

May 9, 2003

ONTARIO POWER GENERATION REPORTS 2003 FIRST QUARTER EARNINGS

[Toronto]: Ontario Power Generation Inc. ("OPG") today reported its financial and operating results for the three months ended March 31, 2003. Net income for the quarter was \$76 million or \$0.30 per share, compared with a loss for the three months ended March 31, 2002 of \$217 million or \$0.85 per share.

OPG's first quarter 2003 results are above those of the same period last year. OPG's first quarter 2003 net income was favourably impacted by open market energy prices, partially offset by higher fuel costs. In addition, during the first quarter of 2002, OPG recorded provisions for transitional price relief to certain power customers upon market opening and restructuring charges.

"During the first quarter of 2003, we made significant progress on returning the first unit at our Pickering A nuclear generation station to service. We recently obtained approval from the Canadian Nuclear Safety Commission to restart Unit 4's reactor, which will allow us to commence full commissioning at various power levels", said OPG President and CEO, Ron Osborne.

"Our nuclear, fossil and hydroelectric generating stations significantly contributed to meeting Ontario's record winter peak set in January. Our Darlington nuclear station received a five-year operating license from the Canadian Nuclear Safety Commission, the first time that a Canadian nuclear generating station has been granted a five-year licence," said Osborne.

Ontario Power Generation is an Ontario based 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 reliable electricity from our competitive generation assets. OPG's goal is to be a premier North American energy company, while operating in a safe, open and environmentally responsible manner.

FIRST QUARTER 2003 MANAGEMENT'S DISCUSSION AND ANALYSIS

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**ONTARIO POWER GENERATION INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of Ontario Power Generation Inc. ("OPG" or the "Company") as at and for the three months ended March 31, 2003. It should also be read in conjunction with OPG's audited consolidated financial statements, accompanying notes, Management's Discussion and Analysis, and the Annual Information Form for the year ended December 31, 2002. OPG's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars. Certain 2002 comparative amounts have been reclassified to conform with the 2003 financial statement presentation.

THE CORPORATION

OPG is an Ontario based electricity generation company focused on the cost effective, safe and environmentally responsible production and sale of electricity and energy-related risk management products and services in Ontario and the interconnected markets of Quebec, Manitoba and the northeast and midwest regions of the United States. OPG is governed by the *Business Corporations Act* (Ontario) and is wholly-owned by the Province of Ontario.

As at March 31, 2003, OPG's electricity generating portfolio consisted of three nuclear stations, six fossil-fuelled generating stations, 36 hydroelectric generating stations, and a green power portfolio consisting of 29 hydro and two wind generating stations, as well as joint ownership of Huron Wind, Ontario's first commercial wind farm. Two other nuclear generating stations are leased on a long-term basis to Bruce Power L.P. ("Bruce Power"). The Company's Pickering A nuclear generating station, representing 2,060 megawatts ("MW") of capacity, has been laid up since 1997. OPG has commenced the return to service of the first unit of this four-unit station.

HIGHLIGHTS

For the three months ended March 31 <i>(millions of dollars)</i>	2003	2002
Revenues	1,480	1,550
Net income (loss)	76	(217)
Cash flow provided by operating activities	1,076	127
<i>Physical electricity sales volume (TWh)</i>		
Generation segment	29.1	36.3
Energy Marketing segment	0.7	-
Total	29.8	36.3
<i>Total energy available (TWh)</i>		
Total production	29.1	30.8
Purchased power – Generation segment	-	5.7
– Energy Marketing segment	0.7	-
Other	-	(0.2)
Total	29.8	36.3

Net income for the first quarter of 2003 was \$76 million compared with a loss of \$217 million for the first quarter of 2002, an increase of \$293 million. Significant factors impacting earnings in the first quarter 2003 compared to the same period last year included the following:

