

April 25, 2008

Mr. Franco Gentile,
Senior Business Development Officer
Hydroelectric Development
Ontario Power Generation, 18th floor
Toronto, Ontario
PostalCode

Dear Franco,

***Healey Falls GS - New G1
Notification of Conditional Approval of Connection Proposal
CAA ID Number: 2005-EX260a***

Thank you for the detailed information regarding the installation of a new generator G1 at Healey Falls GS.

The new generator G1 will increase generation at Healey Falls GS by approximately 7.45 MVA. We have concluded that the proposed changes will not result in a material adverse effect on the reliability of the integrate power system subject to your signed acknowledgement below.

The IESO is therefore pleased to grant conditional approval for the modification detailed in the attached assessment report. Any material changes to your proposal may require re-assessment by the IESO in accordance with Market Manual 2.10, and may nullify your conditional approval.

Final approval to connect the facility to the IESO-controlled grid will be granted upon successful completion of the IESO Market Entry process including, without limitation, satisfactory completion of the requirements set out in the System Impact Assessment report. During this process you shall demonstrate the requirements have been fulfilled and the equipment installed has characteristics no worse than those in the proposal assessed by the IESO. Please contact market.entry@ieso.ca if you have not received a Facility Registration Summary package within the next 10 days.

For further information, please contact the undersigned.

Yours truly

Michael Falvo
Manager - Transmission Assessments & Performance
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E-mail: mike.falvo@ieso.ca
cc: IESO Records

Ontario Power Generation acknowledges receipt of the System Impact Assessment Report setting out the IESO requirements for final approval, and commits to fulfill these requirements, and all other applicable Market Rules, before receiving final approval to connect to the IESO-controlled grid.

Dated: _____

Per: _____

Name: _____

Title: _____

ASSESSMENT SUMMARY

Ontario Power Generation

1.0 GENERAL DESCRIPTION

OPG is proposing to install a new generating unit G1 to increase the capacity at Healey Falls GS on the Trent River near Campbellford. The proposed start of construction date is March 2008. The in-service date will be communicated to the IESO.

2.0 PROPOSED MODIFICATION

The existing 4.16 kV generators G2, G3 and G4 at Healey Falls GS are each rated at 3.75 MVA (3.38 MW). A new generating unit G1 with a capacity of 7.435 MVA (6.7 MW at 90% pF) will be installed in an unused bay at Healey Falls GS.

The total station output of Healey Falls GS will be increased from 11.25 MVA to a maximum of 18.685 MVA. The new generator G1 will be equipped with a power factor regulator set to control the power factor to unity. It will have a gate positioner that will not respond to frequency fluctuations but will be manually adjusted by the operator.

The single line diagram shows the presence of a synchronizing breaker, transformer and disconnect switch. See figure 4 for the proposed arrangement.

Transformer T1 will meet the following specifications:

- § 7.5 MVA ONAF
- § 44/4.16 kV
- § delta/delta configuration
- § Z=7.0%

The specifications for the breakers and switches connected to G1 at Healey Falls GS are not part of this assessment.

The connection point of the new G1 will be to the 44 kV M4 feeder out of Havelock TS. The distance from the generating station to the connection point is approximately 18 km.

3.0 ASSESSMENT

3.1 New Generator G1

As per chapter 4, section 3.1.3 of the market rules, since the new generator G1 is rated below 10 MVA, the requirements in appendix 4.2 are not applicable to this unit.

3.2 Healey Falls GS

The step-up transformer T1 is rated slightly higher than the capacity of the new generator G1.

This generating station is an embedded generation facility. Since the aggregate size of the four generating units at Healey Falls GS is less than 20 MVA, this facility is unlikely to participate in the IESO-administered markets.

3.3 Havelock TS

Historical power flows at Havelock were examined for the three year period from January 1, 2005 through January 1, 2008. Figure 1 shows the power flow at Havelock T1 and T2 over that period of time.

