

November 15, 2004

**ONTARIO POWER GENERATION REPORTS THIRD QUARTER 2004
EARNINGS**

[Toronto]: Ontario Power Generation Inc. ("OPG") today reported its financial and operating results for the third quarter and nine months ended September 30, 2004. Net loss for the three months ended September 30, 2004 was \$15 million or \$0.06 per share, compared with net income of \$34 million or \$0.13 per share for the three months ended September 30, 2003. For the nine months ended September 30, 2004, net income was \$8 million or \$0.03 per share compared to \$115 million or \$0.45 per share for the same period last year.

For the three months ended September 30, 2004, income before tax decreased by \$72 million. The decrease related to an increase in pension and other post employment benefit ("OPEB") costs of \$42 million, higher depreciation expense of \$33 million, increases in nuclear maintenance and repairs for planned outages and other improvements of \$28 million, and other net reductions in income before tax of \$10 million. These reductions in income were partially offset by an increase in gross margin from electricity sales of \$41 million.

The higher depreciation related to the planned early shutdown of the coal-fired generating stations by the end of 2007 and an increase in OPG's fixed assets in service, including the return to service of Unit 4 at the Pickering A nuclear generating station. Pension and OPEB expenses increased primarily as a result of changes in economic assumptions related to interest rates and inflation rates that resulted in an increase in the related liabilities. The increase in OPG's gross margin from the sale of electricity was primarily due to a change in generation mix related to higher production from OPG's lower marginal cost hydroelectric and nuclear generating stations.

OPG's average spot market sales price during the third quarter of 2004 approximated the average price during the same period last year in spite of cooler summer temperatures. The impact on prices of cooler weather and additional sources of low marginal cost generation in Ontario, was offset by the impact of higher demand and other market factors.

For the nine months ended September 30, 2004, income before tax decreased by \$153 million. The decrease related to higher depreciation expense of \$131 million, increased pension and OPEB costs of \$104 million, and increases in nuclear maintenance and repairs for planned outages and other improvements of \$68 million. The impact of these factors was partially offset by an increase in gross margin from electricity sales of \$118 million and other net increases in income before tax of \$32 million. The factors underlying these changes are consistent with those impacting the operating results for the third quarter of 2004 compared to the same period last year. During 2004, OPG has focused on cost reduction measures to mitigate the impact of higher depreciation and external economic factors impacting operating results.

Third quarter 2004 electricity production was 26.0 terawatt-hours (TWh) compared to 27.0 TWh for the same period last year. Electricity production for the nine months ended September 30, 2004 was 78.9 TWh compared to 82.1 TWh during the nine months ended September 30, 2003. The decrease in electricity production during the third quarter and for the nine months ended September 30, 2004 was primarily due to the addition of non-OPG generation capacity in Ontario that displaced OPG's higher marginal cost fossil-fuelled generation. In addition, there was an increase in unplanned outages at the Nanticoke fossil-fuelled generating station during the first half of 2004.

During the nine months ended September 30, 2004, OPG made Market Power Mitigation Agreement (MPMA) rebate payments to consumers through the Independent Electricity Market Operator of \$919 million compared to \$1,565 million for the same period last year. Since the Ontario market opened to competition on May 1, 2002, OPG's MPMA rebate payments have totalled \$2.9 billion. On average, since the market was opened, OPG has paid rebates of \$100 million a month.

In October 2004, OPG announced the addition of seven new Board members with substantial experience in restructuring large business enterprises, managing and operating nuclear stations, managing capital intensive businesses, and overseeing regulatory affairs, government relations and public affairs. "OPG's Board is committed to upholding the highest standards of corporate governance and will continue to focus on providing stewardship to OPG, as well as helping the Government to make decisions about the future direction, structure and role of OPG," said the Honourable Jake Epp, Chairman of the Board of Directors.

Construction activities for the return to service of Unit 1 at the Pickering A nuclear generating station are well underway. OPG has achieved its first major project milestone, which was to complete all planning and assessing for the entire project by October 15, 2004. As of September 30, 2004, the field work execution was approximately fifty percent complete. Delays in the mobilization of construction resources and lower start-up productivity resulted in a delay in certain non-critical path work that must be recovered.

Total cumulative expenditures to the end of September 30, 2004 for Unit 1 were \$526 million. The expenditures include those related to planning, estimating, assessing and construction activities. To date, the project expenditures are slightly less than the budget. However, project costs are expected to increase as a result of the need to add resources in order to accelerate work. The potential cost increase over the original estimate of \$900 million is in the range of \$75 to \$100 million. The construction phase is scheduled to be completed between early June and mid July 2005, followed by a commissioning and testing period of approximately three months. Performance over the next three months in terms of schedule adherence and productivity of the major construction resources will have a significant impact on the estimated cost to complete the project and the project schedule. The Board has established a special committee on the Pickering A project. The Committee will monitor progress on the project in terms of cost and schedule adherence. A further update on the project as a result of the Committee's review will be provided in the next quarterly report.

HIGHLIGHTS

	Three Months Ended		Nine Months Ended	
	September 30 2004	2003*	September 30 2004	2003*
<i>(millions of dollars)</i>				
Revenue before Market Power Mitigation Agreement rebate	1,413	1,416	4,553	5,216
Market Power Mitigation Agreement rebate (revenue reduction)	(201)	(192)	(850)	(1,266)
Fuel expense	(290)	(382)	(870)	(1,262)
Operations, maintenance and administration	(636)	(550)	(1,893)	(1,799)
Other expenses	(299)	(233)	(898)	(694)
Income tax expenses	(2)	(25)	(34)	(80)
Net (loss) income	(15)	34	8	115
Cash flow (used in) provided by operating activities**	(3)	(642)	74	(74)
Market Power Mitigation Agreement rebate payments	267	806	919	1,565
Electricity generation (TWh)	26.0	27.0	78.9	82.1

* In 2003, OPG early adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard for asset retirement obligations. In accordance with the CICA requirements, OPG has retroactively applied the new standard and accordingly restated the previously published financial results for the three and nine months ended September 30, 2003.

** The favourable changes in cash flow in the three and nine months ended September 30, 2004 compared to the same periods in 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, and other changes in non-cash working capital balances.

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 risk-managed 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 of financial condition and results of operations as at and for the three and nine months ended September 30, 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.

For further information, please contact:

Investor Relations 416-592-6700
1-866-592-6700
investor.relations@opg.com
Media Relations 416-592-4008
1-877-592-4008

THIRD QUARTER 2004 REPORT

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**ONTARIO POWER GENERATION INC.
THIRD QUARTER 2004 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 and nine months ended September 30, 2004. 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, 2003. OPG's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars. Certain 2003 comparative amounts have been reclassified to conform with the 2004 financial statement presentation. Also, certain 2003 amounts have been restated for the retroactive adoption of the new Canadian Institute of Chartered Accountants ("CICA") accounting standard on asset retirement obligations.

FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis 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 current or historical 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 may contain assumptions such as those relating to OPG's return to service of units at the Pickering A nuclear generating station, fuel costs and availability, nuclear decommissioning and waste management, pension and other post employment benefit obligations, spot market electricity prices, the ongoing 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.

THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario and to interconnected markets. OPG's focus is on the risk-managed production and sale of electricity from its generating assets, while operating in a safe, open and environmentally responsible manner. OPG was created under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (the "Province"). As discussed in the section entitled "Changing Marketplace and Role of OPG", the nature of the Ontario electricity market and OPG's role in the market are under review. The implications for OPG could be material.

As at September 30, 2004, OPG's electricity generating portfolio consisted of three nuclear stations, six fossil-fueled generating stations, 36 hydroelectric generating stations and an EcoLogo^M - certified green power portfolio including 29 small hydro and two wind generating stations. In addition, there is a wind generating facility, which is co-owned by OPG and Bruce Power L.P. ("Bruce Power") and a gas-fired generating station, which is co-owned by OPG, ATCO Power Canada Ltd. and ATCO Resources Ltd. OPG's Pickering A nuclear generating station was laid up in 1997. During 2003, OPG completed the return to service of Unit 4 of this four-unit station. OPG is proceeding with the return to service of a second Pickering A generating station unit (Unit 1). In addition to its electricity generating portfolio, OPG also owns two other nuclear generating stations, which are leased on a long-term basis to Bruce Power.

HIGHLIGHTS

This section provides an overview with respect to OPG's operating results. A detailed review of OPG's performance by business segment is included in a later section.

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003*	2004	2003*
<i>(millions of dollars)</i>				
Revenue before Market Power Mitigation Agreement rebate	1,413	1,416	4,553	5,216
Revenue after Market Power Mitigation Agreement rebate	1,212	1,224	3,703	3,950
(Loss) income before tax	(13)	59	42	195
Net (loss) income	(15)	34	8	115
Cash flow (used in) provided by operating activities	(3)	(642)	74	(74)
<i>Physical Electricity Sales Volume (TWh)</i>				
Electricity generation	26.0	27.0	78.9	82.1
Purchased power – Energy Marketing segment	1.0	1.2	3.1	3.3
Total	27.0	28.2	82.0	85.4

* In 2003, OPG early adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard for asset retirement obligations. In accordance with the CICA requirements, OPG has retroactively applied the new standard and accordingly restated the previously published financial results for the three and nine months ended September 30, 2003.

Earnings decreased during the three and nine months ended September 30, 2004 compared to the same periods last year. The most significant factors contributing to the decrease in earnings include higher depreciation related to the planned early shutdown of the coal-fired generating stations and an increase in fixed assets in service, higher pension and other post employment benefit ("OPEB") expenses primarily due to changes in economic assumptions related to interest rates and inflation rates and OPEB claims experience, and increases in nuclear maintenance and repairs for planned outages and other improvements. The impact of these factors was partially offset by an increase in OPG's gross margin from the sale of electricity.

Total production from OPG's generating stations during the three months ended September 30, 2004 was 26.0 TWh compared to 27.0 TWh during the three months ended September 30, 2003. For the nine months ended September 30, 2004, total production from OPG's generating stations was 78.9 TWh compared to 82.1 TWh during the same period last year. The decrease in generation for the quarter was primarily due to the addition of non-OPG low marginal cost generation capacity and imports into Ontario that displaced OPG's higher marginal cost fossil-fuelled generation. The decrease in generation for the nine months was primarily due to the displacement by non-OPG low marginal cost generation capacity and an increase in unplanned outages at OPG's Nanticoke fossil-fuelled generating station during the first two quarters of 2004.

The following is a summary of the factors impacting income in 2004 compared to 2003, on a before-tax basis:

<i>(millions of dollars)</i>	Three Months	Nine Months
Income before tax for the periods ended September 30, 2003	59	195
Changes in gross margin from electricity sales		
Change in generation mix – higher hydroelectric and nuclear generation and lower fossil generation	68	253
Decrease in average energy prices after Market Power Mitigation Agreement rebate	(2)	(105)
Decrease in Generation segment sales volume	(24)	(104)
Impact of favourable foreign exchange rates on fuel costs and other changes in gross margin	(1)	74
	41	118
Changes in gross margin from Energy Marketing and Non-Energy sales	39	27
(Increase) decrease in Pickering A return to service expenses	(12)	34
Increased pension and other post employment benefit costs	(42)	(104)
Increased nuclear maintenance and repairs	(28)	(68)
Increase in depreciation related to:		
Planned early shutdown of coal-fired generating stations	(23)	(70)
Increase in fixed assets in service and other changes	(10)	(61)
Increase in net interest expense due to lower interest capitalized on construction in progress and decrease in interest income	(9)	(41)
Other net changes	(28)	12
Decrease in income before tax	(72)	(153)
(Loss) income before tax for the periods ended September 30, 2004	(13)	42

Cash flow used in operating activities during the third quarter of 2004 was \$3 million compared to cash flow used in operating activities of \$642 million during the third quarter of 2003, an improvement of \$639 million. Cash flow provided by operating activities during the nine months ended September 30, 2004 was \$74 million compared to \$74 million used in operating activities during the same period last year, an improvement of \$148 million. The favourable changes in cash flow in the quarter and nine months ended September 30, 2004 compared to the same periods last year were primarily due to lower payments of the Market Power Mitigation Agreement rebate (decrease of \$539 million for the third quarter and a decrease of \$646 million for the nine month period), increases in earnings before depreciation expense and other non-cash items (increase of \$46 million for the third quarter and an increase of \$224 million for the nine month period), and other changes in non-cash working capital balances. In addition, in the first quarter of 2003, OPG received proceeds of \$225 million from the note receivable from Bruce Power.

