

August 26, 2011

ONTARIO POWER GENERATION REPORTS 2011 SECOND QUARTER FINANCIAL RESULTS

[Toronto]: Ontario Power Generation Inc. ("OPG" or the "Company") today reported its financial and operating results for the three and six months ended June 30, 2011. Net income for the second quarter of 2011 was \$114 million compared to a net loss of \$29 million for the same period in 2010. Net income for the six months ended June 30, 2011 was \$265 million compared to net income of \$114 million for the same period in 2010.

Tom Mitchell, President and CEO said, the company is pleased with its operational and financial performance. "When OPG performs well, it benefits all of Ontario because OPG is owned by the people of this province."

He noted that the strong results were achieved even though OPG continued to receive comparatively low rates for its output. "Our average sales price for the first six months of this year was 4.6 cents a kilowatt hour. That is unchanged from the average price for the first six months in 2010 and considerably below prices received by other electricity generators in the province."

"The results speak to the affordability of power generated from our nuclear and hydroelectric assets as a safe, reliable and cost effective form of electricity, which has a moderating effect on Ontario's electricity prices."

Highlights

OPG's net income in the second quarter of 2011 increased by \$143 million compared to the second quarter of 2010. The increase was primarily due to higher earnings from the Decommissioning and Used Fuel Segregated Funds (together the "Nuclear Funds") and lower operations, maintenance and administration ("OM&A") expenses. The higher earnings from the Nuclear Funds were largely due to an increase in the valuation levels of global financial markets compared to a decline in valuation levels during the second quarter of 2010. The lower OM&A expenses for the second quarter of 2011 compared to the same quarter of 2010 were primarily due to lower nuclear outage and project costs and lower expenditures at OPG's thermal generating stations.

The increase in net income for the second quarter of 2011 compared to the second quarter of 2010 was partially offset by an increase in income tax expense. The increase in income tax expense was primarily due to the resolution during the second quarter of 2010 of a number of tax uncertainties related to prior taxation years.

The increase in net income for the six months ended June 30, 2011 compared to the same period in 2010 was primarily due to higher earnings from the Nuclear Funds

and a decrease in OM&A expenses, partially offset by an increase in income tax expense.

Total electricity generated during the three month period ended June 30, 2011 was 20.7 terawatt hours (“TWh”) compared to 19.7 TWh for the same period in 2010. This increase was primarily due to an increase in nuclear generation as a result of a decrease in planned outage days at the Pickering generating stations as all six units were shutdown during the Pickering Vacuum Building Outage in the second quarter of 2010, and higher generation from OPG’s Unregulated – Hydroelectric segment, partially offset by a decrease in thermal generation. Higher generation from the Unregulated – Hydroelectric segment during the second quarter of 2011 was primarily a result of higher water flows relative to the same period in 2010. The decrease in thermal generation during the second quarter of 2011 was primarily due to higher generation from hydroelectric and nuclear stations in Ontario and lower demand in Ontario.

For the six months ended June 30, 2011, OPG’s electricity generation was 42.9 TWh compared to 44.2 TWh during the same period in 2010. The decrease in electricity generation was largely due to a decrease in thermal generation caused by an increase in electricity generation from other generators in Ontario and higher generation from OPG’s nuclear and hydroelectric stations. The increase in electricity generation from other generators in Ontario was primarily due to lower natural gas prices relative to coal prices.

The capability factor for the Darlington nuclear station decreased during the second quarter of 2011 compared to the second quarter of 2010 as a result of a higher number of planned outage days. For the six months ended June 30, 2011, a higher capability factor at the Darlington nuclear station compared to the same period in 2010 reflected a lower number of planned outage days. Higher capability factors at the Pickering A and B nuclear generating stations for the three and six months ended June 30, 2011 were primarily due to a decrease in planned outage days.

The availability of OPG’s regulated hydroelectric stations during the three and six month periods ended June 30, 2011 was slightly lower than in the same periods in 2010 primarily as a result of an increase in planned maintenance and project outages, and an increase in forced outages at the Sir Adam Beck Pump generating station. The station availability of OPG’s unregulated hydroelectric generating stations increased during the three and six months ended June 30, 2011 primarily as a result of improved equipment performance.

Equivalent forced outage rates at the thermal generating stations increased for the three and six months ended June 30, 2011 compared to the same periods in 2010 primarily due to an increase in the number of unplanned outage days at the Nanticoke and Lambton stations.

Generation Development

OPG is undertaking a number of generation development projects aimed at significantly contributing to Ontario's long-term electricity supply requirements. The status of these capacity expansion or life extension projects is as follows:

Nuclear

- On June 3, 2011, the Joint Review Panel overseeing the Darlington New Nuclear Project Environmental Assessment officially stated that sufficient information has been obtained to prepare their report. This date marks the commencement of the 90-day period in which the panel will prepare their environmental assessment report for submission to the federal Minister of the Environment.
- In June 2011, OPG received responses to its Request for Proposal for the Retube and Feeder Replacement for the Darlington generating station. The selection of a contractor is targeted for late 2011. The Environmental Assessment and the Integrated Safety Review, which forms the basis of the regulatory scope of the refurbishment project, are on track for submission to the CNSC in late 2011.

