

August 22, 2008

ONTARIO POWER GENERATION REPORTS 2008 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, 2008. Net income for the second quarter of 2008 was \$99 million compared to net income of \$125 million for the same period in 2007. Net income for the six months ended June 30, 2008 was \$261 million compared to \$296 million for the same period in 2007.

"While OPG's second quarter operational performance was essentially level with the second quarter of 2007, earnings on nuclear fixed asset removal and waste management segregated funds were lower as a result of the continued decline in the capital markets," said President and CEO Jim Hankinson.

On June 16, 2008, the Province of Ontario (the "Province") announced the selection of OPG as the operator of two new nuclear units that will be located at the Darlington site. "OPG takes great pride in being selected to operate these units at the Darlington site," Hankinson said.

Electricity generated in the second quarter of 2008 was 25.9 terawatt hours ("TWh") compared to production of 26.0 TWh in the second quarter of 2007. Hydroelectric production of 10.3 TWh was higher than production of 8.6 TWh during the second quarter of 2007 mainly due to higher river flows across the province. Nuclear production decreased by 1.0 TWh primarily as a result of outages at the Pickering B station. Electricity production from OPG's fossil stations decreased to 5.5 TWh in the second quarter of 2008 compared to 6.3 TWh in 2007, primarily as a result of higher hydroelectric production. For the six months ended June 30, 2008, total production from OPG's generating stations was 55.3 TWh compared to 54.2 TWh for the same period in 2007. This increase reflects higher hydroelectric and nuclear production partly offset by lower fossil production.

The reliability of OPG's fossil and hydroelectric stations improved during the second quarter in comparison to the second quarter of 2007. Availability factors at OPG's fossil stations have improved considerably over the past four years while availability factors at the Company's hydroelectric stations remain near historically high levels. During the quarter, the Darlington nuclear station performed additional outage work resulting in a marginally lower capability factor compared to the second quarter of 2007. However, on a year to date basis, the station's capability factor has improved. On a quarterly and year to date basis, capability factors at the Pickering A nuclear station continue to improve over 2007. While the availability of the Pickering B nuclear station has improved on a year to date basis over 2007, unplanned outages during the second quarter of 2007 had an unfavourable impact on the station's capability factor.

Net income of \$99 million during the three months ended June 30, 2008 was lower than net income of \$125 million in the second quarter of 2007. Gross margin increased primarily due to higher generation from OPG's unregulated hydroelectric generating stations and a marginally higher electricity sales price, partially offset by lower generation from the nuclear and fossil-fuelled generating stations. Operations, Maintenance and Administration (OM&A) expenditures decreased primarily as a result of additional expenses related to past grievance settlements with First Nations that were incurred during the second quarter of 2007 and did not reoccur in 2008. Lower pension and other post employment benefits costs also contributed to this decrease in OM&A. Income tax expense decreased due to a reduction in income tax liabilities as a result of the resolution of a number of tax uncertainties. These favourable impacts were offset by a decrease in earnings on the nuclear fixed asset removal and nuclear waste management funds, primarily as a result of continuing significant volatility and unfavourable returns in the capital markets.

Net income of \$261 million during the six months ended June 30, 2008 was lower than net income of \$296 million for the same period in 2007. Gross margin increased primarily due to higher generation from OPG's unregulated hydroelectric stations and nuclear stations, partially offset by lower fossil generation. On a year to date basis, OM&A expenses, income taxes, and earnings on the nuclear fixed asset removal and nuclear waste management funds decreased for the same reasons as during the second quarter of 2008.

In May 2008, the Province announced limits on CO₂ emissions from OPG's coal-fired generating stations to ensure that such emissions are reduced by two-thirds below 2003 levels by 2011. The government has directed OPG to stage the reduction measures to meet interim emission targets. It is expected that the Province will ensure that an appropriate cost recovery mechanism is established to enable OPG to recover the costs of its coal-fired generating stations following the implementation of the CO₂ reductions.

On August 13, 2008, Standard & Poor's (S&P) announced that it raised OPG's long-term credit rating to "A-" with a stable outlook from "BBB+" with a positive outlook. At the same time, S&P affirmed OPG's "A-2" global scale and "A-1(Low)" Canada scale commercial paper rating. S&P stated that the upgrade in the long-term rating reflects a closer relationship between the company and its higher-rated owner, the Province (AA/Stable/A-1+), and a slightly stronger stand-alone credit profile, given the regulatory oversight of OPG's nuclear and baseload hydroelectric assets and an expected improvement in cash flow metrics.

The Portlands Energy Centre ("PEC") is a 550 MW high-efficiency, combined cycle, natural gas generation plant designed to meet downtown Toronto's urgent need for electricity. PEC is a limited partnership between OPG and TransCanada Energy Ltd. Construction of the station started in 2006 and the first phase was completed on schedule and on budget, in a simple cycle mode, with a capacity of up to 340 MW on May 31, 2008. In September 2008, the station will be taken out of service in order to complete construction of the combined cycle mode. PEC is expected to be completed and fully operational in the combined cycle configuration earlier than it's contractual in service date of June 1, 2009.