CORE BUSINESS AND STRATEGY

Changing Marketplace and Role of OPG

On June 15, 2004, the Government of Ontario (“Government”) introduced the *Electricity Restructuring Act, 2004* (Bill 100) to reorganize Ontario’s electricity sector. Bill 100 will establish a hybrid electricity market in Ontario in which the output from certain of OPG’s generation assets will receive a regulated price and the output from other OPG and non-OPG generation assets will receive market prices.

The Ministry of Energy issued a draft consultation regulation and discussion paper on August 18, 2004. The draft consultation regulation would provide that the electricity generated from OPG’s Sir Adam Beck 1, 2 and pump generating stations, De Cew Falls 1 and 2, R. H. Saunders, Pickering A and B, and Darlington generating stations would be regulated, and that the remainder of OPG’s generation would

continue to be subject to competitive market pricing. The Government will determine the rate that OPG would receive for electricity generated by its regulated assets for an initial period prescribed by regulation. If the legislation is passed in 2004, this initial period is expected to commence in the first quarter of 2005 and to remain in effect for two to three years. Rate regulation by the Ontario Energy Board ("OEB") is expected to commence after the initial period.

In the Government's draft consultation discussion paper on the Price Regulation of OPG's nuclear and baseload hydroelectric stations, the initial rates are described as being set to recover allowed costs and to earn an appropriate rate of return on the assets employed.

Strategic Initiatives and Future Direction

If passed, Bill 100 will bring significant changes to Ontario's electricity market. In addition, further anticipated reforms and recommendations are expected to impact the Ontario electricity market and OPG's role within that market. As a result, the operating and financial position of OPG, as outlined in this Management's Discussion and Analysis, may not be indicative of the future ongoing operations, financial position and prospects of OPG.

Until further direction is obtained from the Government, OPG is continuing to pursue initiatives to ensure sufficient liquidity, increase productivity and cost competitiveness of its generating assets, address the return to service of Unit 1 at OPG's Pickering A nuclear generating station, and continue with initiatives related to corporate governance.

Rate regulation may result in the establishment of certain rate regulated assets and liabilities intended to reflect the recoverability of incremental costs and revenues through the rate setting process, which are ultimately passed on to consumers.

Pickering A Unit 1 Return To Service

In July 2004, OPG announced that the Government had endorsed the recommendation of OPG's Board of Directors to return to service Unit 1 of the Pickering A nuclear generating station. With this approval, OPG commenced the major construction phase of the project, which is scheduled to be completed between early June and mid July 2005. The unit would then be commissioned and tested for approximately a three month period.

The first major milestone was for OPG to have all planning and assessing for the entire project completed by October 15, 2004. This milestone was achieved, as confirmed by an independent external review, and was publicly announced. However, there is a risk as described below, that this project could exceed the original cost estimate and schedule.

As of September 30, 2004, the field work execution was approximately fifty per cent complete. Delays in the mobilization of construction resources and lower start-up productivity resulted in a delay in certain non-critical path work that had been planned for completion during that period. The major contractor to the project is adding resources and taking action in an effort to accelerate completion of scheduled work.

The schedule for the fourth quarter of 2004 requires the most significant effort in terms of work to be completed. Successful completion of the scheduled work over this period is critical in terms of achieving the milestone date for construction completion.

Total cumulative expenditures to the end of September 30, 2004 for Unit 1 were \$526 million. The expenditures are related to the planning, estimating, assessing and completion of certain prerequisite and advance project construction to reduce critical path, and construction activities subsequent to approval to proceed with the return to service project.

To date, project expenditures are tracking slightly less than the project budget. However, the underspend is due to the delay in the ramp-up of construction resources on the project over the summer months. Total costs to complete the project are expected to increase as a result of the need to add resources in order to accelerate work. The potential cost increase over the original estimate of \$900 million is in the range of \$75 to \$100 million, as estimated through an internal review and through an independent

external review of the project. Performance over the next three months in terms of schedule adherence and productivity of the major contractors and OPG resources will have a significant impact on the estimated cost and schedule to complete the project. Estimated costs could also be impacted by any additional repairs or refurbishment work related to the material condition of the station that may be identified during the course of the construction and commissioning phases of the project. The Board has established a special committee on the Pickering A project. The Committee will monitor progress on the project in terms of cost and schedule adherence. A further update on the project as a result of the Committee's review will be provided in the next quarterly report.

Other Electricity Supply Initiatives

In June 2004, OPG announced and the Government endorsed the decision to proceed with a new water diversion tunnel that will increase the amount of water flowing to existing turbines at the Sir Adam Beck generating station in Niagara. This third tunnel will allow the Beck generating facilities to effectively utilize available water and is expected to increase annual generation by about 1.6 TWh. OPG issued a Request for Expressions of Interest ("ROI") in July 2004, with a closing date in September 2004. OPG has received responses to the ROI from several groups of international contractors and designers. The evaluation of these expressions of interest is underway. Tunnel construction is expected to commence by mid 2005, subject to final Board approval. Construction of the tunnel is expected to take four to five years.

In December 2002, OPG entered into a partnership with TransCanada Energy Ltd. ("TransCanada"), called Portlands Energy Centre L.P. ("PEC"), to pursue the development of a 550 MW gas-fired, combined cycle station on the site of the former R. L. Hearn generating station, near downtown Toronto. The generating station would help to meet the growing energy needs of Toronto's downtown core. In June 2004, the Government issued a Request for Information/Request for Qualifications for up to 2,500 MW of new clean generation and demand side management projects. PEC is participating in this process. Subject to the approval of both OPG's and TransCanada's Board of Directors, PEC will submit a bid into this process.

PEC may proceed under the Environmental Screening Process pursuant to the *Guide to Environmental Assessments for Electricity Projects*. A decision has been made by the Minister of the Environment that, subject to the conditions outlined in the decision and receipt of any other permits or approvals required, there is no requirement for an individual environmental assessment.

Other Strategic Initiatives

OPG Ventures Inc., a wholly owned subsidiary of OPG, was incorporated in March 2001 with the mandate to make energy related investments to optimize financial returns and growth opportunities for OPG. In April 2004, the OPG Board of Directors approved the managed exit from this investment activity over a period not to exceed twenty-four months and to restrict future investments only to commitments and to follow-on investments which have an anticipated value growth within a twenty-four month time horizon. During the quarter, OPG retained the services of an adviser to assist with this managed exit. The carrying value of the investments held by OPG Ventures Inc., at cost, was \$47 million as at September 30, 2004.

BUSINESS SEGMENTS

OPG has two reportable business segments: Generation and Energy Marketing. A separate category, Non-Energy and Other, includes revenue and certain costs that are not allocated to the business segments. Future changes in OPG's structure and operations, including the impact of rate regulation, are expected to change the definition of business segments.

Generation Segment

OPG's principal business segment operates in Ontario, generating and selling electricity. All of OPG's electricity generation is sold into the Independent Electricity Market Operator ("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 generating capacity as operating reserve and through the supply of other ancillary services including voltage control/reactive support, certified black start facilities and automatic generation control.

Key Generation Performance Indicators

OPG's revenue is primarily dependent upon the quantity of electricity produced by its generating stations and the price at which that electricity is sold. Electricity production is dependent on the availability of stations to deliver energy and on electricity demand in the case of non-baseload generating stations. Nuclear stations and some hydroelectric generating stations are used primarily to provide baseload capacity as they have low marginal operating costs and, in the case of nuclear plants, are not designed for fluctuating production levels to meet peaking demand. Other hydroelectric and fossil stations provide the bulk of the intermediate and peaking capacity. OPG evaluates performance of stations using a number of key performance indicators, which may vary depending on the generation technology. OPG has included certain of these indicators in the section entitled "Discussion of Operating Results":

- Nuclear Capability Factor - the amount of energy that the unit(s) generated over a period of time, adjusted for external energy losses such as transmission or demand limitations, as a percentage of the amount of energy that would have been produced over the same period had the unit(s) produced maximum generation.
- Fossil and Hydroelectric Equivalent Forced Outage Rate (EFOR) - an index of the reliability of the generating unit measured by the ratio of time a generating unit is forced out of service, including any forced deratings, compared to the amount of time the generating unit operates.

Energy Marketing Segment

The Energy Marketing segment derives revenue from various physical energy market and financial transactions with large and medium volume end-use consumers and intermediaries such as utilities, brokers, aggregators, traders and other power marketers and retailers. OPG purchases and sells electricity through the IMO spot market and the interconnected markets of other provinces and the U.S. northeast and midwest. Energy marketing includes trading, sales of financial risk management products and sales of energy-related products and services to meet consumers' 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.

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. The arrangement includes lease revenue, interest income and revenue from engineering analysis and design, technical and other services. OPG also earns revenue from its joint venture share of the Brighton Beach Power Limited Partnership ("Brighton Beach") related to an energy conversion agreement between Brighton Beach and Coral Energy Canada Inc. ("Coral"). In addition, Non-Energy revenue includes isotope sales to the medical industry and real estate rentals.

DISCUSSION OF OPERATING RESULTS

Generation Segment

<i>(millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Revenue, net of Market Power Mitigation Agreement rebate	1,092	1,143	3,395	3,669
Fuel expense	290	382	870	1,262
Gross margin	802	761	2,525	2,407
Operations, maintenance and administration				
Expenses excluding Pickering A return to service	558	484	1,672	1,535
Pickering A return to service	62	50	186	220
Depreciation and amortization	157	123	497	356
Accretion on fixed asset removal and nuclear waste management liabilities	113	109	340	324
Earnings on nuclear fixed asset removal and nuclear waste management funds	(77)	(74)	(255)	(188)
Property and capital taxes	27	24	73	73
(Loss) income before restructuring	(38)	45	12	87
Restructuring	-	-	16	-
(Loss) income before income taxes	(38)	45	(4)	87

Gross Margin

Gross margin from electricity sales in the Generation segment was \$802 million for the three months ended September 30, 2004 compared to \$761 million for the same period in 2003, an increase of \$41 million. Gross margin was \$2,525 million for the nine months ended September 30, 2004 compared to \$2,407 million for the same nine-month period last year, an increase of \$118 million. The increase in gross margin for both the third quarter and nine month period was mainly due to a change in generation mix related to higher production from OPG's lower marginal cost hydroelectric and nuclear generating stations and lower production from higher marginal cost fossil-fuelled generating stations. In addition, gross margin increased during the nine months ended September 30, 2004 compared to the same period last year as a result of favourable foreign exchange rates, which reduced fuel costs. The impact of these factors on gross margin was partly offset by lower electricity generation for the third quarter and nine month period in 2004 compared to the same periods last year and by lower average prices for the nine months ended September 30, 2004 compared to the same period in 2003.

Revenue

<i>(millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Spot market sales, net of hedging instruments	1,276	1,318	4,171	4,876
Market Power Mitigation Agreement rebate	(201)	(192)	(850)	(1,266)
Other	17	17	74	59
Total generation revenue	1,092	1,143	3,395	3,669

Generation revenue was \$1,092 million for the three months ended September 30, 2004 compared to \$1,143 million for the same period last year, a decrease of \$51 million. Generation revenue was \$3,395 million for the nine months ended September 30, 2004 compared to \$3,669 million for the same nine

month period in 2003, a decrease of \$274 million. The decrease in generation revenue for the three months ended September 30, 2004 compared to the same period last year was primarily due to lower electricity generation. The decrease for the nine month period was primarily due to lower electricity generation and lower average electricity sales prices.

Electricity Prices

Electricity prices exhibit seasonal variations related to changes in demand. Prices are typically 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. There can be significant volatility in earnings resulting from fluctuations in prices related to weather and other factors impacting supply and demand.

