

Hydro One announces third quarter net income

Toronto, November 10, 2005 - Hydro One Inc. today released its third quarter results with net income of \$379 million and revenues of \$3,391 million for the nine months ended September 30, 2005.

"The summer of 2005 was one of the hottest summers on record. The high temperatures resulted in a record peak demand being set on our system in July and contributed to our improved financial performance. While our grid performed well, Ontarians received 30 power warnings, highlighting the need to address the supply and demand of electricity in Ontario," said Hydro One President and CEO Tom Parkinson. "Our project to reinforce the transmission facilities in the Niagara region is an example of the work Hydro One is undertaking to improve the supply reliability of our system in the public interest."

During the quarter there were several industry developments and company initiatives, some of which are highlighted below:

Transmission Rates

On October 26, 2005, the Ontario Energy Board (OEB) initiated a proceeding to review our transmission rates and to approve revenue requirements for 2006, 2007 and potentially 2008. Revised transmission rates are expected to be implemented in 2007. In the first phase of this proceeding in November 2005, the OEB will consider options to track net income in excess of the OEB-approved returns for the period between January 1, 2006 until the revised transmission rates are implemented. The options identified by the OEB could include the use of a regulatory deferral account or an earnings-sharing mechanism.

Distribution Rates

On August 17, 2005, we filed a distribution rate application, seeking approval for a \$160 million increase in the 2006 revenue requirement of Hydro One's distribution business. On average, customers would see an increase of 6% on their monthly bills starting May 2006. This distribution rate application is currently in the evidentiary phase, with oral hearings expected to commence in January 2006 and an OEB decision anticipated later in the first quarter of 2006.

Niagara Tunnel and Niagara Reinforcement Projects

On September 14, 2005, the Government of Ontario announced that Ontario Power Generation Inc. would be constructing a new tunnel to supply more water from Niagara Falls to the Sir Adam Beck Generating Complex. Our Niagara Reinforcement Project will accommodate the potential 1.6 terawatt hours per year of additional clean energy to be generated by the Niagara Tunnel Project as well as additional electricity imports from New York State. The Niagara Reinforcement Project includes a new 76-kilometre double circuit 230 kilovolt transmission line primarily along existing rights-of-way and is expected to be completed in 2006.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Net income of \$133 million was consistent with the third quarter in 2004, but increased by \$67 million or 21%, to \$379 million in the first nine months compared to last year. These results reflect higher tariff

revenues associated with the large demand on the transmission and distribution systems. Our systems performed well over the summer, a reflection of the investments we have made over the past number of years. Revenues also increased as a result of the implementation of an OEB-approved distribution rate increase effective April 1, 2005 and the recognition of distribution low voltage services revenues. During this quarter, the higher revenues were offset by increased operation, maintenance and administration costs, including the recognition of a regulatory asset for pension costs. Results for the nine-month period also reflect a lower effective tax rate than last year as a result of the recognition of a tax benefit from previously unrecognized losses of one of our subsidiaries in the second quarter.

We continued our prudent and responsible capital program, which is necessary to upgrade, maintain and reinforce our delivery network. However, capital expenditures of \$481 million for the first nine months of 2005 were lower than the 2004 level of \$538 million primarily due to the substantial completion of the Parkway Transformer Station this year. This station was required to address growing loads and the closure of the Lakeview Generating Station. We are currently expediting our Niagara Reinforcement Project to improve supply reliability. In the third quarter, our work programs also reflect lower costs as a result of a labour disruption.

For the nine months ending September 30, 2005, total revenue increased by \$312 million compared to last year primarily reflecting higher distribution revenue associated with the recovery of purchased power costs. In addition, we earned higher tariff revenues primarily from the increased demand for electricity, including a record Ontario system peak of 26,160 MW reached in July. Net cash from operations was \$813 million for the first nine months of 2005. During this period, we paid \$218 million in dividends to the Province of Ontario.

<i>(Canadian dollars in millions) (except as otherwise noted)</i>	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Revenues	1,179	1,018	3,391	3,079
Purchased power	581	470	1,683	1,465
Operating costs	317	279	928	913
Net income	133	133	379	312
Net cash from operating activities	344	264	813	748
Average Ontario 60-minute peak demand (MW) ¹	25,297	23,015	23,312	22,403
Distribution – units distributed to customers (TWh) ¹	7.1	6.6	22.2	21.2

¹ System related statistics are preliminary

Hydro One Inc. is a holding company that operates through its subsidiaries in electricity transmission and distribution and telecom businesses. One of its subsidiaries, Hydro One Networks Inc., operates one of the largest transmission and distribution systems in North America. Hydro One Inc. is wholly owned by the Province of Ontario.

Hydro One's 2005 Third Quarter Consolidated Financial Statements and Management Discussion and Analysis can be accessed through the following link: www.hydroone.com/2005Q3financials.

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Peter Gregg
Vice President, Corporate Communications
(416) 345-6072

Ali R. Suleman
Vice President and Treasurer
(416) 345-6126

Hydro One Investor Relations
(416) 345-6867