<i>(millions of dollars)</i>	After Tax
Net loss for the three months ended March 31, 2002	(217)
Higher energy prices compared to fixed revenue rates prior to opening of the Ontario electricity market	137
Higher prices for coal, oil and natural gas and change in generation mix	(56)
Other changes in gross margin	(37)
Increased OM&A expenses due to higher outage and project costs	(22)
Loss on Transition Rate Option contracts for industrial customers recorded in the first quarter of 2002	140
Restructuring charges recorded in the first quarter of 2002	134
Other net changes	(3)
Increase in net income	293
Net income for the three months ended March 31, 2003	76

Cash flow provided from operating activities in the first quarter of 2003 was \$1,076 million compared to \$127 million in the first quarter of 2002. The increase in cash flow was mainly due to higher energy prices, which resulted in an increase in the amount of the Market Power Mitigation Agreement rebate, which had not yet been remitted as at March 31, 2003. The Market Power Mitigation Agreement rebate payable increased from \$572 million at December 31, 2002 to \$1,425 million at March 31, 2003. Rebates will be paid in May 2003 and August 2003.

ONTARIO ELECTRICITY MARKET

In December 2002, the Government of Ontario passed into law the *Electricity Pricing, Conservation and Supply Act, 2002*. Along with certain other changes, the new legislation and related regulations set electricity commodity prices at 4.3¢/kWh for low volume consumers (consumers using less than 150,000 kWh annually), those consumers who have a demand of 50 kW or less, and other designated consumers. The 4.3¢/kWh price was retroactive to May 1, 2002 and is fixed until April 30, 2006.

In March 2003, the Province announced a business protection plan for large electricity consumers in Ontario. Under this plan, consumers using up to 250,000 kWh per year are included in the fixed price of 4.3¢/kWh retroactive to May 1, 2002. Except for certain designated customers, all consumers using above 250,000 kWh per year remain in the competitive wholesale and retail markets and will receive rebates under the terms of the existing Market Power Mitigation Agreement for the 12 months ended April 30, 2003. Effective May 1, 2003, rebates to these customers will be fixed at 50 per cent of the amount by which the average spot price in the market administered by the Independent Electricity Market Operator (“IMO”) exceeds 3.8¢/kWh.

OPG will continue to be responsible for a rebate commitment based on the existing Market Power Mitigation Agreement under which the level of payment is impacted by the degree of decontrol implemented by OPG. The business protection plan is not expected to have a material impact on OPG’s results from operations.

In April 2003, the Minister of Energy issued a Directive setting out the procedure for calculating, allocating and passing through the Market Power Mitigation Agreement rebate. Under the Directive, the first rebate payment is based on the nine-month period that commenced on market opening, May 1, 2002, and ended January 31, 2003, less OPG's interim payment to the IMO of \$335 million. OPG will pay this net amount to the IMO by May 9, 2003. A second rebate payment will cover the three-month period ended April 30, 2003. OPG will pay this amount to the IMO by August 12, 2003. For subsequent periods through April 30, 2006, OPG will make quarterly rebate payments to the IMO. The IMO will make payments to market participants in accordance with the terms of the Directive.

BUSINESS SEGMENTS

With the opening of Ontario's electricity market to competition on May 1, 2002, OPG began operating two reportable business segments: Generation and Energy Marketing. A separate category, Non-Energy and Other, includes revenue and certain costs which are not allocated to the business segments.

Generation Segment

OPG's principal business segment operates in Ontario, generating and selling electricity. Commencing May 1, 2002, all of OPG's electricity generation is sold into the IMO-administered real-time energy spot market. As such, the majority of OPG's revenue is derived from spot market sales. In addition to revenue earned from spot market sales, revenue is also earned through offering available capacity as operating reserve and through the supply of other ancillary services including voltage control/reactive support, black start capability and automatic generation control. Prior to market opening, OPG sold electricity directly to wholesale electricity customers in Ontario and to interconnected markets in Quebec, Manitoba and the U.S. northeast and midwest.