OPG's average spot market sales price for the three months ended September 30, 2004 was 4.9¢/kWh compared to 4.8¢/kWh for the same period in 2003. After taking into account the Market Power Mitigation Agreement rebate, OPG's average spot market sales price for the three months ended September 30, 2004 and 2003 was 4.1¢/kWh. OPG's average spot market sales price during the third quarter of 2004 approximated the average price during the same period last year in spite of cooler summer temperatures. The impact on prices of cooler weather and additional sources of low marginal cost generation in Ontario, was offset by the impact of higher demand and other market factors.

OPG's average spot market sales price for the nine months ended September 30, 2004 was 5.3¢/kWh compared to 6.0¢/kWh for the same period last year. After taking into account the Market Power Mitigation Agreement rebate, OPG's average spot market sales price for the nine months ended September 30, 2004 was 4.2¢/kWh compared to 4.5¢/kWh for the same period in 2003. OPG's average spot market sales price for the nine months ended September 30, 2004 was lower compared to the same period in 2003 due primarily to additional sources of low marginal cost generation.

Market Power Mitigation Agreement Rebate

To address the potential for OPG to exercise market power in Ontario, OPG is currently required under its generation licence, issued by the OEB, to comply with prescribed market power mitigation measures, including a rebate mechanism. 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 for those generating stations that OPG continues to control. The IMO passes the rebate on to consumers. The amount of energy generated by OPG that is subject to the rebate mechanism on an annual basis is approximately 80 TWh.

Since the average hourly spot price during the three and nine months ended September 30, 2004 and 2003 exceeded the 3.8¢/kWh revenue cap, OPG recorded a Market Power Mitigation Agreement rebate of \$201 million during the third quarter of 2004 compared to \$192 million during the same period last year. OPG recorded a Market Power Mitigation Agreement rebate of \$850 million during the nine months ended September 30, 2004 compared to \$1,266 million during the nine months ended September 30, 2003. During the three and nine months ended September 30, 2004, OPG made Market Power Mitigation Agreement rebate payments of \$267 million and \$919 million, respectively.

Volume

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Electricity generation (TWh):				
Nuclear	11.5	10.2	31.9	29.2
Fossil	6.0	9.4	19.7	30.4
Hydroelectric	8.5	7.4	27.3	22.5
Total electricity generation	26.0	27.0	78.9	82.1

OPG's quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. In Ontario, there were 189 Cooling Degree Days¹ during the three months ended September 30, 2004 compared to 257 Cooling Degree Days during the same period last year. The ten-year average for this three month period is 257 Cooling Degree Days. While temperatures during the three months ended September 30, 2004 were more moderate compared to the same period last year, total demand for electricity increased. This increase was partly due to the impact on demand last year of the August 14 blackout that affected Ontario and the northeastern United States, and an increase in demand for exports during the third quarter of 2004 compared to the same period in 2003.

OPG's electricity sales volume for the three months ended September 30, 2004 was 26.0 TWh compared to 27.0 TWh for the three months ended September 30, 2003. The decrease in volume was primarily due to the addition of non-OPG low marginal cost generation capacity in Ontario and higher imports of electricity into Ontario that displaced OPG's higher marginal cost fossil-fuelled generation.

Nuclear generation increased by 1.3 TWh during the three months ended September 30, 2004 compared to the same period last year. The increase was due to generation of 0.8 TWh from the Pickering A nuclear generating station with the return to service of Unit 4 in September 2003. In addition, generation from the Pickering B and Darlington nuclear generating stations increased by 0.5 TWh. During the third quarter of 2003, generation at the Pickering B and Darlington stations was negatively impacted by the August 2003 blackout. Hydroelectric generation increased by 1.1 TWh during the three months ended September 30, 2004 compared to the same period last year as a result of higher water levels. Fossil generation decreased by 3.4 TWh in the third quarter of 2004 compared to the same period in 2003 as a result of higher hydroelectric and nuclear generation, additional non-OPG low marginal cost generation, an increase in imports into Ontario and an unseasonably cool summer.

During the nine months ended September 30, 2004, there were 2,546 Heating Degree Days² and 230 Cooling Degree Days compared to 2,743 Heating Degree Days and 312 Cooling Degree Days, respectively, during the same period last year. The ten-year average for this nine month period is 2,469 Heating Degree Days and 336 Cooling Degree Days. Total demand for the nine months ended September 30, 2004 increased compared to the same period last year due to higher demand for exports and the impact of the August 14, 2003 blackout, partially offset by the impact of much more moderate weather compared to last year.

OPG's electricity sales volume for the nine months ended September 30, 2004 was 78.9 TWh compared to 82.1 TWh for the nine months ended September 30, 2003. The decrease in volume was primarily due to the addition of non-OPG low marginal cost generation capacity in Ontario and increased unplanned outages at OPG's Nanticoke generating station during the first two quarters of 2004.

Nuclear generation increased by 2.7 TWh during the nine months ended September 30, 2004 compared to the same period last year. The increase was primarily due to increased generation of 2.5 TWh from the Pickering A nuclear generating station and an increase in generation of 0.8 TWh from the Pickering B generating station, partially offset by a decrease in generation of 0.6 TWh from the Darlington generating station. Performance at the Pickering B generating station continued to improve during the third quarter and year-to-date compared to last year. The Darlington generating station continued to perform well during the third quarter, however, an isolated mechanical equipment breakdown impacted overall year-to-date performance compared to last year. Hydroelectric generation increased by 4.8 TWh during the nine months ended September 30, 2004 compared to the same period last year as a result of significantly higher water levels. Fossil generation decreased by 10.7 TWh in the nine months ended September 30, 2004 compared to the same period in 2003 as a result of the higher hydroelectric and nuclear generation, additional non-OPG low marginal cost baseload generation, and increased unplanned outages due to unforeseen equipment breakdowns at the Nanticoke generating station during the first two quarters of 2004, and due to unseasonable weather.

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

² Heating Degree Days represent the aggregate of the average daily temperatures below 18°C, as measured at Pearson International Airport in Toronto.

The unit capability factors for nuclear generating stations and the equivalent forced outage rates for fossil-fuelled and hydroelectric generating stations are shown below:

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Nuclear gross unit capability factor (per cent) ¹				
Darlington	95.4	93.0	89.1	90.9
Pickering A ²	77.4	32.1	75.0	32.1
Pickering B	71.8	67.5	68.8	64.0
Equivalent forced outage rate (per cent)				
Nanticoke	29.0	16.2	36.5	18.1
Fossil generating stations excluding Nanticoke	23.5	14.5	18.0	17.6
Hydroelectric	1.6	1.1	1.6	1.1

¹ Capability factors by industry definition exclude grid-related unavailability such as the impact of the August 14, 2003 blackout.

² OPG completed the return to service of the first unit (Unit 4) of the Pickering A generating station in September 2003.

Fuel Expense

Fuel expense for the three months ended September 30, 2004 was \$290 million compared to \$382 million for the same period last year, a decrease of \$92 million. Fuel expense for the nine months ended September 30, 2004 was \$870 million compared to \$1,262 million for the same period in 2003, a decrease of \$392 million. The decrease during both the third quarter and nine months ended September 30, 2004 was primarily due to a change in generation mix related to higher production from OPG's hydroelectric and nuclear generating stations and a significant reduction in generation from fossil-fuelled generating stations. In addition, in the nine months ended September 30, 2004, fuel expense decreased when compared to the same period last year due to favourable foreign exchange rates.

Operations, Maintenance and Administration

Operations, maintenance and administration ("OM&A") expenses, excluding the Pickering A return to service initiative, were \$558 million for the third quarter of 2004 compared to \$484 million for the third quarter of 2003, an increase of \$74 million. The increase was mainly due to higher pension and other post employment benefit expenses of \$42 million, primarily the result of changes in economic assumptions related to discount rates and the inflation rate, and other post employment benefit claims experience. OM&A expenses also increased due to higher nuclear maintenance and repairs for planned outages and other improvements of \$28 million and higher wages and salaries of \$7 million in accordance with the collective agreements with the unions, partially offset by net reductions of \$3 million.

OM&A expenses, excluding the Pickering A return to service initiative, were \$1,672 million for the nine months ended September 30, 2004 compared to \$1,535 million for the same period in 2003, an increase of \$137 million. The increase was mainly due to higher pension and other post employment benefit expenses of \$104 million, primarily the result of changes in economic assumptions related to discount rates and the inflation rate, and other post employment benefit claims experience, increases for nuclear maintenance and repairs for planned outages and other improvements of \$68 million, and higher wages and salaries of \$20 million in accordance with the collective agreements with the unions. During 2004, OPG has focused on cost reduction measures which have offset other increases in operating expenses. The savings from these cost reduction measures and previous restructuring activities contributed to a reduction in expenses of \$55 million.

Pickering A Return To Service

OM&A expenses related to the Pickering A return to service initiative were \$62 million during the third quarter of 2004 compared to \$50 million for the same period in 2003, an increase of \$12 million. The increase in expense during the third quarter ended September 30, 2004 was primarily due to higher levels of construction activity compared to the same period last year. During the third quarter ended September 30, 2004, the construction phase of Unit 1 commenced. In the third quarter of 2003, the activities related to Unit 4 construction were completed and the unit was commissioned for its return to service.

OM&A expenses related to the Pickering A return to service initiative were \$186 million during the nine months ended September 30, 2004 compared to \$220 million for the same period in 2003, a decrease of \$34 million. The decrease in the expense for the nine months ended September 30, 2004 was primarily due to a reduction in the level of construction activities compared to the same period last year. During the first six months of 2004, activities were focused on planning, assessing and other activities required to finalize the cost estimate and schedule for Unit 1 and a limited amount of prerequisite and advance project construction activity. The construction phase of Unit 1 commenced in the third quarter of 2004. During the nine months ended September 30, 2003, OPG was continuing with the construction of Unit 4, which was returned to service in September 2003.

The total cumulative expenditures for both OM&A and capital, for the preparation and refurbishment of all four units to the end of September 30, 2004, including the common operating systems for the station, were \$1,840 million.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended September 30, 2004 was \$157 million compared to \$123 million for the same period in 2003, an increase of \$34 million. Depreciation and amortization expense for the nine months ended September 30, 2004 was \$497 million compared to \$356 million for the same period in 2003, an increase of \$141 million. The higher depreciation during the third quarter and nine months ended September 30, 2004 compared to the same periods last year was primarily due to a decrease in the estimated useful lives of the coal-fired generating stations as a result of the Government's commitment to close these stations by the end of 2007. As well, depreciation expense was higher due to an increase in the value of assets in service, including the return to service of Unit 4 at the Pickering A nuclear generating station. Depreciation expense is expected to increase by approximately \$500 million during the period from 2004 to 2007 compared to what would otherwise be recorded during that period, if the coal-fired generating stations remained in service until the end of their previously estimated useful lives.

Concurrent with the decision to proceed with the return to service of Pickering A Unit 1, OPG has estimated, for purposes of calculating depreciation, that the remaining service life of Pickering A Unit 4 should be extended by five years from 2012 to 2017. This reduces depreciation expense by approximately \$20 million annually.

Accretion

Accretion arises because liabilities for fixed asset removal and nuclear waste management are reported on a net present value basis, using a credit-adjusted risk-free rate of 5.75 per cent to discount the expected cash flows. Accretion expense is the increase in the carrying amount of the liabilities due to the passage of time. Accretion expense for the three months ended September 30, 2004 was \$113 million compared with \$109 million for the three months ended September 30, 2003. Accretion expense for the nine months ended September 30, 2004 was \$340 million compared with \$324 million for the nine months ended September 30, 2003. The increases of \$4 million in the third quarter and \$16 million for the nine months ended September 30, 2004 were due to the higher liability base during the third quarter and first nine months of 2004 compared to the same periods last year, to which the credit-adjusted risk-free rate is applied.

Prior to the third quarter of 2003, OPG reported a revalorization expense that was comprised of accretion expense, net of the interest earned on the receivable from the OEFC and earnings on the nuclear fixed asset removal and nuclear waste management funds. Beginning in the third quarter of 2003, earnings on

the funds and accretion expense on the liabilities are disclosed separately. Comparable amounts for the third quarter and first nine months of 2003 have been reclassified.

