Direct Energy

Centrica in North America

London, 6th December 2005

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Past performance is no guide to future performance and persons needing advice should consult an independent financial advisor.

Introduction

Phil Bentley

Group Finance Director

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Objective for Today

- To make the investment case for North America by:
  - Providing insight into our North American business
  - Supplying data that will help you better value this part of our business

Background and Strategic Rationale

Deryk King

President & CEO

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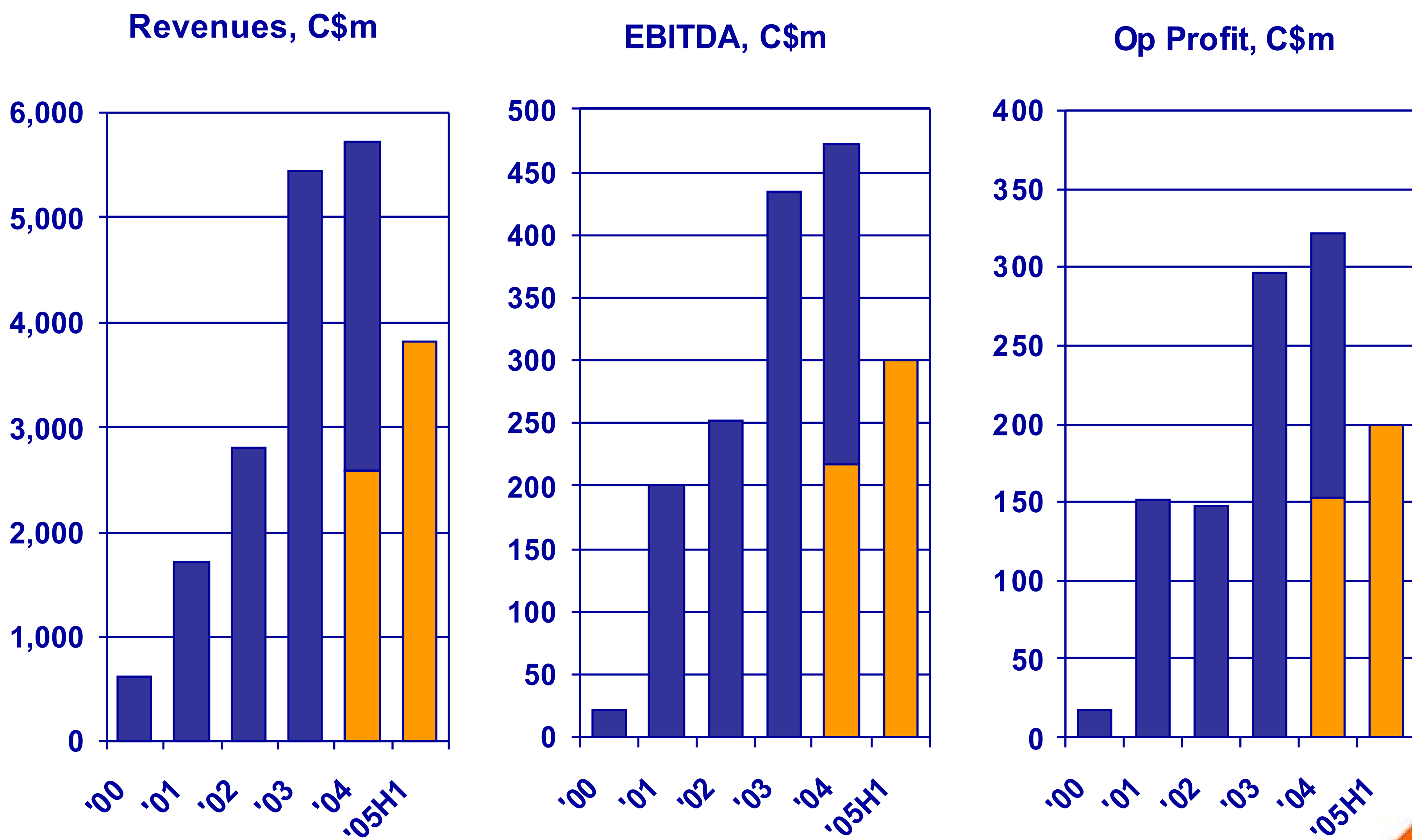
Presenters

Deryk King	President & CEO, Centrica North America
Maura Clark	Senior Vice President, Strategy and M&A
Phil Tonge	President, Texas Retail Operations
Bob Huggard	President, Canadian Retail Operations & CEO Consumers' Waterheater Income Fund
Mike Hogan	Senior Vice President, Upstream Gas & Power Generation
David Clarke	Chief Financial Officer
Bill Cronin	Chief Operations Officer