OPG has entered into various energy and related sales contracts with its customers to hedge commodity price exposure to changes in electricity prices associated with an open spot market for electricity in Ontario. Contracts that are designated as hedges of OPG's generation revenues are included in Generation segment activities. Gains or losses on these hedging instruments are recognized in revenue over the term of the contract when the underlying hedged transactions occur.

Energy Marketing Segment

The Energy Marketing segment derives revenue from various financial and physical energy market transactions with large volume end-use customers and intermediaries such as utilities, brokers, aggregators, traders and other power marketers and retailers. Energy marketing in deregulated markets includes trading, the sale of financial risk management products and sales of energy-related products and services to meet customers' needs for energy solutions. All contracts that are not designated as hedges are recorded as assets or liabilities at fair value, with changes in fair value recorded in Energy Marketing revenue as gains or losses. OPG also markets and sells electricity purchased from the IMO into the interconnected markets of other provinces and the U.S. northeast and midwest.

Non-Energy and Other

OPG derives non-energy revenue under the terms of a lease arrangement with Bruce Power related to the Bruce nuclear generating stations. This includes lease revenue, interest income and revenue from engineering analysis and design, technical and other services. Non-energy revenue also includes isotope sales to the medical industry and real estate rentals.

DISCUSSION OF OPERATING RESULTS

Generation Segment

For the three months ended March 31 <i>(millions of dollars)</i>	2003	2002
Revenue	1,382	1,470
Fuel	484	400
Power purchased	-	219
Gross margin	898	851
Operations, maintenance and administration	612	573
Depreciation and amortization	110	112
Revalorization	52	46
Property and capital taxes	25	27
Operating income	99	93

Gross Margin

Gross margin from electricity sales in the Generation segment was \$898 million in the first quarter of 2003 compared to \$851 million for the same period in 2002, an increase of \$47 million. The increase in gross margin was mainly due to higher electricity prices, partially offset by higher costs for coal, oil and natural gas fuel for fossil stations, and lower generation.

Upon closing the operating lease agreement for the Bruce nuclear generating stations with Bruce Power in May 2001, OPG was obligated to purchase and resell all of Bruce Power's electricity generation up to May 1, 2002, the date the Ontario electricity market opened. Upon market opening, Bruce Power began selling electricity directly into the IMO-administered real-time energy market, thereby lowering OPG's volume and revenue and eliminating the associated costs for power purchases from Bruce Power. The impact of the Bruce decontrol on gross margin in the first quarter of 2003 compared to the same period in 2002 was not significant.

Revenue

For the three months ended March 31 <i>(millions of dollars)</i>	2003	2002
Spot market sales, net of market power mitigation agreement rebate and financial transactions	1,364	-
Electricity sales (prior to market opening)	-	1,445
Other	18	25
Total generation revenue	1,382	1,470

Generation revenue was \$1,382 million in the first quarter of 2003 compared to \$1,470 million for the same period last year, a decrease of \$88 million. The decrease in generation revenue was primarily due to lower volumes resulting from the decontrol of the Bruce nuclear generating stations, lower generation, and the elimination, subsequent to market opening, of OPG's obligation to serve Ontario market demand. The impact of these reductions in revenue was partially offset by higher electricity prices.

Spot market prices in Ontario were impacted by cold weather during the first quarter of 2003. There were 2,091 Heating Degree Days¹ during the first quarter of 2003 compared to 1,659 Heating Degree Days for the same period in 2002 and the ten-year weather normal average of 1,887. While the colder weather during the first quarter of 2003 resulted in higher Ontario spot market prices, a significant portion of OPG's energy sales are subject to an average annual revenue cap of 3.8¢/kWh through the Market Power Mitigation Agreement rebate mechanism. OPG's average spot market sales price for the first quarter of 2003, after taking into account the Market Power Mitigation Agreement rebate, was 4.9¢/kWh compared to the fixed revenue rate of 4.0¢/kWh, prior to the market opening.