Nuclear Fixed Asset Removal and Nuclear Waste Management Funds

In July 2003, OPG and the Province completed arrangements pursuant to the Ontario Nuclear Funds Agreement (“ONFA”), which required the establishment of a segregated custodial funds arrangement to hold the nuclear fixed asset removal and nuclear waste management funds. To comply with the ONFA, OPG transferred the assets in the nuclear fixed asset removal and nuclear waste management funds to segregated custodial funds called the Decommissioning Fund and the Used Fuel Fund (together the “Funds”).

Prior to the establishment of the Funds, investments were primarily made in fixed income securities. Assets in the Funds are invested in fixed income and equity securities and are held in segregated accounts. The segregated fund assets are treated as long-term investments and accounted for at amortized cost. As such, there may be unrealized gains and losses at each reporting date.

Earnings on the Funds for the three months ended September 30, 2004 were \$77 million compared to \$74 million for the three months ended September 30, 2003, an increase of \$3 million. Earnings on the Funds for the nine months ended September 30, 2004 were \$255 million compared to \$188 million for the nine months ended September 30, 2003, an increase of \$67 million. Earnings have increased during the third quarter and nine months ended September 30, 2004 as a result of a higher asset base due to contributions and favourable capital market conditions.

Under the ONFA, the Province guarantees the annual rate of return in the Used Fuel Fund at 3.25 per cent plus the change in the Ontario Consumer Price Index (“committed return”). OPG recognizes the committed return on the Used Fuel Fund as earnings on the nuclear fixed asset removal and nuclear waste management funds. The difference between the committed return on the Used Fuel Fund and the actual market return, based on the fair value of the fund assets, which includes realized and unrealized returns, is due to or due from the Province. As a result of the committed return, the recognized income of the Used Fuel Fund, using either amortized cost of investments or market values, is the same.

At September 30, 2004 and December 31, 2003, the Decommissioning Fund was fully funded. All realized gains on the investments held in the fund were recognized under the amortized cost method of accounting. In the event that the realized gains result in over funding of the Decommissioning Fund, based on the estimate of costs to complete decommissioning under the Current Approved ONFA Reference Plan, the earnings recognized on the investments in the Decommissioning Fund would be limited such that the amortized cost balance of the fund would equate to the cost estimate of the liability. These realized gains may be recognized in subsequent periods provided the fund balance does not exceed that cost estimate.

Energy Marketing Segment

OPG transacts with counterparties in Ontario and neighbouring energy markets in predominantly short-term trading activities of typically one year or less in duration. These activities relate primarily to physical energy that is purchased and sold at the Ontario border, sales of financial risk management products and sales of energy-related products and services to meet consumers’ needs for energy solutions.

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2004	2003	2004	2003
Revenue, net of power purchases	10	13	34	55
Operations, maintenance and administration	2	2	5	6
Income before income taxes	8	11	29	49

Revenue

For the three months ended September 30, 2004, Energy Marketing revenue was \$10 million compared to \$13 million for the same period last year. Energy Marketing revenue for the nine months ended September 30, 2004 was \$34 million compared to \$55 million for the same period in 2003. The decrease of \$21 million in the nine months ended September 30, 2004 was primarily due to reduced physical trading opportunities in the interconnected markets and changes in the fair value of open positions in the first three months of 2004.

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 and nine months ended September 30, 2004 would have increased by \$41 million and \$136 million, respectively (three and nine months ended September 30, 2003 - \$50 million and \$141 million, respectively), with no impact on net income.

Non-Energy and Other

<i>(millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	2004	2003	2004	2003
Revenue	110	68	274	226
Operations, maintenance and administration	14	14	30	38
Depreciation and amortization	25	26	71	81
Property and capital taxes	6	3	18	9
Income before the following	65	25	155	98
Other income	-	17	-	58
Net interest expense	48	39	138	97
Income before income taxes	17	3	17	59

Revenue

Non-Energy revenue for the three months ended September 30, 2004 was \$110 million compared to \$68 million for the three months ended September 30, 2003. For the nine months ended September 30, 2004, Non-Energy revenue was \$274 million compared to \$226 million for the same nine month period last year. The increase in both the third quarter and year-to-date revenue was mainly due to an increase in rent from Bruce Power with the restart of two units at the Bruce A nuclear generating station, revenue earned from the energy conversion agreement between Brighton Beach and Coral, which commenced in July 2004 with completion of construction of the generating station, and higher isotope sales.

Other Income

Other income for the three and nine months ended September 30, 2004 was nil compared to \$17 million and \$58 million, respectively for the same periods last year. In 2003, OPG recorded gains on the sale of long-term investments.

Net Interest Expense

Net interest expense for the three months ended September 30, 2004 was \$48 million compared to \$39 million for the three months ended September 30, 2003. Net interest expense for the nine months ended September 30, 2004 was \$138 million compared to \$97 million for the nine months ended September 30, 2003. The increase in expense of \$9 million and \$41 million during the third quarter and first nine months of 2004, respectively, was mainly due to a reduction in interest capitalized on construction in progress and a decrease in interest income due to lower cash balances.

Income Tax

For the third quarter of 2004, the effective income tax recoverable rate was 15.4 per cent compared to an effective income tax payable rate of 42.4 per cent in the third quarter of 2003. The decrease in the effective income tax rate was primarily due to the impact of Large Corporations Tax, which reduced the income tax recoverable rate in 2004, but increased the income tax payable rate in 2003.

For the nine months ended September 30, 2004, the effective income tax payable rate was 81.0 per cent compared to an effective income tax payable rate of 41.0 per cent in 2003. The increase in the effective income tax rate was primarily due to the impact of Large Corporations Tax, which is not dependent on earnings.

A valuation allowance of \$93 million was established in 2003 to recognize that, based on prospects at that time, it was more likely than not that a portion of the income tax benefit would not be realized. The pending establishment of regulated electricity rates in Ontario may impact this valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow used in operating activities during the third quarter of 2004 was \$3 million compared to cash flow used in operating activities of \$642 million during the third quarter of 2003, an improvement of \$639 million. Cash flow provided by operating activities during the nine months ended September 30, 2004 was \$74 million compared to \$74 million used in operating activities during the same period last year, an improvement of \$148 million. The favourable changes in cash flow in the quarter and nine months ended September 30, 2004 compared to the same periods last year were primarily due to lower payments of the Market Power Mitigation Agreement rebate (decrease of \$539 million for the third quarter and a decrease of \$646 million for the nine month period), increases in earnings before depreciation expense and other non-cash items (increase of \$46 million for the third quarter and an increase of \$224 million for the nine month period), and other changes in non-cash working capital balances. In addition, in the first quarter of 2003, OPG received proceeds of \$225 million from the note receivable from Bruce Power.

OPG is in a capital-intensive business that requires continued investment in plant and technologies to improve operating efficiencies, increase generating capacity of its existing plant and to maintain and improve service, reliability, safety and environmental performance. In addition, other significant disbursement requirements include Market Power Mitigation Agreement rebate payments, annual funding obligations under the ONFA, pension funding, and debt maturities with the OEFC.

Capital expenditures during the third quarter of 2004 were \$161 million compared with \$139 million during the same period last year. The increase during the third quarter of 2004 was primarily due to the initiation of the construction phase of the return to service of Unit 1 at Pickering. Capital expenditures during the nine months ended September 30, 2004 were \$384 million compared with \$459 million during the same period last year. The decrease during the nine months ended September 30, 2004 was primarily due to the completion of the installation of selective catalytic reduction equipment at the Nanticoke and Lambton fossil-fuelled generating stations during the fourth quarter of 2003. OPG's anticipated capital expenditures for 2004 are approximately \$600 million. These expenditures will be funded from operating cash flow and short-term bank credit facilities.

OPG made contributions of \$38 million to the pension plan during the three months ended September 30, 2004 compared to \$41 million during the three months ended September 30, 2003. OPG made contributions of \$114 million to the pension plan during the nine months ended September 30, 2004 compared to \$121 million during the nine months ended September 30, 2003.

As required under the ONFA, which came into effect in July 2003, OPG made contributions to the nuclear fixed asset removal and nuclear waste management funds of \$114 million during the three months ended September 30, 2004, compared to \$82 million during the same period last year. OPG made contributions of \$341 million during the nine months ended September 30, 2004, compared to \$340 million during the same period last year.

OPG did not pay any dividends to the Province during the nine months ended September 30, 2004, compared with \$17 million of dividend payments during the nine months ended September 30, 2003. Dividends are declared and paid to achieve an effective 35 per cent pay-out based on annual net income.

The cash requirements currently anticipated beyond the next twelve-month period could exceed OPG's current credit facilities due to debt repayments, pension funding, the ONFA funding and project expenditures. In order to meet these longer-term liquidity requirements and funding commitments, OPG must successfully access extended or additional sources of liquidity. OPG is currently examining options that could include additional payment deferrals, incremental borrowings, or other forms of financial or operating restructuring. Changes to OPG's financial structure could occur as a consequence of rate regulation and could impact OPG's cash flow and capital structure.

OPG's ability to arrange third-party financing is dependent on a number of factors including: general economic and capital market conditions; credit and capital availability from the Province (OPG's Shareholder), banks and other financial institutions; maintenance of acceptable credit ratings; and the status of electricity market restructuring in Ontario and changes directly impacting OPG.

OPG's liquidity is highly dependent on its debt rating. A downward change in the rating could result in additional collateral requirements with counterparties, depending on the mark-to-market value of the contracts between OPG and these counterparties, as well as limiting OPG's ability to access funding in the commercial paper market. At September 30, 2004, OPG's long-term debt rating was established as BBB+ by Standard & Poor's and A (low) by Dominion Bond Rating Service. Maintaining an investment grade credit rating is essential for corporate liquidity, capital market access, and to facilitate energy and financial product sales and trading activities.

In May 2004, OPG renewed its \$1,000 million revolving short-term committed bank credit facility with its bank lending group for a further 364-day term. Notes issued under OPG's commercial paper program are supported by the bank credit facility. As at September 30, 2004, OPG had borrowings of \$17 million outstanding under this commercial paper program (December 31, 2003 - nil). As at September 30, 2004, OPG had no other outstanding borrowing under this facility.

OPG also maintains \$27 million (December 31, 2003 - \$28 million) in short-term uncommitted overdraft facilities as well as \$200 million (December 31, 2003 - \$173 million) of short-term uncommitted credit facilities, in the form of Letters of Credit. OPG is required to post the Letters of Credit as collateral with Local Distribution Companies ("LDCs") as prescribed by the OEB's Retail Settlement Code, and to support the supplementary pension plan. At September 30, 2004, there were approximately \$154 million (December 31, 2003 - \$125 million) of Letters of Credit issued for collateral requirements to the LDC's and for the supplementary pension plan.

RECENT DEVELOPMENTS

Brighton Beach In Service

In July 2004, construction was completed on the 580 MW gas-fired Brighton Beach generating station near Windsor, Ontario by a limited partnership formed by OPG with ATCO Power Canada Ltd. and ATCO Resources Ltd. The partnership had previously signed an energy conversion agreement with Coral under which Coral will deliver natural gas to be used at the station and will own, market, and trade all the electricity produced for a period of 20 years.

Standby Generator Capacity

As a follow-up to the August 14, 2003 blackout, some modifications are being made to improve the ability of OPG's generating stations to respond to transmission system instability and withstand extended transmission system interruptions. While an extended transmission failure such as occurred on August 14, 2003 is considered a relatively rare event, OPG is prudently taking actions to prepare in the event of a recurrence of such an event. The most significant impact is at OPG's Pickering B nuclear generating station. OPG installed a temporary standby generator off-site at a cost of approximately \$25 million, which was declared available for service in September 2004. It is expected to operate for a period of

approximately two to three years, at a cost of approximately \$6 million to \$7 million per year, while a permanent solution is investigated. It is expected that the cost of the permanent solution could be in the range of \$100 to \$200 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

OPG's significant accounting policies are outlined in Note 3 to the consolidated financial statements as at and for the year ended December 31, 2003. Certain of these policies are recognized as critical accounting policies by virtue of the subjective and complex judgments and estimates required around matters that are inherently uncertain and could result in materially different amounts being reported under different conditions or assumptions. The critical accounting policies and estimates that affect OPG's financial statements, the likelihood that materially different amounts would be reported under varied conditions and estimates and the impact of changes in certain conditions or assumptions, are highlighted on pages 20 to 23 of the Management's Discussion and Analysis for the year ended December 31, 2003. There have not been any significant changes in the critical accounting policies during the nine months ended September 30, 2004.

