
W. Robinson	16.8	\$280,000	\$330,000	\$3,690,000	\$210,000	\$410,000	\$4,310,000
W. Robbins	29.9	\$250,000	\$310,000	\$3,330,000	\$450,000	\$830,000	\$4,610,000
J. Murphy	30.6	\$390,000	\$490,000	\$4,610,000	\$50,000	\$720,000	\$5,380,000

OPG provides pension benefits to its employees through two pension arrangements: The Ontario Power Generation Inc. Pension Plan (the "Registered Plan") and the Ontario Power Generation Inc. Supplementary Pension Plan (the "Supplementary Plan").

The Registered Plan is a contributory defined benefit pension plan registered under the *Income Tax Act* (Canada) and the *Pension Benefits Act* (Ontario). For each year of credited service, the Registered Plan provides an annual pension benefit of 2.0% of final average earnings less 0.5% of final average earnings up to the average of the Year's Maximum Pensionable Earnings. In addition, a temporary bridging pension is provided to age 65. Pensionable Earnings are a member's base compensation plus annual incentive pay, limited to 5% of base pay. For non-represented members, pensions are payable on an unreduced basis once age plus continuous service equals 84. Pensions are fully indexed to CPI, to a maximum increase of 8% per annum. Pensions earned for service after 1992 are subject to limits under the *Income Tax Act* (Canada).

The Supplementary Plan provides benefits to those employees whose entire benefit could not be provided through the Registered Plan as a result of the limits under the *Income Tax Act* (Canada). Members of the Supplementary Plan earn benefits under one of three schedules: Supplementary Payment Schedule ("SPS"), Executive Supplementary Payment Schedule ("ESPS") and the Designated Supplementary Payment Schedule ("DSPS").

The SPS provides benefits under the same rules as the Registered Plan. The ESPS provides benefits under the same rules as the SPS except that a member's pension is subject to reduction for early retirement until age 60 regardless of service, benefits are indexed at 50% of CPI (to a maximum of 4% per annum), and AIP up to the member's target AIP level is recognized in pensionable earnings. The DSPS provides benefits to those individuals whose employment agreements provide for a different pension benefit than provided under SPS or ESPS. Benefits payable from the Supplementary Plan are offset by any benefits payable from the Registered Plan.

As at December 31, 2010, the NEOs participated in the following arrangements:

Mr. Mitchell

Mr. Mitchell has an individual pension agreement outside of OPG's regular pension plans which will provide him with the following pension benefits:

- For service with OPG prior to June 30, 2009, a monthly pension of US\$12,409. A portion of this pension is indexed at 50% of inflation (subject to a maximum annual increase of 4%). This pension was, based on the terms of his employment contract, scheduled to commence on December 1, 2009 and will be adjusted to reflect the delay in pension commencement.
- When Mr. Mitchell became the CEO on July 1, 2009, his pension benefits for future service were adjusted to align with OPG's Registered Plan and ESPS provision of the Supplementary Pension Plan except that he accrues 1.25 years of pensionable service per year of employment after July 1, 2009. One year of pensionable service vests annually with an extra year of service vesting July 1, 2013 and every 4 years thereafter.

Mr. Hanbidge

Mr. Hanbidge participates in the Registered Plan and the ESPS provision of the Supplementary Plan.

Mr. Robinson

Mr. Robinson participates in the Registered Plan and the DSPS provision of the Supplementary Plan. Based on the terms of his employment agreement, Mr. Robinson will receive a pension from the Supplementary Plan as if he were a member under the ESPS provisions except that he received two years of pensionable service for each of his first five years of employment.

Mr. Robbins

Mr. Robbins participates in the Registered Plan and SPS provision of the Supplementary Plan.

Mr. Murphy

Mr. Murphy participates in the Registered Plan and ESPS provision of the Supplementary Plan.

Termination Without Cause and Change in Control

The following table summarizes the potential payments made to each NEO in the event of termination without cause as at December 31, 2010:

Name	Title	Base Salary ¹	Annual Incentive Plan ²	Total Payment
T. Mitchell	President & Chief Executive Office	\$1,600,000	\$1,501,119	\$3,101,119
D. Hanbidge	Chief Financial Officer	\$786,000	\$385,227	\$1,458,857 ³
W. Robinson	Executive Vice President, Nuclear Refurbishments, Projects and Support	\$580,000	N/A	\$580,000
W. Robbins	Chief Nuclear Officer	N/A	N/A	N/A
J. Murphy	Executive Vice President, Hydro	N/A	N/A	N/A

¹ The values presented in the base salary column reflect the contract terms below and not necessarily the rate of annual base pay.