Market Power Mitigation Agreement Rebate

In order to address the potential for OPG to exercise market power in Ontario, OPG is required under its generation licence to comply with prescribed market power mitigation measures, including a rebate mechanism. Under the rebate mechanism, for the first four years after market opening, a significant majority of OPG's expected energy sales in Ontario is subject to an average annual revenue cap of 3.8¢/kWh. OPG is required to pay a rebate to the IMO equal to the excess, if any, of the average hourly spot energy price over 3.8¢/kWh for the amount of energy sales subject to the rebate mechanism. At each balance sheet date, OPG computes the average spot energy price that prevailed since the beginning of the current settlement period and recognizes a liability if the average price exceeds 3.8¢/kWh, based on the amount of energy subject to the rebate mechanism.

Under OPG's generation licence, approved by the Ontario Energy Board ("OEB"), the Company has the ability to reduce the amount of energy subject to the Market Power Mitigation Agreement rebate by the transfer of effective control of certain of its generating facilities to other market participants. As OPG transfers effective control of facilities and meets certain milestones, it can apply to the OEB for an order determining that the transactions represent the transfer of effective control and thereby reduce a portion of the Market Power Mitigation Agreement rebate obligation.

In May 2001, OPG completed the agreement to lease its Bruce nuclear generating stations to Bruce Power and in May 2002, OPG completed the sale of four hydroelectric generating stations located on the Mississagi River to the Mississagi Power Trust. In April 2003, in response to applications filed with the OEB, the OEB ruled that OPG had transferred effective control of the Bruce nuclear generating stations and the Mississagi River stations. Accordingly, the OEB agreed to a reduction in the amount of energy subject to the rebate mechanism. The approval of these applications reduces volumes subject to the Market Power Mitigation Agreement rebate for the twelve-month settlement period ended April 30, 2003 from 101.8 TWh to 81.4 TWh.

Since the average hourly spot price during the first quarter of 2003 has exceeded the 3.8¢/kWh revenue cap, OPG recorded \$853 million as a Market Power Mitigation Agreement rebate. The rebate is calculated in accordance with the Market Power Mitigation Agreement, after taking into account the amount of energy sales subject to the rebate mechanism for only those generating stations that OPG continues to control. At March 31, 2003, the Market Power Mitigation Agreement rebate payable for the eleven-month period since market opening was \$1,425 million, after taking into account an interim payment to the IMO of \$335 million in December 2002.

¹ Heating Degree Days represent the aggregate of the average daily temperatures below 18°C, as measured at Pearson International Airport in Toronto.

Volume

Electricity sales volumes in the first quarter of 2003 were 29.1 TWh compared to 36.3 TWh for the first quarter of 2002. The decrease in volumes was primarily due to lower sales resulting from the decontrol of generation from the Bruce nuclear generating stations. For the three months ended March 31, 2002, OPG purchased and resold 5.1 TWh of electricity from Bruce Power. Electricity sales volumes were also impacted by a decrease in generation in the first quarter of 2003 compared to the first quarter of 2002. The decrease in generation was primarily due to the impact on hydroelectric production of significantly lower water levels and the decontrol of the Mississagi River generating stations, and the impact of higher outage days at OPG's Pickering B nuclear generating station. Fossil production was increased to offset the impact of the lower hydroelectric and nuclear generation.

For the three months ended March 31	2003	2002
Total Energy Available for the Generation Segment (TWh)		
Production		
Nuclear	10.1	10.8
Fossil	11.8	10.7
Hydroelectric	7.2	9.3
Total production	29.1	30.8
Power purchased	-	5.7
Other	-	(0.2)
<hr/>		
Total energy available for the Generation segment	29.1	36.3

Fuel and Power Purchases

Fuel expense for the first quarter 2003 was \$484 million compared to \$400 million for the first quarter of 2002, an increase of \$84 million. The increase was primarily due to higher prices for coal, oil and natural gas and increased production from fossil stations, partially offset by a decrease in gross revenue charges resulting from lower hydroelectric production.