RISK MANAGEMENT

OPG's portfolio of generation assets and its electricity trading and marketing operations are subject to inherent risks, including financial, operational, regulatory and strategic risks, as defined on page 24 of the Management's Discussion and Analysis for the year ended December 31, 2003. To manage these risks, OPG has implemented an enterprise-wide risk management framework, which includes policies governing organizational structure and segregation of duties, and risk identification, measurement, monitoring and reporting processes. While OPG believes it is pursuing appropriate risk management strategies, there can be no assurance that one or more of the risks outlined will not have a material adverse impact on OPG. In particular, the results following from the proposed legislation announced by the Government on June 15, 2004, other future changes to the Ontario electricity marketplace and OPG's role in it could have a material impact on OPG.

Commodity Price Risk

Commodity price risk is the risk that changes in the market price of electricity or of the fuels used to produce electricity, will adversely impact OPG's earnings and cash flow from operations. A variable portion of both OPG's electricity production and overall fuel requirements are exposed to fluctuating spot market prices. To manage this risk, OPG maintains a balance between the commodity price risk inherent in its electricity production and plant fuel portfolios. To manage the input risk, OPG has implemented a fuel hedging program. In addition to fixed price contracts for fossil and nuclear fuels, OPG periodically employs derivative instruments to hedge its fuel price risk.

The percentage of OPG's generation and fuel requirements hedged over the next three years is shown below:

	2004	2005	2006
Estimated generation output hedged ¹	87%	80% ³	75% ³
Estimated fuel requirements hedged ²	100%	92%	83%

¹ Represents the portion of megawatt-hours of expected future generation production, including power purchases, for which OPG has sales commitments and contracts including the obligations under its Market Power Mitigation Agreement rebate and transition rate option contracts.

² Represents the approximate portion of megawatt-hours of expected generation production from all types of facilities (fossil, nuclear and hydroelectric) for which OPG has entered into some form of contractual arrangement or obligation in order to secure either the expected availability and/or price of fuel and/or fuel services (e.g. transportation). Fuel inventories are included. Excess fuel in inventory over year-end inventory targets at coal-fired stations is carried into future years. When year-end inventory targets are not met, the hedge ratio is less than 100%. The percentage hedged by fuel type varies considerably and, therefore, a change in circumstances could have a significant impact on OPG's overall position

³ Estimated generation output hedged for 2005 and 2006 may be impacted by the proposed regulation of OPG's nuclear and baseload hydroelectric generating stations.

Open trading positions are subject to measurement against Value at Risk (VaR) limits. VaR is a measure of the potential change in a portfolio's market value due to price changes over a one-day holding period, with a 95 per cent confidence interval. VaR utilization ranged between \$0.4 million and \$1.7 million during the three and nine month periods ended September 30, 2004 compared to \$0.3 million and \$0.6 million during the third quarter of 2003 and \$0.3 million and \$1.6 million during the nine months ended September 30, 2003. VaR utilization is within the risk tolerance of OPG, under approved VaR limits.

Trading liquidity continues to be constrained in Ontario and interconnected markets due to broader energy market fundamentals as well as uncertainty with the direction of the Ontario electricity market structure. Constrained liquidity continues to limit portfolio hedging and optimization opportunities.

Credit Risk

Credit risk is the financial risk of non-performance by contractual counterparties. Credit risk does not include any operational risk resulting from a third party failing to deliver a product or service as expected. 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 \$901 million during the nine months ended September 30, 2004, and at \$1,134 million during the nine months ended September 30, 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. Additionally, in the event of an IMO participant default, each market participant shares the exposure pro rata. Given OPG's position in the marketplace, OPG would bear approximately 36 per cent of the exposure, residual of collateral and recovery. OPG also measures its credit concentrations with counterparties. OPG's 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 September 30, 2004:

Credit Rating ¹	Number of Counterparties ²	Potential Exposure ³ (millions of dollars)	Potential Exposure for Largest Counterparties	
			Number of Counterparties	Counterparty Exposure (millions of dollars)
AAA to AA-	39	12	-	-
A+ to A-	48	48	2	25
BBB+ to BBB-	90	46	2	15
BB+ to BB-	27	107	6	103
Below BB-	25	2	-	-
Subtotal	229	215	10	143
IMO	1	452	1	452
Total	230	667	11	595

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 Each master agreement is treated as a unique counterparty.

³ Potential exposure is OPG's assessment of the maximum exposure over the life of each transaction at 95 per cent confidence.

For all counterparties other than the IMO, OPG's contracts allow for active collateral management to mitigate credit exposures. The contracts provide for a counterparty to post Letters of Credit or cash for exposure in excess of the established threshold. This could happen as a result of market price changes or upon the occurrence of credit-related events. The threshold amount represents credit limits established in accordance with the corporate credit policy. Inability to post collateral is sufficient cause to terminate a contract and liquidate all positions.

CORPORATE GOVERNANCE AND CONTINUOUS DISCLOSURE

In October 2004, the Honourable Jake Epp, Chairman of the Board of Directors of OPG, announced the appointment of seven additional Board members and the re-election of two existing Board members. Collectively, these Board members are experienced business professionals who have substantial knowledge and expertise in restructuring large business enterprises, managing and operating nuclear stations, managing capital intensive businesses, and overseeing regulatory affairs, and government and public relations. The Board changes continue the building process needed to strengthen the organization. The Board is committed to upholding the highest standards of corporate governance. It will continue to focus on providing stewardship to OPG, as well as supporting the Government with decisions about the future direction, structure and role of OPG.

OPG is a reporting issuer under the *Ontario Securities Act*. Commencing in 2004, reporting issuers became subject to amended continuous disclosure rules that were published in December 2003, and subject to three separate rules that were finalized in January 2004, regulating auditor oversight, certification of disclosure and audit committees.

OPG has continued to enhance corporate governance and related controls over the past two years following the initiatives introduced in the United States and the more recently released requirements in Canada. While OPG is exempt from certain of these initiatives as a venture issuer, OPG's controls and governance over annual and interim filings are adapted to generally follow enhanced practices. The following is a summary of certain controls, procedures and other enhancements implemented by OPG:

- Disclosure controls over financial reporting were enhanced to include a comprehensive internal certification process and due diligence procedures. These controls support the certification of disclosure controls over financial reporting by OPG's CEO and CFO;
- OPG has initiated a project to review and update business process documentation, identify risk areas related to internal controls, assess the effectiveness of controls and conduct detailed testing;

- OPG has established a Disclosure Committee to review annual and interim filings and other disclosures to ensure compliance with legal and regulatory requirements;
- The Audit Committee charter has been revised and a Public Markets Disclosure Committee charter drafted for implementation, subject to approval by the Board of Directors;
- OPG's Board, acting as an Audit Committee, pre-approves audit and non-audit services by OPG's external auditor; and
- OPG has a practice of early adopting required changes in disclosure where practical.

OPG has implemented the new audit committee rules given that these rules are effective for OPG for the first audit committee meeting after July 1, 2004. The new rules require OPG to have an audit committee to which the external auditors must directly report. The Audit Committee must have at least three members, each of whom is independent and financially literate. The rules also stipulate certain responsibilities of the Audit Committee, including recommending to the Board of Directors the appointment of the external auditor and its compensation, pre-approving all non-audit services, and reviewing financial information before it is released.

Summary of Quarterly Results

The following tables set out certain unaudited consolidated financial statement information for each of the eight most recent quarters ended September 30, 2004. The information reflects the retroactive change in accounting for asset retirement obligations adopted during 2003. The information has been derived from OPG's unaudited consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements. These operating results are not necessarily indicative of results for any future period.

<i>(millions of dollars)</i>	2003 Quarter	2004 Quarters Ended		
	Ended December 31	March 31	June 30	September 30
Revenue after Market Power	1,228	1,350	1,141	1,212
Mitigation Agreement rebate				
Net (loss) income	(606) ¹	64	(41)	(15)
Net (loss) income per share	\$(2.36)	\$0.25	\$(0.16)	\$(0.06)

<i>(millions of dollars)</i>	2002 Quarter	2003 Quarters Ended		
	Ended December 31	March 31	June 30	September 30
Revenue after Market Power	1,314	1,480	1,246	1,224
Mitigation Agreement rebate				
Net (loss) income	(10)	73	8	34
Net (loss) income per share	\$(0.04)	\$0.28	\$0.03	\$0.13

¹ OPG recorded an impairment loss on the coal-fired generating stations of \$473 million after tax (\$576 million before tax) due to the expected early shutdown of the coal-fired generating stations by 2007.

Off-Balance Sheet Arrangements

Securitization

In October 2003, OPG completed a revolving securitization agreement with an independent trust. Under the securitization agreement, OPG sold an undivided co-ownership interest in certain current and future accounts receivable generated in the normal course of business. The amount of the co-ownership interest sold is removed from the balance sheet with each revolving securitization. OPG also retains an undivided co-ownership interest in the receivables sold to the trust. This retained interest is accounted for at cost on OPG's balance sheet. The independent trust is not controlled by OPG and as such, results are not consolidated.

The securitization provides OPG with an opportunity to obtain an alternative source of cost-effective funding. For the nine months ended September 30, 2004, the average all-in cost of funds was 2.6 per cent and the pre-tax charges on sales to the trust were \$6 million. The initial net cash proceeds from this transaction of \$300 million were used by OPG in the operation of its business. Termination of the arrangement, which in the absence of early termination, occurs in August 2006, would likely require OPG to pursue alternative liquidity arrangements to meet the ongoing operations of the business.

Guarantees

As part of normal business, OPG and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees, stand-by Letters of Credit and surety bonds.

OPG has provided limited guarantees in connection with the Brighton Beach financing. If the partnership fails to meet specific performance requirements under the financing agreement by September 30, 2006, OPG may be required to repurchase its proportionate share of the outstanding debt, up to a total of \$202 million. As at September 30, 2004, OPG remains responsible for contributing its share of equity related to cost overruns, up to \$10 million. If the energy conversion agreement is terminated prior to the date the performance requirements under the financing agreement are satisfied, OPG has proportional guarantees relating to debt service, from the date of such termination to the earlier of the entry into a replacement agreement and September 30, 2006. In July 2004, Brighton Beach was commercially operational.

Derivative Instruments

The majority of OPG's derivative instruments are treated as hedges, with gains or losses recognized upon settlement when the underlying transactions occur. OPG holds financial commodity derivatives primarily to hedge the commodity price exposure associated with changes in the price of electricity. Foreign exchange derivative instruments are used to hedge the exposure to anticipated U.S. dollar denominated purchases. When such derivative instrument ceases to exist or when designation of a hedging relationship is terminated, any associated deferred gains or losses are carried forward to be recognized in income in the same period as the corresponding gains or losses associated with the hedged item. When a hedged item ceases to exist, any associated deferred gains or losses are recognized in the current period's consolidated statement of income. The deferred loss on electricity derivative instruments treated as hedges was \$107 million as at September 30, 2004, compared to a deferred loss on electricity and foreign exchange derivatives of \$16 million as at December 31, 2003. See Note 10 to the consolidated financial statements for more information.

All contracts not designated as hedges are recorded as assets or liabilities at fair value with changes in fair value recorded in Energy Marketing revenue.

SUPPLEMENTAL EARNINGS MEASURES

In addition to providing earnings measures in accordance with Canadian generally accepted accounting principles, OPG presents gross margin as a supplemental earnings measure. This measure does not have any standardized meaning prescribed by Canadian generally accepted accounting principles and is, therefore, unlikely to be comparable to similar measures presented by other companies. This measure is provided to assist readers of the financial statements in assessing income performance from ongoing operations, and has been consistently applied as in prior years and throughout these financial statements and Management's Discussion and Analysis.