OPG's progress on a number of new generation projects aimed at significantly contributing to Ontario's long-term electricity supply requirements is as follows:

- At June 30, 2008, the boring machine for the Niagara tunnel had advanced 2,399 metres. The contractor previously advised OPG that due to excavation difficulties under the St. David's gorge, the in-service date of the tunnel will be delayed. To mitigate the impact of the schedule delay, the contractor continues to pursue alternatives including realignment of a portion of the tunnel. The project cost estimate of \$985 million will be reviewed in conjunction with any changes to the project completion schedule and the issues being considered in the ongoing dispute resolution process that is primarily focused on whether the actual subsurface rock conditions differ from the baseline established within the design-build contract.
- During the second quarter of 2008, the contractor advised OPG that completion of the 12.5 MW, Lac Seul generating station will be further delayed as a result of various contractor difficulties. These include the replacement by the contractor of the major subcontractor on two occasions, as well as delays related to cofferdam construction, intake construction and cofferdam removal. The expected in-service date for the new station will now be in the fourth quarter of 2008.
- In July 2008, OPG and the Ontario Power Authority executed a Hydroelectric Energy Supply Agreement for the Upper Mattagami and Hound Chute projects and continued negotiations regarding the Healey Falls project.
- On June 16, 2008, the Province announced that OPG will operate two new nuclear reactors at the Darlington site. OPG is proceeding with initiatives associated with the Environmental Impact Statement, which is planned for completion in early 2009. OPG is participating with Infrastructure Ontario in a process to select a nuclear reactor vendor. In addition, over the next several months, OPG plans to pursue cost recovery mechanisms and explore financing options for the new nuclear reactors.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

<i>(millions of dollars – except where noted)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
<i>Earnings</i>				
Revenue after revenue limit rebate	1,385	1,373	2,948	2,897
Fuel expense	277	298	581	626
Gross margin	1,108	1,075	2,367	2,271
Operations, maintenance and administration	750	776	1,441	1,470
Other expenses	267	145	681	419
Income tax expenses (recoveries)	(8)	29	(16)	86
Net income	99	125	261	296
<i>Cash flow</i>				
Cash flow (used in) provided by operating activities	152	312	401	475
<i>Electricity Generation (TWh)</i>				
Regulated – Nuclear	10.1	11.1	23.4	22.7
Regulated – Hydroelectric	4.9	4.7	9.5	9.3
Unregulated – Hydroelectric	5.4	3.9	9.9	7.8
Unregulated – Fossil-Fuelled	5.5	6.3	12.5	14.4
Total electricity generation	25.9	26.0	55.3	54.2
<i>Average electricity sales price (¢/kWh)</i>				
Regulated – Nuclear ¹	4.9	4.9	4.9	4.9
Regulated – Hydroelectric ¹	3.6	3.5	3.6	3.6
Unregulated – Hydroelectric ²	4.7	4.6	4.7	4.7
Unregulated – Fossil-Fuelled ²	5.0	4.7	4.9	4.8
OPG average sales price	4.6	4.6	4.7	4.6
<i>Nuclear unit capability factor (per cent)</i>				
Darlington	80.7	84.4	89.8	88.9
Pickering A	63.3	61.6	70.5	62.5
Pickering B	57.3	72.2	71.9	70.9
<i>Equivalent forced outage rate (per cent)</i>				
Unregulated– Fossil-Fuelled	10.4	11.6	13.1	11.7
<i>Availability (per cent)</i>				
Regulated – Hydroelectric	93.2	93.2	93.4	92.6
Unregulated– Hydroelectric	97.6	95.4	96.6	95.2

¹ Electricity generated from stations in the Regulated – Hydroelectric segment received a fixed price of 3.3¢/kWh for the first 1,900 MWh of generation in any hour, and the Ontario spot electricity market price for generation above this level.

² Eighty-five per cent of the electricity generated from unregulated stations, excluding the Lennox generating station, those stations where generation output is subject to a Hydroelectric Energy Supply Agreement with the Ontario Power Authority, and forward sales as of January 1, 2005, is subject to a revenue limit. During the period from May 1, 2006 to April 30, 2007, the revenue limit was set at 4.6¢/kWh. The revenue limit increased to 4.7¢/kWh effective May 1, 2007 and to 4.8 ¢/kWh effective May 1, 2008.

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 interim consolidated financial statements and Management's Discussion and Analysis as at and for the three and six months ended June 30, 2008, can be accessed on OPG's website (www.opg.com), the Canadian Securities Administrators' website (www.sedar.com), or can be requested from the Company.

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