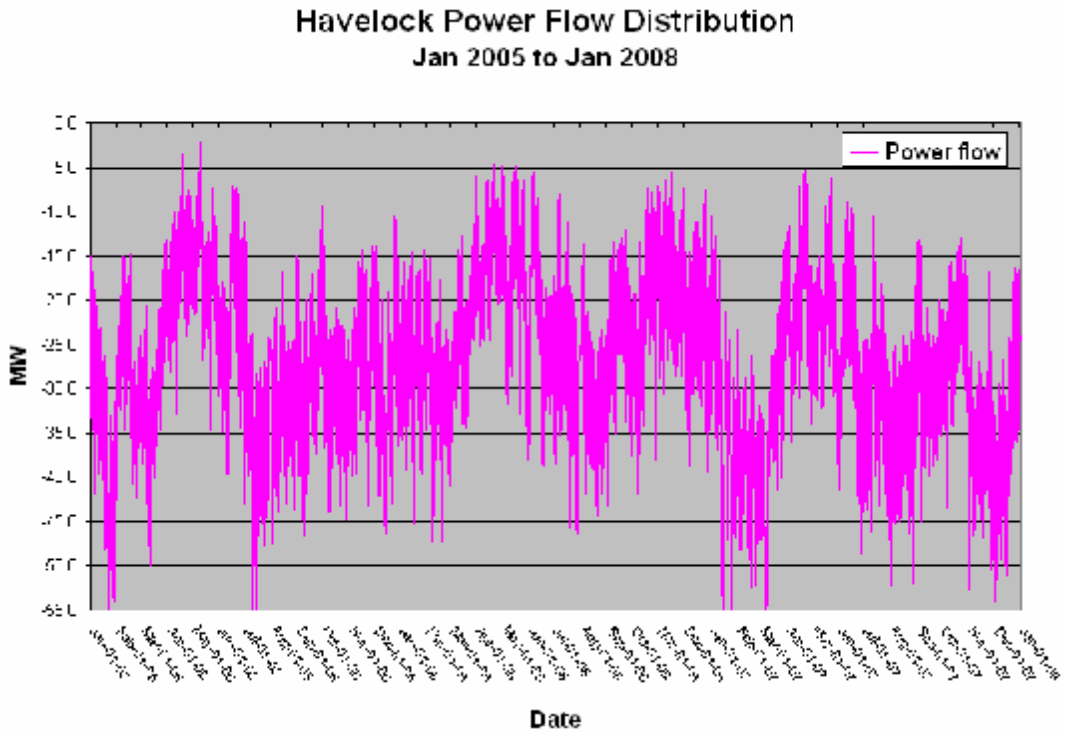


Figure 1 - Power flows at Havelock TS for January 1, 2005 through January 1, 2008

Assuming an increase of 6.7 MW in generation as discussed in section 2.1, net injections to the IESO-controlled grid could occur for up to 135 hours per year. The net injection into the IESO-controlled grid is not likely to exceed 4.6 MW. See figure 2 for details.

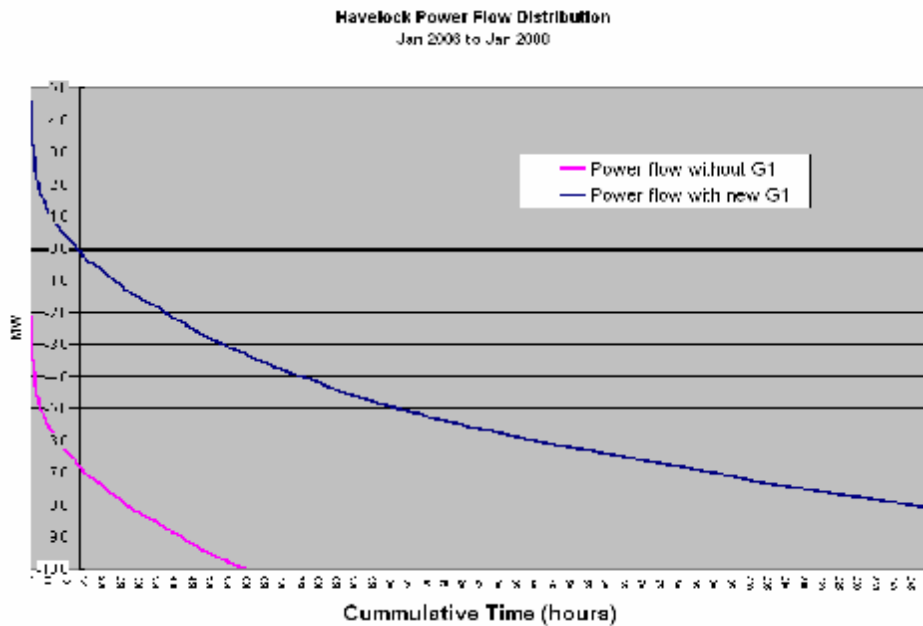


Figure 2: Power flow distribution at Havelock T.S.

