

March 29, 2005

ONTARIO POWER GENERATION RELEASES 2004 FINANCIAL RESULTS

[Toronto]: Ontario Power Generation Inc. (“OPG” or the “Company”) today reported that net income for the year ended December 31, 2004 was \$42 million or \$0.16 per share compared to a net loss of \$491 million or \$1.92 per share in 2003. The loss in 2003 included an impairment loss of \$576 million before tax as a consequence of the commitment by the Government of Ontario (“Government”) to shut down OPG’s coal-fired generating stations significantly in advance of their previously estimated useful lives. Excluding the impact of the impairment loss in 2003, before-tax earnings decreased in 2004 by \$120 million compared to last year.

“During 2004, we had more production from our nuclear and hydroelectric assets, we increased our investments to enhance the reliability and cost competitiveness of our generating assets and we continued to make substantial contributions to the customer-rebate program,” said Acting President and CEO Richard Dicerri.

Total production from the nine operating nuclear reactors was 42.3 terawatt hours (TWh) of electricity, an increase of 4.6 TWh over OPG’s nuclear production in 2003. Performance at the hydroelectric plants also was strong as output increased to 35.7 TWh, 3.3 TWh above production in 2003. Production from the fossil-fuelled generating plants declined in 2004 to 27.0 TWh from 39.0 TWh in 2003.

OPG’s financial results in 2004 reflected the impact of customer rebates under the Market Power Mitigation Agreement which reduced revenue by \$1.154 billion. In 2003, the rebates reduced revenue by \$1.510 billion. The reduction in rebates resulted from lower average electricity prices compared to 2003. This rebate program, which has reduced the Company’s revenues by more than \$3.5 billion since it was put in place in May, 2002, will end on March 31, 2005.

Earnings before tax in 2004 were negatively impacted by:

- a decrease in revenue due to lower electricity prices and volumes
- higher pension and other post employment benefit costs that were primarily the result of changes in economic assumptions related to interest and inflation rates
- an increase in nuclear maintenance and repairs related to improvements in reliability
- higher depreciation charges as a result of the planned early shutdown of the coal-fired generating stations.

These reductions in earnings before tax were largely offset by:

- an improvement in gross margin as a result of increased production from OPG's low marginal cost nuclear and hydroelectric generating stations and lower fuel expense
- savings provided by cost reductions, streamlining and restructuring initiatives.

For 2004, the loss before tax was \$38 million, compared to a before-tax loss of \$494 million in 2003. OPG's 2003 results included an impairment loss of \$576 million before tax due to the Government's commitment to shut down OPG's coal-fired generating stations significantly in advance of their previously estimated useful lives. Under normal circumstances, this would have allowed OPG to record a tax benefit of \$196 million. In 2003, OPG was not able to recognize the full income tax benefit of the impairment loss, given the expectation that future taxable income would not be sufficient to utilize that tax benefit. OPG was therefore only able to record \$103 million of the tax benefit. In 2004, however, with the commencement of rate regulation effective April 1, 2005 for OPG's baseload hydroelectric and nuclear generating assets, and the resulting changes in OPG's future income tax liability position, OPG was able to record the remaining \$93 million tax benefit.

A major focus of the corporation's efforts to increase the electricity supply in Ontario has been the return to service of Unit 1 at the Pickering A Nuclear Generating Station. As noted in the November press release, the return to service is still on track in terms of costs and schedule. Total costs to complete the project are still expected to range between \$975 million and \$1 billion. The project is more than 85 per cent complete and remains on schedule for completion of the major construction phase between early June and mid-July. The unit will then undergo a three-month commissioning phase before being declared in commercial service.

"The corporation also is investing strategically to improve the reliability and security at the three nuclear generating stations that we operate because of their importance in producing low marginal cost electricity," said Dicerni. "These investments include refurbishing or replacing station equipment and certain components, reducing maintenance backlogs and improving productivity."

HIGHLIGHTS

	Year Ended December 31	
	2004	2003
(millions of dollars)		
Revenue before Market Power Mitigation Agreement rebate	6,072	6,688
Market Power Mitigation Agreement rebate (revenue reduction)	(1,154)	(1,510)
Fuel expense	1,153	1,678
Operations, maintenance and administration	2,594	2,393
Impairment of long-lived assets	-	576
Other expenses	1,209	1,025
Income tax recoveries	80	3
Net income (loss)	42	(491)
Cash flow provided by operating activities*	226	97
Market Power Mitigation Agreement rebate payments	1,124	1,673
Electricity generation (TWh)	105.0	109.1

* The favourable changes in cash flow for the year ended December 31, 2004, compared to 2003, were primarily due to lower payments of the Market Power Mitigation Agreement rebate, increases in earnings before depreciation expense and other non-cash items, partly offset by other changes in non-cash working capital balances.

In February 2005, the Government introduced a new electricity pricing structure for OPG output that will be effective April 1, 2005. OPG's baseload hydroelectric and nuclear stations, representing about 60 per cent of OPG's electricity production, will receive regulated prices. OPG's baseload hydroelectric generation will be priced at \$33.00 per megawatt hour, and the price for OPG's nuclear generation will be set at \$49.50 per megawatt hour. These prices were determined based on projected production and costs of operation, including an average five per cent return on equity and will be effective until the later of March 31, 2008, or the date that regulated prices are set by the Ontario Energy Board.

OPG's revenues on approximately 85 per cent of the output from its unregulated assets (non-baseload hydroelectric and coal-fired stations) will be set at an upper limit of \$47.00 per megawatt hour for a 13 month period from April 1, 2005 to April 30, 2006. The output from OPG's Lennox dual-fired fossil station is exempt from this revenue limit. Revenues above this limit will be rebated to customers at the end of the period. The regulated pricing structure and the revenue limit replace the current Market Power Mitigation Agreement rebate arrangement.

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario and to interconnected markets. 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 audited consolidated financial statements and Management's Discussion and Analysis of financial condition and results of operations as at and for the year ended December 31, 2004 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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