Agenda

Objective and Welcome	Phil Bentley
Background and Strategic Rationale	Deryk King
Regulation and Competition	Maura Clark
Business Unit Reviews:	
▪ Canadian Retail Operations	Bob Huggard
First Q&A Session	
Coffee Break	
Business Unit Reviews (continued):	
▪ United States Retail Operations	Phil Tonge
▪ Upstream Gas & Power Generation	Mike Hogan
Financial Review & Valuation	David Clarke
Summary & Second Q&A Session	Deryk King

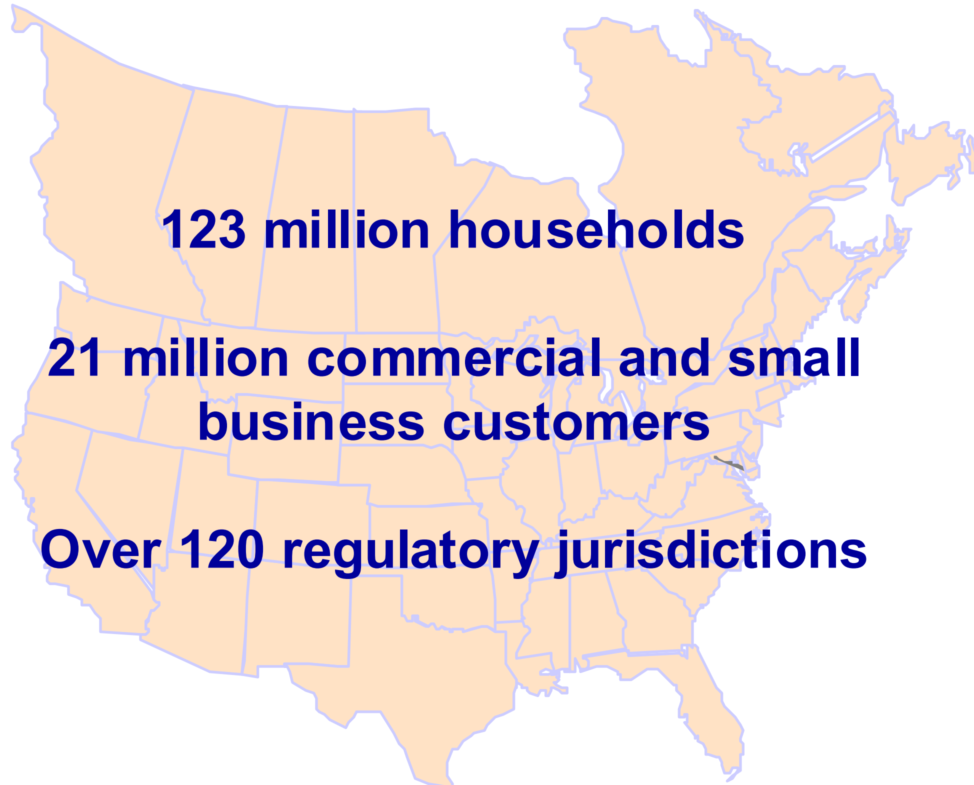
Turnover and profitability have grown steadily since entry into North America



The market is huge, diverse and complex…

Annual Revenues	£bn
Gas & Power	160
Home Services	>50
Business Services	25

Energy Statistics	
Peak Power Demand	800GW
Annual Power Consumption	4,100TWh
Annual Natural Gas Consumption	25.5Tcf