During the first quarter of 2002, power purchases were \$219 million based on purchases of 5.7 TWh, primarily from Bruce Power. There were no power purchases during the first quarter of 2003 since OPG no longer has a requirement to purchase electricity from Bruce Power or a requirement to purchase electricity to meet Ontario market demand, subsequent to market opening.

Operations, Maintenance and Administration

Operations, maintenance and administration ("OM&A") expenses were \$612 million for the first quarter of 2003 compared to \$573 million for the same period in 2002, an increase of \$39 million. The increase was primarily due to higher costs for planned outages, station improvements, and maintenance projects, partially offset by savings related to restructuring.

Depreciation and Amortization

Depreciation and amortization expense for the first quarter of 2003 was \$110 million compared to \$112 million for the first quarter 2002, a decrease of \$2 million. The decrease was mainly due to lower costs resulting from the amortization of a decrease in the estimate of the long-term nuclear waste management liability, partially offset by higher depreciation expense related to an increase in assets-in-service.

Revalorization

Revalorization arises because liabilities for fixed asset removal and nuclear waste management are reported on a net present value basis. The revalorization charge is the adjustment that results from restating the liabilities to reflect the effect of inflation on the cost estimates and the time value of money effect on the future liabilities. Revalorization is reported net of the interest earned on the receivable from the Ontario Electricity Financial Corporation ("OEF") and earnings on the nuclear fixed asset removal and nuclear waste management funds.

Revalorization expense for the first quarter 2003 was \$52 million compared with \$46 million for the first quarter of 2002, an increase of \$6 million. The increase was primarily due to lower earnings on the nuclear fixed asset removal and nuclear waste management funds and higher accretion expense on the fixed asset and nuclear waste management liability due to interest recorded on the liability.

Energy Marketing Segment

Since market opening in May 2002, OPG has transacted with counterparties in Ontario and neighbouring energy markets in predominantly short-term trading activities ranging from one day to one year. These activities relate primarily to physical energy that is purchased and sold at the Ontario border, the sale of financial risk management products and sales of energy-related products and services to meet customers' needs for energy solutions. Prior to market opening, OPG's energy marketing activity was not a reportable business segment. Accordingly, there are no comparative amounts for the first quarter of 2002.

For the three months ended March 31 <i>(millions of dollars)</i>	2003	2002
Revenue, net of power purchases	21	-
Operations, maintenance and administration	2	-
Operating income	19	-

Interconnected purchases and sales (including those to be physically settled) and mark-to-market gains and losses (realized and unrealized) on energy trading contracts are disclosed on a net basis in the consolidated statements of income. On a gross basis, revenue and power purchases for the three months ended March 31, 2003 would have been \$38 million higher, with no impact on net income.

Non-Energy and Other

For the three months ended March 31 <i>(millions of dollars)</i>	2003	2002
Revenue	77	80
Operations, maintenance and administration	10	19
Depreciation and amortization	27	27
Property and capital taxes	3	3
Loss on transition rate option contracts	-	210
Operating income (loss) before restructuring	37	(179)
Restructuring	-	210
Operating income (loss)	37	(389)
Other income	-	7
Net interest expense	31	39
Income (loss) before income taxes	6	(421)

Revenue

Non-energy revenue primarily consists of lease and other revenue derived under the lease agreement with Bruce Power. Under the agreement, the Company leased its Bruce A and Bruce B nuclear generating stations until 2018, with options to renew for up to 25 years. Non-energy revenue for the first quarter of 2003 was \$77 million compared to \$80 million for the same period last year.

Loss on Transition Rate Options

Under a Government regulation known as Transition – Generation Corporation Designated Rate Options (“TRO”), OPG is required to provide transitional price relief upon market opening to certain power customers based on the consumption and average price paid by each customer during a reference period from July 1, 1999 to June 30, 2000. The maximum anticipated volume subject to the transitional price relief is approximately 5.4 TWh in the first year after market opening, 3.6 TWh in the second year and 1.8 TWh in each of the third and fourth years. The maximum length of the program is four years, with the possibility that it will expire after only two years if certain decontrol targets are met.