For further information, please contact:

Investor Relations

416-592-6700

1-866-592-6700

investor.relations@opg.com

Media Relations

416-592-4008

1-877-592-4008

www.opg.com

www.sedar.com

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	Restated (note 3) 2003	2004	Restated (note 3) 2003
<i>(millions of dollars except where noted)</i>				
Revenue				
Revenue before Market Power Mitigation Agreement rebate	1,413	1,416	4,553	5,216
Market Power Mitigation Agreement rebate	(201)	(192)	(850)	(1,266)
	1,212	1,224	3,703	3,950
Fuel expense	290	382	870	1,262
Gross Margin	922	842	2,833	2,688
Expenses				
Operations, maintenance and administration	636	550	1,893	1,799
Depreciation and amortization (note 5)	182	149	568	437
Accretion on fixed asset removal and nuclear waste management liabilities	113	109	340	324
Earnings on nuclear fixed asset removal and nuclear waste management funds	(77)	(74)	(255)	(188)
Property and capital taxes	33	27	91	82
	887	761	2,637	2,454
Income before the following	35	81	196	234
Restructuring (note 12)	-	-	16	-
Other income (note 15)	-	17	-	58
Net interest expense	48	39	138	97
(Loss) income before income taxes	(13)	59	42	195
Income tax expenses (recoveries)				
Current	7	5	13	65
Future	(5)	20	21	15
	2	25	34	80
Net (loss) income	(15)	34	8	115
Basic and diluted (loss) earnings per common share (dollars)	(0.06)	0.13	0.03	0.45
Common shares outstanding (millions)	256.3	256.3	256.3	256.3

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

Nine Months Ended September 30

(millions of dollars)

	2004	Restated (note 3) 2003
(Deficit) retained earnings, beginning of period as previously reported	(147)	257
Adjustment <i>(note 3)</i>	-	104
(Deficit) retained earnings, beginning of period as restated	(147)	361
Net income	8	115
Dividends	-	(17)
(Deficit) retained earnings, end of period	(139)	459

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	Restated (note 3) 2003	2004	Restated (note 3) 2003
<i>(millions of dollars)</i>				
Operating activities				
Net (loss) income	(15)	34	8	115
Adjust for non-cash items:				
Depreciation and amortization	182	149	568	437
Accretion on fixed asset removal and nuclear waste management liabilities	113	109	340	324
Earnings on nuclear fixed asset removal and nuclear waste management funds	(77)	(74)	(255)	(188)
Pension cost	23	(1)	69	(4)
Other post employment benefits and supplemental pension	51	33	132	101
Future income taxes	(5)	20	21	15
Provision for restructuring	-	-	16	-
Transition rate option contracts	(8)	(16)	(34)	(58)
Gain on sale of investments	-	(17)	-	(58)
Mark-to-market on energy contracts (note 10)	-	1	5	(5)
Provision for used nuclear fuel	7	3	22	12
Other	18	2	24	1
	289	243	916	692
Contributions to nuclear fixed asset removal and nuclear waste management funds	(114)	(82)	(341)	(340)
Expenditures on fixed asset removal and nuclear waste management	(18)	(17)	(49)	(48)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	7	-	15	-
Contributions to pension fund	(38)	(41)	(114)	(121)
Expenditures on other post employment benefits and supplemental pension	(15)	(15)	(45)	(38)
Expenditures on restructuring (note 12)	(4)	(10)	(47)	(54)
Net changes to other long-term assets and liabilities	(11)	(29)	(30)	(70)
Changes in non-cash working capital balances (note 16)	(99)	(691)	(231)	(95)
Cash flow (used in) provided by operating activities	(3)	(642)	74	(74)
Investing activities				
Proceeds on sale of decontrol and other fixed assets	8	-	8	1
Proceeds from sale of investments	-	17	-	58
Purchases of fixed assets	(161)	(139)	(384)	(459)
Cash flow (used in) investing activities	(153)	(122)	(376)	(400)
Financing activities				
Issuance of long-term debt (note 7)	-	-	13	52
Repayment of long-term debt (note 7)	-	-	(4)	-
Dividends paid	-	-	-	(17)
Issuance of short-term notes (note 6)	360	547	545	937
Repayment of short-term notes (note 6)	(343)	(642)	(528)	(1,109)
Cash flow provided by (used in) financing activities	17	(95)	26	(137)
Net (decrease) in cash and cash equivalents	(139)	(859)	(276)	(611)
Cash and cash equivalents, beginning of period	149	872	286	624
Cash and cash equivalents, end of period	10	13	10	13

See accompanying notes to the consolidated financial statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(millions of dollars)</i>	September 30 2004	December 31 2003
Assets		
Current assets		
Cash and cash equivalents	10	286
Accounts receivable <i>(note 4)</i>	313	331
Income taxes recoverable	-	16
Fuel inventory	572	524
Materials and supplies	95	73
	990	1,230
Fixed assets		
Property, plant and equipment	14,951	14,701
Less: accumulated depreciation	2,981	2,514
	11,970	12,187
Other long-term assets		
Deferred pension asset <i>(note 9)</i>	507	464
Nuclear fixed asset removal and nuclear waste management funds <i>(note 8)</i>	5,809	5,228
Long-term materials and supplies	276	278
Long-term accounts receivable and other assets	65	64
	6,657	6,034
	19,617	19,451

See accompanying notes to the consolidated financial statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(millions of dollars)</i>	September 30 2004	December 31 2003
Liabilities		
Current liabilities		
Accounts payable and accrued charges <i>(note 12)</i>	888	1,064
Market Power Mitigation Agreement rebate payable <i>(note 13)</i>	340	409
Short-term notes payable	17	-
Long-term debt due within one year <i>(note 7)</i>	507	4
Deferred revenue due within one year	12	12
Income and capital taxes payable	8	-
	1,772	1,489
Long-term debt <i>(note 7)</i>	2,899	3,393
Other long-term liabilities		
Fixed asset removal and nuclear waste management <i>(note 8)</i>	8,239	7,921
Other post employment benefits and supplemental pension <i>(note 9)</i>	1,099	1,013
Long-term accounts payable and accrued charges	229	276
Deferred revenue	159	168
Future income taxes	233	212
	9,959	9,590
Shareholder's equity		
Common shares	5,126	5,126
Deficit	(139)	(147)
	4,987	4,979
	19,617	19,451

Commitments and Contingencies *(notes 6, 10 and 11)*

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

1. BASIS OF PRESENTATION

These interim consolidated financial statements were prepared following the same accounting policies and methods as in the most recent annual consolidated financial statements. However, these interim financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended December 31, 2003.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Certain of the 2003 comparative amounts have been reclassified from statements previously presented to conform to the 2004 financial statement presentation. In addition, certain of the 2003 comparative amounts have been restated from financial statements previously presented to recognize OPG's retroactive application of the Canadian Institute of Chartered Accountants ("CICA") new standard on accounting for liabilities associated with tangible long-lived assets and related asset retirement costs, which was adopted during 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fixed Asset Removal and Nuclear Waste Management Liability

OPG recognizes asset retirement obligations for fixed asset removal and nuclear waste management, discounted for the time value of money. OPG has estimated both the amount and timing of future cash expenditures based on current plans for fixed asset removal and nuclear waste management. The liabilities are initially recorded at their estimated fair value, which is based on a discounted value of the expected costs to be paid.

On an ongoing basis, the liability is increased by the present value of the variable cost portion of the nuclear waste generated each year, with the corresponding amounts charged to operating expenses. Expenses relating to low and intermediate level waste are charged to depreciation and amortization expense. Expenses relating to the disposal of nuclear used fuel are charged to fuel expense. The liability is also adjusted for any changes in the estimated amount or timing of the underlying future cash flows. Upon settlement of the liability, a gain or loss is recorded.

Accretion arises because liabilities for fixed asset removal and nuclear waste management are reported on a net present value basis. Accretion expense is the increase in the carrying amount of the liabilities due to the passage of time. The resulting expense is included in operating expenses.

The asset retirement cost is capitalized by increasing the carrying value of the assets. The capitalized cost is depreciated over the remaining useful life of the assets and is included in depreciation expense.

Reclassification of Accretion Expense and Earnings on Segregated Funds

Prior to the third quarter of 2003, OPG reported a revalorization charge that was comprised of accretion expense on the fixed asset removal and nuclear waste management liabilities, net of the earnings on the nuclear fixed asset removal and nuclear waste management funds and interest earned on the receivable from the Ontario Electricity Financial Corporation ("OEFEC"). Beginning in the third quarter of 2003, the accretion expense and earnings on the nuclear fixed asset removal and nuclear waste management funds, including interest earned on the receivable from the OEFEC, are disclosed separately in the consolidated statements of income. Prior periods were reclassified to reflect this change.

Nuclear Fixed Asset Removal and Nuclear Waste Management Funds

In July 2003, OPG and the Province of Ontario (the "Province") completed arrangements pursuant to the Ontario Nuclear Funds Agreement ("ONFA"), which required the establishment of segregated custodial funds to hold the nuclear fixed asset removal and nuclear waste management funds. To comply with the ONFA, OPG transferred the assets in the nuclear fixed asset removal and nuclear waste management funds to the segregated custodial funds called the Decommissioning Fund and the Used Fuel Fund (together the "Funds"). The Funds are invested in debt and equity securities which are treated as long-term investments and are accounted for at amortized cost. The segregated funds are reported as nuclear fixed asset removal and nuclear waste management funds in the consolidated balance sheets. Realized gains and losses on the segregated funds are recorded in earnings in the consolidated statements of income.

Following the establishment of the segregated funds in July 2003, the amount receivable from the OEFC was transferred into the Decommissioning Fund in the form of an interest-bearing note and is included in the investments reported in the Decommissioning Fund. Previously, the receivable from the OEFC had been offset against fixed asset removal and nuclear waste management liabilities.

New Accounting Recommendations

Hedging Relationships

In December 2001, the Accounting Standards Board ("AcSB") of the CICA issued Accounting Guideline 13, *Hedging Relationships*. This Guideline establishes standards for documenting and assessing the effectiveness of hedging activities. OPG adopted the new accounting standard effective January 1, 2004, with no impact on the existing accounting for hedging relationships.

Employee Future Benefits — Additional Disclosures

In December 2003, the AcSB approved revisions to Section 3461, *Employee Future Benefits*. The revisions require additional annual disclosures effective for years ending on or after June 30, 2004, and additional interim disclosure effective for periods ending on or after June 30, 2004. OPG early adopted the interim requirement, which mandates disclosure of the amount of the total benefit cost.

3. CHANGES IN ACCOUNTING POLICIES

Asset Retirement Obligations – Retroactive Adoption of Change in Accounting Standard

In March 2003, the CICA issued a new standard for the recognition, measurement and disclosure of liabilities associated with the retirement of tangible long-lived assets and the related asset retirement costs. The new standard is effective for fiscal years beginning on or after January 1, 2004. OPG chose to early adopt the CICA standard in 2003. In accordance with the CICA requirements, OPG retroactively applied the new standard. The increases (decreases) in the comparative amounts for the three and nine months ended September 30, 2003, resulting from adoption of the new accounting standard, are summarized below:

	Three Months Ended September 30	Nine Months Ended September 30
<i>(millions of dollars)</i>		
Opening retained earnings	97	104
Fuel expense	(1)	(3)
Depreciation and amortization	4	13
Accretion on fixed asset removal and nuclear waste management liabilities	2	6
Future income tax expense	(2)	(6)
Net income	(3)	(10)
Net income per share	(0.01)	(0.04)

Rate Regulated Accounting

Accounting standards recognize that rate regulation can create economic benefits and obligations, which are reported in the financial statements as regulatory assets and liabilities. If regulation provides assurance that incurred costs will be recovered in the future, then a regulated entity may defer those costs and report them as a regulatory asset. If current recovery is provided for costs expected to be incurred in the future, then a regulated entity reports a regulatory liability. Rate regulated assets and liabilities could only be established for OPG after the effective date of a regulation establishing the rate regulation of certain OPG assets. A proposed regulation under Bill 100 provides for regulation of certain of OPG's assets, and this regulation is expected to be issued prior to January 1, 2005. It is not known at this time whether the form of this regulation will allow or require OPG to establish such regulatory assets and liabilities.