4.0 CONCLUSIONS

It can be concluded that the new G1 at Healey Falls GS will not result in a material adverse effect on the reliability of the IESO-controlled grid because:

- § An net injection to the IESO-controlled grid will likely occur at times but it is immaterial.
- § Thermal capabilities of the transformer will not be exceeded

5.0 REQUIREMENTS

The additional generation will have no material adverse impact on the reliability of the integrated power system subject to the following requirements:

- § **Ontario Power Generation** is required to meet the generator's requirements with respect to protection systems for the new equipment and coordination with the existing protection systems, as outlined in the applicable Codes.

Ontario Power Generation must notify the IESO as soon as it becomes aware of any changes to the assumptions made in the connection assessment. The IESO will determine whether these changes require a re-assessment.

Any additional requirements due to incorrect or unintended protection operations at the DESN or adverse effects to design characteristics at the DESN due to injections into the distribution system will be assessed by the Distributor via the Connection Impact Assessment.

6.0 NOTIFICATION OF APPROVAL

This expedited System Impact Assessment concludes that the installation of the new generator is not expected to have a material adverse effect on the reliability of the integrated power system. It is therefore recommended that a Notification of Approval of the Connection Proposal be issued, subject to the requirements detailed above.

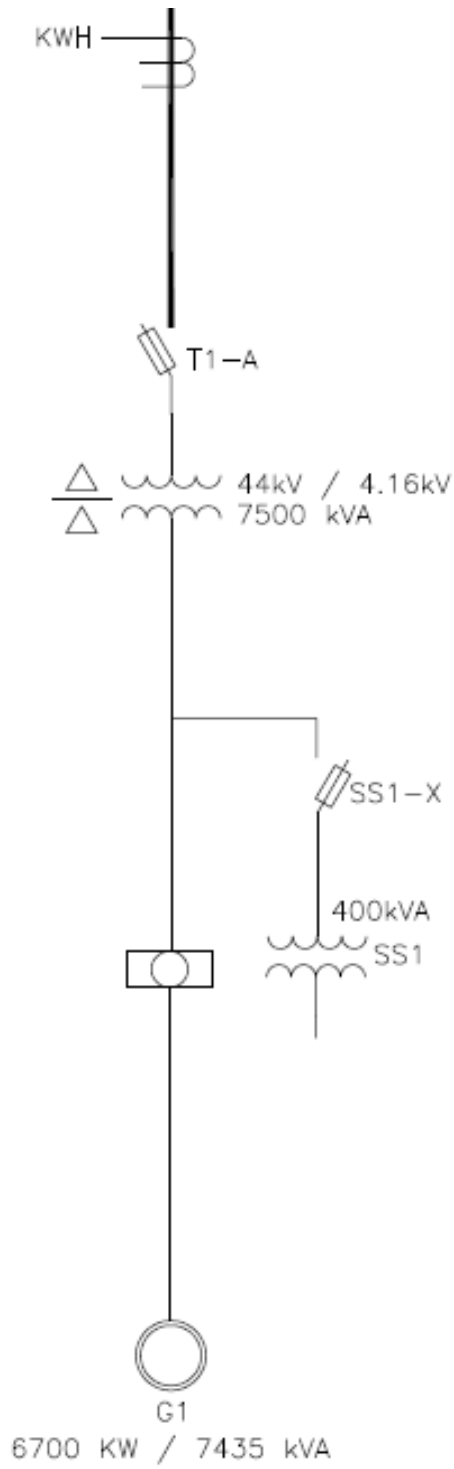


Figure 4 - Proposed G1 Arrangement at Healey Falls GS