A provision of \$210 million on the TRO contracts was recorded in the first quarter of 2002 based on the estimated future loss on these contracts. The provision was determined at that time using management’s best estimates of the forward price curve for electricity, wholesale electricity market fees, impact of decontrol on these contracts, interruptions of volume, and the recovery of Market Power Mitigation Agreement rebates. These estimates are subject to measurement uncertainty. During the first quarter of 2003, \$24 million was charged against the provision and included in generation revenue. Since market opening in May 2002, \$90 million has been charged against the provision and included in revenue.

Restructuring Costs

In 2001, OPG approved a restructuring plan designed to improve OPG’s future cost competitiveness. Restructuring charges are related to an anticipated reduction in the workforce of approximately 2,000 employees over a three to four year period. As at March 31, 2003, OPG has approved severance packages for approximately 1,400 employees. Restructuring charges of \$210 million were recorded in the first quarter of 2002. There were no restructuring charges in the first quarter of 2003.

Income Tax

For the first quarter of 2003, the effective income tax rate was 38.7 per cent compared to an effective income tax recoverable rate of 33.8 per cent in the first quarter of 2002. The increase in the effective income tax rate was primarily due to the impact of Large Corporations Tax, which increased the income tax payable in 2003, but reduced the amount of the income tax recoverable in 2002.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided from operating activities during the first quarter of 2003 was \$1,076 million compared to \$127 million for the same period of 2002, an increase of \$949 million. Higher energy prices and an increase in the Market Power Mitigation Agreement rebate payable of \$853 million, and proceeds from the repayment of the \$225 million receivable from Bruce Power, contributed to a significant increase in cash flow. As at March 31, 2003, the rebate payable totalled \$1,425 million. OPG will pay a rebate to the IMO of \$758 million (excluding GST of \$77 million) in May 2003, representing the rebate for the nine-month period ended January 31, 2003, net of OPG’s interim payment of \$335 million.

With market opening, electricity prices are expected to have seasonal variations related to changes in demand. Prices are expected to be higher in the first and third quarters of a fiscal year as a result of winter heating demands in the first quarter and air conditioning/cooling demands in the third quarter. The Market Power Mitigation Agreement rebate and the Company's hedging strategies significantly reduce the impact of the seasonal price fluctuations on the Company's results from operations.

OPG continues to invest in plant and technologies to improve operating efficiencies, increase generating capacity of its existing plant and maintain and improve service, reliability, safety and environmental performance. Capital expenditures during the first quarter of 2003 were \$158 million compared with \$156 million during the first quarter of 2002.

OPG made a contribution of approximately \$53 million to the pension plan during the first quarter of 2003. OPG did not contribute to the pension plan in the same period in 2002.

The nuclear fixed asset removal and nuclear waste management funds increased by \$16 million during the first quarter of 2003 compared to \$51 million during the same period last year, through contributions and income earned on investments. The balance in the funds at March 31, 2003 was \$1,615 million compared to \$1,599 million as at December 31, 2002. OPG is required to make contributions in 2003 of approximately \$454 million to the fixed asset removal and nuclear waste management fund under the Ontario Nuclear Funds Agreement. In April 2003, the Company made a contribution of \$109 million.

The Company paid dividends to the Province of \$17 million during the first quarter of 2003 compared with \$134 million in the first quarter of 2002. The amount paid in 2002 reflected a dividend related to proceeds received from the decontrol of the Bruce nuclear generating stations. Dividends are declared and paid to achieve a 35 per cent pay-out based on net income.

In February 2003, the Company reached an agreement with the OEFC to defer payment on \$700 million principal amount of senior notes maturing in 2003 and 2004 by extending the maturity dates by two years. The interest rates remain unchanged. The notes deferred and the new maturities are as follows:

Principal Amount of Senior Notes (millions of dollars)	Maturity Prior to Deferral	New Maturity
200	2003	2005
100	2004	2006
300	2004	2006
100	2004	2006

In March 2003, OPG renewed its \$1,000 million revolving short-term committed credit facility. The credit facility has a revolving 364-day term, which can be extended for a two-year term. Notes issued under the Company's Commercial Paper ("CP") program are supported by this credit facility. At March 31, 2003, OPG had \$190 million outstanding under the CP program.