² The values presented in the annual incentive plan column reflect the contract terms below and not necessarily the rate of annual incentive.

³ Includes base salary of \$786,000; annual incentive of \$385,227; pension of \$170,000; and other compensation of \$117,630.

Mr. Mitchell

Mr. Mitchell's employment agreement provides that upon termination without cause, his severance shall be 24 months base salary. He will also receive a payment under AIP based on two times the average of his last two annual AIP awards. Mr. Mitchell was recruited from the nuclear industry in the United States and has a termination provision for reasonable moving expenses to a location in North America up to \$50,000 USD.

Mr. Hanbidge

Mr. Hanbidge's employment agreement provides that upon termination without cause, his severance shall be 24 months of total compensation. All benefits and annual incentive plan participation will cease as of the termination date.

Mr. Robinson

Mr. Robinson's employment agreement provides that upon termination without cause, his severance shall be 12 months base salary. Since Mr. Robinson was recruited from the nuclear industry in the United States, should his employment be terminated without cause, his contract provides for reasonable moving expenses from Canada to a location in the United States up to a maximum of \$40,000.

Mr. Robbins

Mr. Robbins' employment contract does not contain any specific termination clauses.

Mr. Murphy

Mr. Murphy's employment contract does not contain any specific termination clauses.

Director Compensation

Name	Fees(\$)	All other compensation (\$)	Total (\$)
Jake Epp	150,000.00		150,000.00
Donald Hintz	71,385.94 ²		71,385.94
Gary Kugler	68,575.00	95,000 ³	163,575.00
George Lewis	78,000.00		78,000.00
David MacMillan	78,263.32 ²		78,263.32
Corbin McNeil	83,698.75 ²		83,698.75
Peggy Mulligan	60,662.50		60,662.50
C. Ian Ross	81,325.00	49,000 ⁴	130,325.00
Marie Rounding	70,075.00		70,075.00
Bill Sheffield	77,750.00		77,750.00
David Unruh	95,912.50		95,912.50

Footnotes:

1. All figures are in \$CAN, except where noted.
2. Non-resident directors are compensated in \$US.
3. Gary Kugler is the Chairman of the Nuclear Waste Management Organization (NWMO) and receives director fees from the NWMO.
4. Ian Ross is a director of the NWMO and receives director fees from the NWMO

Each director who is not an employee of OPG receives:

- \$25,000 annual Board retainer
- \$3,000 annual retainer for each Committee membership
- The Chairs of the Risk Oversight Committee, the Nuclear Oversight Committee and the Governance and Nominating Committee receive an annual retainer of \$3,000. The Chair of the Audit and Finance Committee receives an annual retainer of \$8,000, and the Chair of the Compensation and Human Resources Committee receives an annual retainer of \$5,000.
- \$1,500 for a long meeting attended, or \$750 for a short meeting attended, as determined by the Board Chair or respective Committee Chair.
- Travel fees, based on the distance travelled to a meeting, of \$500 for travel of 160-645 kilometers, \$750 for travel of 645-2,415 kilometers, or \$1,250 for travel greater than 2,415 kilometers.

Mr. Mitchell does not receive additional compensation for serving as a director of OPG.

In order to retain national and international expertise, non-resident directors are compensated in U.S. dollars and directors who travel long distances receive a travel fee to cover travel time related to Board and Committee meetings they attend.

OPG's Governance and Nominating Committee of the Board annually monitors and reviews the level and nature of compensation of directors.

The Chair of the Board, in his role as non-executive Chair, receives an all-inclusive annual fee of \$150,000. This amount is determined by resolution of OPG's shareholder and has remained unchanged since 2004.

Effective March 25, 2010, the *Public Sector Compensation Restraint to Protect Public Service Act, 2010* (Ontario), froze the compensation structures for Members of Provincial Parliament, and non-represented political staff and employees across the Ontario Public Service and Broader Public Sector, including non-represented employees and directors of OPG, until March 31, 2012. In light of this legislation there was no review of, or change to, Director compensation in 2010.

The NWMO was established in 2002 under the *Nuclear Fuel Waste Act (Canada)* to investigate approaches for managing Canada's used nuclear fuel, a by-product of the generation of electricity in a nuclear power plant. The Board of Directors of the NWMO independently determines director fees. Gary Kugler and Ian Ross are OPG-nominated directors of the NWMO, and Gary Kugler also serves as the Chairman of the Board.