4. SALE OF ACCOUNTS RECEIVABLE

On October 1, 2003, OPG signed an agreement to sell an undivided co-ownership interest in its current and future accounts receivable (the "receivables") to an independent trust. OPG retains an undivided co-ownership interest in the receivables sold to the trust. OPG has reflected the initial transfer to the trust of the co-ownership interest, and subsequent transfers required by the revolving nature of the securitization, as sales in accordance with CICA Accounting Guideline 12, *Transfer of Receivables*. For the three months ended September 30, 2004, OPG has recognized before-tax charges of \$2 million (three months ended September 30, 2003 - nil) on such sales at an average cost of funds of 2.4 per cent (three months ended September 30, 2003 - nil). For the nine months ended September 30, 2004, OPG has recognized before-tax charges of \$6 million (nine months ended September 30, 2003 - nil) on such sales at an average cost of funds of 2.6 per cent (nine months ended September 30, 2003 - nil). As at September 30, 2004, OPG had sold receivables of \$300 million from its total portfolio of \$460 million.

5. DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three months ended September 30, 2004 and 2003 consists of the following:

For the three months ended September 30 <i>(millions of dollars)</i>	2004	Restated 2003
Depreciation and amortization	180	149
Nuclear waste management costs	2	-
	182	149

Depreciation and amortization expense for the nine months ended September 30, 2004 and 2003 consists of the following:

For the nine months ended September 30 <i>(millions of dollars)</i>	2004	Restated 2003
Depreciation and amortization	563	435
Nuclear waste management costs	5	2
	568	437

Impairment of Long-Lived Assets

In July 2004, the Government endorsed the recommendation of OPG's Board of Directors to return to service Unit 1 of the Pickering A nuclear generating station. Plans to return Units 2 and 3 to service have been deferred, until such time as OPG has conducted a full assessment of the cost and schedule to return these units to service. The carrying amount of fixed assets in service and construction in progress for Units 2 and 3 was \$61 million at September 30, 2004 (\$64 million at December 31, 2003). If OPG discontinues the refurbishment work required to place Units 2 and 3 in service, an impairment loss equal to the carrying amount of these units would be recognized. In such an event, OPG would also have to assess the prospect of additional charges.

The accounting estimates related to asset impairment require significant management judgement to identify factors such as short and long-term forecasts for future sales prices, the supply of electricity in Ontario, the return to service dates of laid-up generating stations, inflation, fuel prices and station lives. The amount of the future cash flow that OPG will ultimately realize with respect to these assets could differ materially from the carrying values recorded in the consolidated financial statements. As a result of Bill 100 and the changing marketplace in Ontario, certain of the assumptions around future sales prices may be significantly impacted and result in a change of circumstances requiring OPG to assess whether any of its generating assets require the recording of an impairment loss. As at September 30, 2004, no such assessment has been performed as no additional indicators were considered to be present during the three and nine months ended September 30, 2004.

6. SHORT-TERM CREDIT FACILITIES

In May 2004, OPG renewed its \$1,000 million revolving short-term committed bank credit facility with its bank lending group for a further 364-day term. Notes issued under OPG's commercial paper program are supported by the bank credit facility. As at September 30, 2004, OPG had \$17 million outstanding borrowing under this commercial paper program (December 31, 2003 - nil). As at September 30, 2004, OPG had no other outstanding borrowing under this facility.

OPG also maintains \$27 million (December 31, 2003 - \$28 million) in short-term uncommitted overdraft facilities as well as \$200 million (December 31, 2003 - \$173 million) of short-term uncommitted credit facilities, in the form of Letters of Credit. OPG is required to post the Letters of Credit as collateral with Local Distribution Companies ("LDCs") as prescribed by the Ontario Energy Board's ("OEB") Retail Settlement Code, and to support the supplementary pension plan. At September 30, 2004, there were approximately \$154 million (December 31, 2003 - \$125 million) of Letters of Credit issued for collateral requirements to the LDC's and for the supplementary pension plan.

7. LONG-TERM DEBT

Long-term debt consists of the following:

	September 30 2004	December 31 2003
<i>(millions of dollars)</i>		
Notes payable to the OEFC	3,200	3,200
Capital lease obligations	4	8
Share of limited partnership debt	202	189
	3,406	3,397
Less: due within one year		
Notes payable to the OEFC	500	-
Capital lease obligations	4	4
Share of limited partnership debt	3	
	507	4
Long-term debt	2,899	3,393

In February 2003, OPG 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.

Interest paid during the three months ended September 30, 2004 was \$105 million (three months ended September 30, 2003 - \$97 million), of which \$103 million relates to interest paid on long-term debt (three months ended September 30, 2003 - \$96 million). Interest paid during the nine months ended September 30, 2004 was \$216 million (nine months ended September 30, 2003 - \$195 million), of which \$208 million relates to interest paid on long-term debt (nine months ended September 30, 2003 - \$192 million). Interest on the notes payable to the OEFC is paid in the first and third quarters of the year. Interest of \$6 million was capitalized during the three months ended September 30, 2004 (three months ended September 30, 2003 - \$11 million). Interest of \$23 million was capitalized during the nine months ended September 30, 2004 (nine months ended September 30, 2003 - \$45 million).

8. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT

The liability for fixed asset removal and nuclear waste management on a present value basis consists of the following:

	September 30 2004	December 31 2003
<i>(millions of dollars)</i>		
Liability for nuclear used fuel management	4,638	4,451
Liability for nuclear decommissioning and low and intermediate level waste management	3,415	3,289
Liability for non-nuclear fixed asset removal	186	181
Fixed asset removal and nuclear waste management liability	8,239	7,921

The change in the fixed asset removal and nuclear waste management liability for the nine months ended September 30, 2004 and year ended December 31, 2003 is as follows:

	September 30 2004	December 31 2003
<i>(millions of dollars)</i>		
Liability, beginning of period	7,921	7,539
Increase in liability due to accretion	340	430
Increase in liability due to nuclear used fuel and nuclear waste management variable expenses	27	24
Liabilities settled by expenditures on waste management	(49)	(72)
Liability, end of period	8,239	7,921

Ontario Nuclear Funds Agreement (ONFA)

OPG sets aside funds to be used specifically for discharging OPG's nuclear fixed asset removal and nuclear waste management liabilities. In July 2003, OPG and the Province completed arrangements pursuant to the ONFA, which required the establishment of segregated custodial funds to hold the nuclear fixed asset removal and nuclear waste management funds. To comply with the ONFA, OPG transferred the assets in its existing nuclear fixed asset removal and nuclear waste management funds to a Decommissioning Fund and a Used Fuel Fund, held in segregated custodial accounts. In addition, a receivable due from the OEFC of \$3.1 billion was transferred into the Decommissioning Fund in the form of a \$1.2 billion cash payment and a \$1.9 billion interest-bearing note receivable.

The Decommissioning Fund will be used to fund the future costs of nuclear fixed asset removal and long-term low and intermediate level waste management and a portion of used fuel storage costs after station life. The initial funding of the Decommissioning Fund, including the note receivable from the OEFC, is intended to be sufficient to fully discharge the 1999 estimate of the liability. Any shortfall of this fund must be made up by OPG.

The Used Fuel Fund will be used to fund future costs of long-term nuclear used fuel waste management. OPG is responsible for the risk and liability for cost increases for used fuel waste management, subject to graduated liability thresholds specified in the ONFA, which limit OPG's total financial exposure at approximately \$6.0 billion, a present value amount at April 1, 1999 (approximately \$8.2 billion in 2004 dollars). OPG makes quarterly payments over the life of its nuclear generating stations, as specified in the ONFA. Required funding for 2004 under the ONFA is \$454 million, of which OPG has contributed

\$341 million as at September 30, 2004. Of the annual contribution, \$100 million must be deposited into The Ontario NFWA Trust (the "Trust").

The *Nuclear Fuel Waste Act* (Canada) ("NFWA") was proclaimed into force in November 2002. In accordance with the NFWA, the Nuclear Waste Management Organization was formed during 2002 to prepare and review alternatives, and to provide recommendations to the Federal Government for long-term management of nuclear fuel waste. This submission is to occur within three years of NFWA coming into force. The Federal Government will determine the strategy for dealing with the long-term management of nuclear fuel waste based on submitted plans. As required under the NFWA, OPG made an initial deposit of \$500 million into the Trust in November 2002 and contributed \$100 million in 2003. Under the NFWA, OPG must deposit \$100 million annually into the Trust until the Federal Government has approved a long-term plan, which is not expected before 2006. During the nine months ended September 30, 2004, OPG contributed \$100 million to the Trust, satisfying its funding requirement for the year, as stipulated by the NFWA. Future contributions to the Trust beyond 2005 will be dependent on the direction chosen by the Federal Government. Given that the Trust forms part of the Used Fuel Fund, contributions to the Trust, as required by the NFWA, are applied towards the ONFA payment obligations.

The nuclear fixed asset removal and nuclear waste management funds as at September 30, 2004 and December 31, 2003 consist of the following:

	September 30, 2004		December 31, 2003	
	Amortized Cost Basis	Fair Value	Amortized Cost Basis	Fair Value
<i>(millions of dollars)</i>				
Decommissioning Fund	3,820	3,987	3,641	3,801
Used Fuel Fund ¹	1,989	1,989	1,587	1,587
	5,809	5,976	5,228	5,388

¹ The Ontario NFWA Trust represents \$778 million as at September 30, 2004 (December 31, 2003 - \$648 million) of the Used Fuel Fund on an amortized cost basis.

As required by the *Nuclear Safety and Control Act* (Canada), and under the terms of the ONFA, effective as at July 31, 2003, the Province issued a guarantee to the Canadian Nuclear Safety Commission ("CNSC"), on behalf of OPG, for up to \$1,510 million. This is a guarantee that there will be sufficient funds available to discharge the current nuclear decommissioning and waste management liabilities. The provincial guarantee will supplement the Used Fuel Fund and the Decommissioning Fund until they have accumulated sufficient funds to cover the accumulated liabilities for nuclear decommissioning and waste management. The guarantee, taken together with the Used Fuel Fund and Decommissioning Fund, was in satisfaction of OPG's nuclear licencing requirements with the CNSC. OPG pays the Province an annual guarantee fee of 0.5 per cent of the amount guaranteed by the Province. OPG paid the annual guarantee fee of \$8 million in the first quarter of 2004.

Under ONFA, the Province guarantees OPG's annual return in the Used Fuel Fund at 3.25 per cent plus the change in the Ontario Consumer Price Index ("committed return"). The difference between the committed return on the Used Fuel Fund and the actual market return, based on the fair value of fund assets, which includes realized and unrealized returns, is due to or due from the Province. Since OPG accounts for the investments in the segregated funds on an amortized cost basis, the amount due to or due from the Province recorded in the consolidated financial statements is the difference between the committed return and the actual return based on realized returns only. At September 30, 2004, the Used Fuel Fund accounts included an amount due from the Province of \$2 million (December 31, 2003 – amount due from the Province of \$10 million). If the investments in the Used Fuel Fund were accounted for at fair market value in the consolidated financial statements, at September 30, 2004, there would be an amount due to the Province of \$63 million (December 31, 2003 – amount due to the Province of \$71 million).

Under the ONFA, a rate of return target of 5.75 per cent per annum was established for the Decommissioning Fund. If the rate of return deviates from 5.75 per cent, or if the value of the liabilities changes under the OPG Reference Plan, the Decommissioning Fund may become over or under funded. Under the ONFA, if there is a surplus in the Decommissioning Fund such that the liabilities, as defined by the OPG Reference Plan, are at least 120 per cent funded, OPG may direct up to 50 per cent of the surpluses to be treated as a contribution to the Used Fuel Fund, and the OEFC is entitled to a distribution of an equal amount. In addition, upon termination of the ONFA, the Province has a right to any excess funds, which is the extent to which the fair market value of the Decommissioning Fund exceeds the estimated completion costs approved under the current OPG Reference Plan. At September 30, 2004, estimated completion costs under the Current Approved ONFA Reference Plan are fully funded. The Decommissioning Fund has no excess amount due to the Province on an amortized cost basis. If the investments in the Decommissioning Fund were accounted for at fair market value in the consolidated financial statements, at September 30, 2004 and the Decommissioning Fund was terminated under the ONFA, there would be an amount due to the Province of \$159 million (December 31, 2003 - \$128 million).

9. BENEFIT PLANS

The post employment benefit programs include pension, group life insurance, health care and long-term disability benefits. Pension and other post employment benefits obligations are impacted by factors including interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The 2004 costs are based on a measurement of the pension and other post employment benefits obligations and the pension fund assets, at December 31, 2003.