Under the terms of the original operating lease agreement with Bruce Power, a \$225 million note receivable was payable to OPG in two installments of \$112.5 million, no later than four and six years from the date the transaction was completed. In February 2003, British Energy plc. disposed of its entire 82.4 per cent interest in Bruce Power. Upon closing, the \$225 million note receivable from Bruce Power was repaid. Proceeds from the note are to be applied towards OPG's funding requirements with respect to the nuclear fixed asset removal and nuclear waste management liabilities by March 2008. Also, upon closing, lease payments commenced to be paid monthly. Minimum annual payments under the lease for 2004 to 2008 will be \$190 million, subject to limited exceptions. The remaining terms of the operating lease agreement remain substantially unchanged.

Certain Energy Marketing agreements specify that additional collateral in the form of Letters of Credit or cash may become necessary under certain conditions. Additional collateral may become necessary if OPG's debt rating were to decline and/or if market prices, relative to the contract prices, were to increase.

PICKERING A RETURN TO SERVICE

OPG continues to progress with the safety and environmental upgrades and other refurbishment work that is required prior to the return to service of the four units at the Pickering A nuclear generating station. The environmental upgrades and refurbishment work on the first of the four units, as well as common operating systems for all four units, is largely complete. Commissioning of various individual systems and components to allow removal of the guaranteed shut-down state is complete.

In April 2003, OPG applied to the Canadian Nuclear Safety Commission and subsequently received approval to remove the first unit from its guaranteed shut-down state. This will allow OPG to commence full commissioning of the first unit at various power levels. The first unit is expected to be in-service by the summer of 2003 and will significantly contribute to meeting Ontario's seasonal demands.

Cumulative life-to-date expenditures on the return to service initiative for the first unit and the common operating systems for all four units totalled \$1,153 million through the end of March 2003. The total cumulative expenditures on all four units to the end of March 2003 were \$1,328 million. The cost to return the first unit to service, including the cost of the common operating systems, is estimated at approximately \$1,200 million.

There remain risks that could impact the cost and schedule of the return to service of the first unit. This includes the risk of additional work that may be identified through the testing and commissioning process, and additional challenges that may result from the first-time commissioning of a laid-up unit.

The planning for the return to service of the remaining units is underway. The cost and schedule to return these units to service are under review and will be estimated, taking into account OPG's experience associated with returning the first unit to service. OPG expects to complete the review over the summer.

RISK MANAGEMENT

OPG's portfolio of generation assets and electricity trading and marketing operations are subject to inherent risks, including financial, operational, regulatory and strategic risks. To manage these risks, OPG has implemented an enterprise-wide risk management framework which includes governance policies, organizational structures, and risk measurement and monitoring processes.

Commodity Price Risk

Commodity price risk is the risk that changes in the market price of electricity or fossil fuels will adversely impact OPG's earnings and cash flow from operations. OPG's electricity production and a portion of the Company's fossil fuel requirements are exposed to spot market prices. To manage this risk, the Company maintains a balance between the commodity price risk inherent in its electricity production and plant fuel portfolios.

Open trading positions are subject to measurement against VaR limits, which measure the potential change in the portfolio's market value due to price volatility over a one-day holding period, with a 95 per cent confidence interval. OPG's approved VaR limit is \$5 million. VaR utilization ranged between \$0.5 million to \$1.6 million during the first quarter of 2003

In addition to fixed price contracts for fossil and nuclear fuels, the Company employs derivative instruments to hedge its commodity price risk. The percentage of OPG's generation and fuel requirements hedged over the remainder of 2003 and the next two years is shown below:

	2003	2004	2005
Estimated generation output hedged ¹	79%	80%	76%
Estimated fuel requirements hedged ²	95%	84%	70%

¹ Represents the portion of megawatt-hours of future generation production for which the Company has sales commitments, and volumes related to the Market Power Mitigation Agreement rebate and transition rate option contracts.