Hydroelectric

- The Niagara tunnel boring machine ("TBM") mining activity has been completed and the disassembly of the TBM is in progress. As of June 30, 2011, installation in the tunnel of the lower one-third of the permanent concrete lining reached 7,625 metres. This installation work has been temporarily interrupted since July 2, 2011 to reinforce a short section of the temporary tunnel liner that was overloaded by loose rock at 6,050 metres. This interruption is not expected to delay tunnel completion. Restoration of the circular cross-section of the tunnel before installation of the upper two-thirds of the concrete lining reached 4,422 metres and was behind schedule. Installation of the upper two-thirds of the concrete lining has progressed to 3,262 metres and is ahead of schedule. The Niagara Tunnel is expected to be completed within the approved budget of \$1.6 billion and the approved project completion date of December 2013. As of June 30, 2011, life-to-date capital expenditures were \$1,032 million. Upon completion of the project, the average annual generation from the Sir Adam Beck generating stations will increase by approximately 1.6 TWh.
- The Lower Mattagami River project will increase the capacity of four generating stations by 438 MW. During the second quarter of 2011, the intake excavation at the Smoky Falls station was completed, rock consolidation continued and concrete operations commenced. The cofferdam at the Little Long station was installed and excavation commenced. The cofferdam installation is in progress at the Harmon site. The project is expected to be completed within the approved budget of \$2.6 billion and the approved completion date of June 2015. As of June 30, 2011, life-to-date capital expenditures were \$516 million.

Thermal

- OPG and the Ontario Power Authority (“OPA”) are currently negotiating an energy supply agreement for the conversion of the Atikokan generating station to biomass fuel.
- OPG is proceeding with detailed engineering for the conversion of two units at the Thunder Bay station to natural gas.
- As outlined in Ontario’s Long-Term Energy Plan and Supply Mix Directive to the OPA, OPG continues to explore the possible conversion of some units at the Lambton and Nanticoke generating stations to natural gas, if required for system reliability.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<i>Earnings</i>				
Revenue	1,226	1,210	2,534	2,653
Fuel expense	183	210	349	457
Gross margin	1,043	1,000	2,185	2,196
Operations, maintenance and administration expense	686	781	1,398	1,508
Depreciation and amortization	195	174	353	340
Accretion on fixed asset removal and nuclear waste management liabilities	177	165	349	330
Earnings on nuclear fixed asset removal and nuclear waste management funds	(164)	(40)	(302)	(181)
Restructuring	-	-	-	25
Capital and property taxes	15	24	23	43
Other gains	(4)	(1)	(3)	(2)
Income before interest and income taxes	138	(103)	367	133
Net interest expense	41	44	82	89
Income tax (recoveries) expenses	(17)	(118)	20	(70)
Net income (loss)	114	(29)	265	114
<i>Income before interest and income taxes</i>				
Generating segments	131	12	375	244
Nuclear Waste Management segment	(14)	(125)	(48)	(149)
Other segment	21	10	40	38
Total income (loss) before interest and income taxes	138	(103)	367	133
<i>Cash flow</i>				
Cash flow provided by operating activities	153	110	562	328
<i>Electricity Generation (TWh)</i>				
Regulated – Nuclear	11.4	9.6	24.0	21.6
Regulated – Hydroelectric	5.0	4.6	9.6	9.4
Unregulated – Hydroelectric	4.1	2.3	8.1	6.2
Unregulated – Thermal	0.2	3.2	1.2	7.0
Total electricity generation	20.7	19.7	42.9	44.2
<i>Average electricity sales price (¢/kWh)</i>				
Regulated – Nuclear	5.5	5.5	5.5	5.5
Regulated – Hydroelectric	3.5	3.7	3.6	3.7
Unregulated – Hydroelectric	3.1	4.0	3.2	3.7
Unregulated – Thermal	2.1	4.1	2.9	3.9
OPG average sales price paid through regulated and spot market prices	4.5	4.6	4.6	4.6
<i>Nuclear unit capability factor (percent)</i>				
Darlington	86.2	93.6	92.0	88.0
Pickering A	72.9	30.3	71.2	48.7
Pickering B	72.0	41.6	77.1	69.4
<i>Availability (percent)</i>				
Regulated – Hydroelectric	87.5	91.8	89.7	92.7
Unregulated – Hydroelectric	94.3	93.4	94.1	93.7
<i>Equivalent forced outage rate (percent)</i>				
Unregulated – Thermal	11.7	7.3	9.3	4.8

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

Ontario Power Generation Inc.'s unaudited consolidated financial statements and Management's Discussion and Analysis as at and for the three and six months ended June 30, 2011, can be accessed on OPG's Web site (www.opg.com), the Canadian Securities Administrators' Web site (www.sedar.com), or can be requested from the Company.

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