Total benefit costs are as follows:

	Three Months Ended		Nine Months Ended	
	September 30 2004	September 30 2003	September 30 2004	September 30 2003
<i>(millions of dollars)</i>				
Registered pension plan	23	(1)	69	(4)
Supplementary pension plan	4	5	12	14
Other post employment benefits	47	28	120	87

10. FINANCIAL INSTRUMENTS

Fair values of derivative instruments have been estimated by reference to quoted market prices for actual or similar instruments where available. Where quoted market prices are not available, OPG considers various factors to estimate forward prices, including market prices and price volatility in neighbouring electricity markets, market prices for fuel, and other factors.

Trading activities and liquidity in the Ontario electricity market have been limited as companies are generally entering only into short-term contracts. As a result, forward pricing information for contracts may not accurately represent the cost to enter into these contracts. For Ontario based contracts that are not entered into for hedging purposes, OPG established liquidity reserves against the fair market value of the assets and liabilities equal to the gain or loss on these contracts. These reserves increased Energy Marketing revenue by \$2 million during the nine months ended September 30, 2004 (nine months ended September 30, 2003 - \$1 million). Contracts for transactions outside of Ontario continue to be carried on the consolidated balance sheets as assets or liabilities at fair value, with changes in fair value recorded in Energy Marketing revenue as gains or losses.

Derivative instruments used for hedging purposes

The following table provides the estimated fair value of derivative instruments designated as hedges. The majority of OPG's derivative instruments are treated as hedges, with gains or losses recognized upon settlement when the underlying transactions occur. OPG holds financial commodity derivatives primarily to hedge the commodity price exposure associated with changes in the price of electricity.

	September 30, 2004			December 31, 2003		
	Notional quantity	Terms	Fair Value	Notional quantity	Terms	Fair Value
<i>(millions of dollars except where noted)</i>						
(Loss)/gain						
Electricity derivative instruments	13.2 TWh	1-3 yrs	(107)	23.9 TWh	1-3 yrs	(13)
Foreign exchange derivative instruments	-	-	-	\$40 U.S.	Jan/04	(3)
Option to purchase emission reduction credits	5,000,000 – 18,000,000 tonnes	2005	-	3,000,000 tonnes	2004	-

Foreign exchange derivative instruments are used to hedge the exposure to anticipated U.S. dollar denominated purchases. There are no fixed exchange rate contracts outstanding at September 30, 2004. The weighted average fixed exchange rate for contracts outstanding at December 31, 2003 was U.S. \$0.72 for every Canadian dollar.

Derivative instruments not used for hedging purposes

The carrying amount (fair value) of derivative instruments not designated for hedging purposes is as follows:

	September 30, 2004		December 31, 2003	
	Notional Quantity	Fair Value	Notional Quantity	Fair Value
<i>(millions of dollars except where noted)</i>				
Commodity derivative instruments				
Assets	8.0 TWh	8	7.9 TWh	8
Liabilities	1.3 TWh	(11)	1.6 TWh	(8)
		(3)		-
Ontario market liquidity reserve		(4)		(5)
Total		(7)		(5)

11. COMMITMENTS AND CONTINGENCIES

Litigation

Various claims, lawsuits and administrative proceedings are pending or threatened against OPG or its subsidiaries, covering a wide range of matters that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties. In July 2004, OPG was charged with criminal negligence causing death and criminal negligence causing bodily harm in relation to the 2002 accident at Barrett Chute. Some of these matters may be resolved unfavourably with respect to OPG. These contingencies are provided for when they are likely to occur and are reasonably estimable. Management believes that the ultimate resolution of these matters will not have a material effect on OPG's financial position.

Guarantees

As part of normal business, OPG and certain of its subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees, stand-by Letters of Credit and surety bonds.

OPG has provided limited guarantees in connection with the Brighton Beach Power L. P. ("Brighton Beach") financing. If the partnership fails to meet specific performance requirements under the financing agreement by September 30, 2006, OPG may be required to repurchase its proportionate share of the outstanding debt, up to a total of \$202 million. As at September 30, 2004, OPG remains responsible for contributing its share of equity related to cost overruns, up to \$10 million. If the energy conversion agreement is terminated prior to the date the performance requirements under the financing agreement are satisfied, OPG has proportional guarantees relating to debt service, from the date of such termination to the earlier of the entry into a replacement agreement and September 30, 2006. In July 2004, Brighton Beach was commercially operational.

12. RESTRUCTURING

The change in the restructuring liability for severance for the nine months ended September 30, 2004 and year ended December 31, 2003 is as follows:

	September 30 2004	December 31 2003
<i>(millions of dollars)</i>		
Liability, beginning of period	52	120
Restructuring charges	16	-
Payments	(47)	(68)
Liability, end of period	21	52

OPG recorded restructuring charges of \$16 million for termination benefits and related pension and other post employment benefits expenses associated with its Lakeview generating station during the second quarter of 2004. OPG is required by regulation to cease burning coal at its Lakeview generating station by the end of April 2005. OPG has communicated its plan to shut down the Lakeview generating station to all employees. As at September 30, 2004, 81 employees had accepted the termination package offered.

13. MARKET POWER MITIGATION AGREEMENT REBATE

OPG is required under its generating licence to comply with prescribed market power mitigation measures to address the potential for OPG to exercise market power in Ontario. The market power mitigation measures include both a rebate mechanism and the requirement to decontrol generating capacity. Under the rebate mechanism, for the first four years after the electricity market opened to competition on May 1, 2002, a significant majority of OPG's expected energy sales in Ontario are subject to an average annual revenue cap of 3.8¢/kilowatt hour ("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 a twelve month settlement period, multiplied by the amount of energy subject to the rebate mechanism.

In accordance with the Market Power Mitigation Agreement, the rebate is calculated after taking into account the amount of energy sales subject to the rebate mechanism for only those generating stations that OPG continues to control. Since the average hourly spot price during the nine months ended September 30, 2004 exceeded the 3.8¢/kWh revenue cap, OPG provided \$850 million (nine months ended September 30, 2003 - \$1,266 million) as a Market Power Mitigation Agreement rebate.

The change in the Market Power Mitigation Agreement rebate liability for the nine months ended September 30, 2004 and year ended December 31, 2003 were as follows:

	September 30 2004	December 31 2003
<i>(millions of dollars)</i>		
Liability, beginning of period	409	572
Increase to provision during the period	850	1,510
Payments	(919)	(1,673)
Liability, end of period	340	409

14. BUSINESS SEGMENTS

Segment Income for the three months ended September 30, 2004	Generation	Energy Marketing	Non-Energy and Other	Total
<i>(millions of dollars)</i>				
Revenue				
Revenue before Market Power Mitigation Agreement rebate	1,293	10	110	1,413
Market Power Mitigation Agreement rebate	(201)	-	-	(201)
	1,092	10	110	1,212
Fuel expense	290	-	-	290
Gross margin	802	10	110	922
Operations, maintenance and administration excluding Pickering A return to service	558	2	14	574
Pickering A return to service	62	-	-	62
Depreciation and amortization	157	-	25	182
Accretion on fixed asset removal and nuclear waste management liabilities	113	-	-	113
Earnings on nuclear fixed asset removal and nuclear waste management funds	(77)	-	-	(77)
Property and capital taxes	27	-	6	33
(Loss) income before the following	(38)	8	65	35
Net interest expense	-	-	48	48
(Loss) income before income taxes	(38)	8	17	(13)

Segment Income for the three months Ended September 30, 2003 (restated)	Generation	Energy Marketing	Non-Energy and Other	Total
<i>(millions of dollars)</i>				
Revenue				
Revenue before Market Power Mitigation Agreement rebate	1,335	13	68	1,416
Market Power Mitigation Agreement rebate	(192)	-	-	(192)
	1,143	13	68	1,224
Fuel expense	382	-	-	382
Gross margin	761	13	68	842
Operations, maintenance and administration excluding Pickering A return to service	484	2	14	500
Pickering A return to service	50	-	-	50
Depreciation and amortization	123	-	26	149
Accretion on fixed asset removal and nuclear waste management liabilities	109	-	-	109
Earnings on nuclear fixed asset removal and nuclear waste management funds	(74)	-	-	(74)
Property and capital taxes	24	-	3	27
Income before the following	45	11	25	81
Other income	-	-	17	17
Net interest expense	-	-	39	39
Income before income taxes	45	11	3	59

Segment Income for the nine months ended September 30, 2004	Generation	Energy Marketing	Non-Energy and Other	Total
<i>(millions of dollars)</i>				
Revenue				
Revenue before Market Power Mitigation Agreement rebate	4,245	34	274	4,553
Market Power Mitigation Agreement rebate	(850)	-	-	(850)
	3,395	34	274	3,703
Fuel expense	870	-	-	870
Gross margin	2,525	34	274	2,833
Operations, maintenance and administration excluding Pickering A return to service	1,672	5	30	1,707
Pickering A return to service	186	-	-	186
Depreciation and amortization	497	-	71	568
Accretion on fixed asset removal and nuclear waste management liabilities	340	-	-	340
Earnings on nuclear fixed asset removal and nuclear waste management funds	(255)	-	-	(255)
Property and capital taxes	73	-	18	91
Income before the following	12	29	155	196
Restructuring	16	-	-	16
Net interest expense	-	-	138	138
(Loss) income before income taxes	(4)	29	17	42

Segment Income for the nine months Ended September 30, 2003 (restated)	Generation	Energy Marketing	Non-Energy and Other	Total
<i>(millions of dollars)</i>				
Revenue				
Revenue before Market Power Mitigation Agreement rebate	4,935	55	226	5,216
Market Power Mitigation Agreement rebate	(1,266)	-	-	(1,266)
	3,669	55	226	3,950
Fuel expense	1,262	-	-	1,262
Gross margin	2,407	55	226	2,688
Operations, maintenance and administration excluding Pickering A return to service	1,535	6	38	1,579
Pickering A return to service	220	-	-	220
Depreciation and amortization	356	-	81	437
Accretion on fixed asset removal and nuclear waste management liabilities	324	-	-	324
Earnings on nuclear fixed asset removal and nuclear waste management funds	(188)	-	-	(188)
Property and capital taxes	73	-	9	82
Income before the following	87	49	98	234
Other income	-	-	58	58
Net interest expense	-	-	97	97
Income before income taxes	87	49	59	195

Selected Balance Sheet Information	Generation	Energy Marketing	Non-Energy and Other	Total
<i>(millions of dollars)</i>				
September 30, 2004				
Segment property, plant and equipment, net	11,064	-	906	11,970
December 31, 2003				
Segment property, plant and equipment, net	11,252	-	935	12,187

Selected Cash Flow Information				
<i>(millions of dollars)</i>				
Three months ended September 30, 2004				
Capital expenditures	154	-	7	161
Three months ended September 30, 2003				
Capital expenditures	116	-	23	139
Nine months ended September 30, 2004				
Capital expenditures	343	-	41	384
Nine months ended September 30, 2003				
Capital expenditures	397	-	62	459

15. OTHER INCOME

Other income in 2003 was comprised of the gain on sale of long-term investments of \$17 million for the three months ended September 30, 2003 and \$58 million for the nine months ended September 30, 2003.

16. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	Restated 2003	2004	Restated 2003
<i>(millions of dollars)</i>				
Accounts receivable	(18)	18	18	156
Note receivable	-	-	-	225
Income taxes recoverable	-	(10)	16	54
Fuel inventory	(37)	(88)	(48)	(45)
Materials and supplies	(5)	3	(22)	2
Market Power Mitigation Agreement rebate payable	(66)	(614)	(69)	(299)
Accounts payable and accrued charges	26	-	(134)	(188)
Income and capital taxes payable	1	-	8	-
	(99)	(691)	(231)	(95)
Supplementary Disclosure				
Income taxes paid	6	9	11	17

17. SEASONAL OPERATIONS

OPG's quarterly results are impacted by changes in demand resulting from variations in seasonal weather conditions. Historically, OPG's revenues are 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 OPG's hedging strategies significantly reduce the impact of seasonal price fluctuations on the results of operations.