² Represents the portion of estimated future fuel requirements (based on MMBTU equivalents) for which OPG has entered contractual arrangements to manage related procurement price risks.

Credit Risk

Credit risk is the potential for loss arising from the failure of counterparties to perform their contractual obligations. Subsequent to market opening, the majority of OPG's revenues are derived from sales through the IMO-administered spot market. OPG also derives revenue from several other sources including the sale of financial risk management products to third parties.

OPG's credit exposure is concentrated in the physical electricity market with the IMO. Credit exposure to the IMO fluctuates based on timing and is reduced each month upon settlement of the accounts. Credit exposure to the IMO peaked at \$1,435 million during the first quarter of 2003. OPG's management believes that the IMO is an acceptable credit risk due to its primary role in the Ontario market. The IMO manages its own credit risk and its ability to pay generators by mandating that all registered IMO spot market participants meet specific IMO standards for creditworthiness and collateralization. OPG also measures its credit concentrations with counterparties. OPG management believes these are within acceptable limits and does not anticipate any material effect on its results of operations or cash flows arising from potential defaults.

The following table provides information on credit risk from energy sales and trading activities as at March 31, 2003.

<i>(millions of dollars)</i>			
Credit Rating ¹	Potential Exposure	Number of Counterparties	Potential Exposure for 10 Largest Counterparty Exposures ²
AAA to AA-	31	12	24
A+ to A-	165	46	112
BBB+ to BBB-	111	81	31
BB+ to BB-	27	31	4
B+ to B-	10	17	1
Total	344	187	172
IMO	750	1	750
Total	1,094	188	922

¹ Credit ratings are based on OPG's own analysis, taking into consideration external rating agency analysis where available, as well as recognizing explicit credit support provided through guarantees and letters of credit or other security.

² Potential exposure represents OPG's assessment of the maximum exposure over the life of each transaction at 95 per cent confidence.

Severe Acute Respiratory Syndrome

During the recent Severe Acute Respiratory Syndrome (“SARS”) outbreak in Ontario, OPG assembled a senior level group to monitor the situation, develop appropriate action plans and coordinate employee communications. The Company has implemented precautionary measures to minimize risk to employees, contractors and their families, and has developed contingency plans for critical groups such as nuclear plant operators. Notwithstanding these measures, there is no assurance that OPG will not be negatively impacted by SARS.

SUPPLEMENTAL EARNINGS MEASURES

In addition to providing earnings measures in accordance with Canadian generally accepted accounting principles, OPG presents certain supplemental earnings measures. These are operating income (loss) before restructuring and operating income (loss). These measures do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and are, therefore, unlikely to be comparable to similar measures presented by other companies. These measures are provided to assist readers of the financial statements in assessing income performance from ongoing operations.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect OPG’s current views regarding certain future events and circumstances. Any statement contained in this document that is not a current or historical fact is a forward-looking statement. OPG generally uses words such as “anticipate”, “believe”, “foresee”, “forecast”, “estimate”, “expect”, “intend”, “plan”, “project”, “seek”, “target”, “goal”, “strategy”, “may”, “will”, “should”, “could” and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression will not, however, mean that a statement is not a forward-looking statement.

All forward-looking statements involve inherent assumptions, risks and uncertainties and, therefore, could be wrong to a material degree. In particular, forward-looking statements contain assumptions such as those relating to OPG’s nuclear recovery plan, fuel costs and availability, nuclear decommissioning and waste management, spot market electricity prices, the on-going evolution of the Ontario electricity industry, market power mitigation, environmental and other regulatory requirements, and the weather. Accordingly, undue reliance should not be placed on any forward-looking statement.

OPG has neither any intention nor any obligation to update or otherwise revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

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