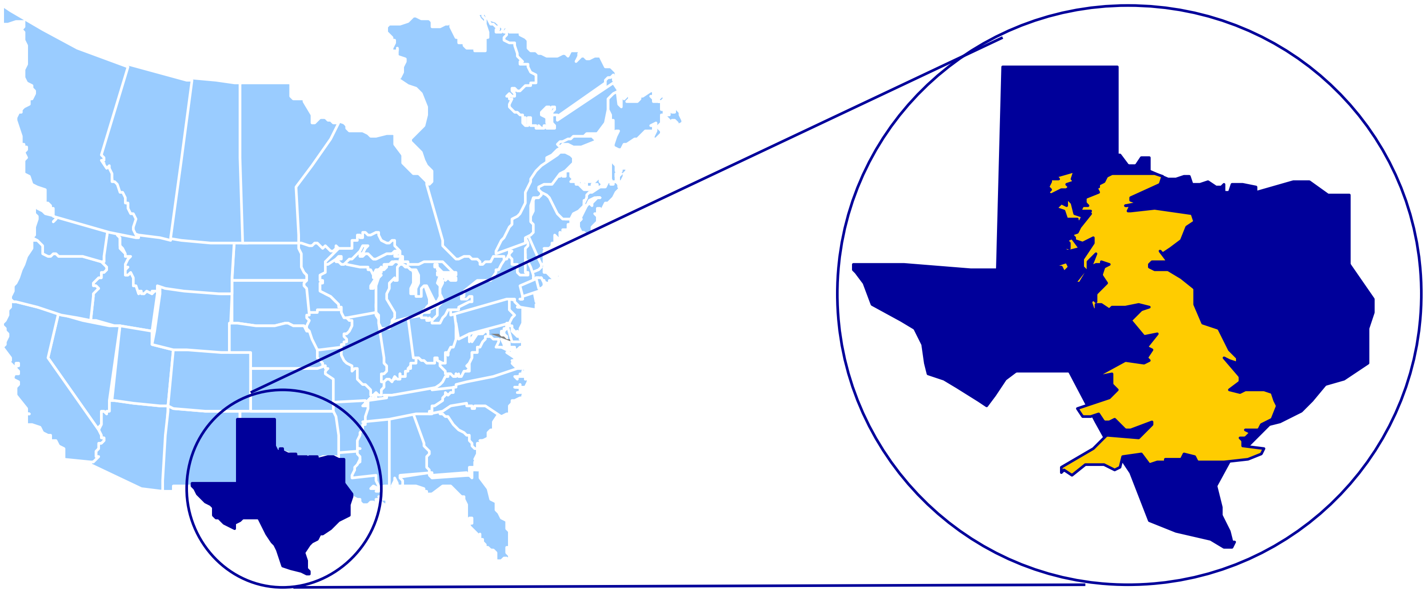


123 million households

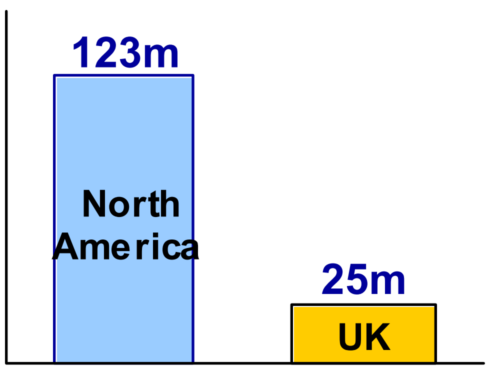
21 million commercial and small business customers

Over 120 regulatory jurisdictions

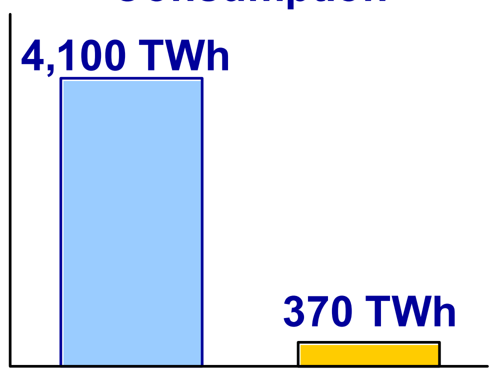
… and different from the UK



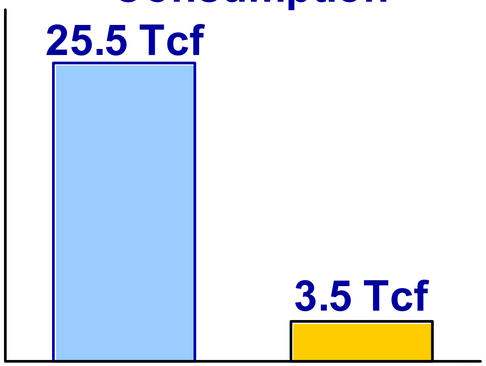
Households



Annual Power Consumption



Annual Natural Gas Consumption



Regulatory landscape on an upswing

2001	2002	2003	2004	2005
Enter via acquisition	*Organic growth augmented by acquisitions*	*Acquire incumbent customers; build home services*	*Increase asset focus; enter business markets*	*Accelerate business markets; optimize services & residential markets*

- California
- Gas price volatility
- Enron
- New Power bankruptcy
- Counterparty credit issues
- Ontario power closed
- Wholesale power prices collapse
- The Blackout
- Merchant generator bankruptcies
- Progress in CT/MA
- Massive gas price volatility
- C&I Switching increases
- Financial players mushroom
- Ohio gas developments
- Energy Policy Act
- Ontario power re-opens
- BC gas opens
- California rejects Proposition 80

Track record demonstrates ability to create value regardless of macro environment

- Record of growth and performance in often difficult environment
- Have built a large, diversified scaleable business; profitable since inception
- Value-creating acquisitions, successfully integrated
- Largest non-utility provider of energy and related services in North America
- Balanced between focus and diversification of risk
- Seasoned management team with wide breadth of experience
- Significant opportunities for further growth

Opportunities abound for the fleet-of-foot

Strategy of development through adjacencies testifies to low risk profile of the business

Sustained, fast pace of development

Acquisitions
Direct Energy
Avalanche Energy
Energy America
Enbridge Services Inc
NewPower gas customers
CPL & WTU Retail Energy, Texas
Integrated Building Technologies
ATCO Retail
Quintana Minerals
Bastrop Energy Center
Residential Services Group
Base Controls
Tempcon Technologies
Energy East gas customers
Frontera Energy Center
Belyea Brothers
Wendland Air Conditioning

Disposals
Consumers' Waterheater Fund
Georgia gas customers

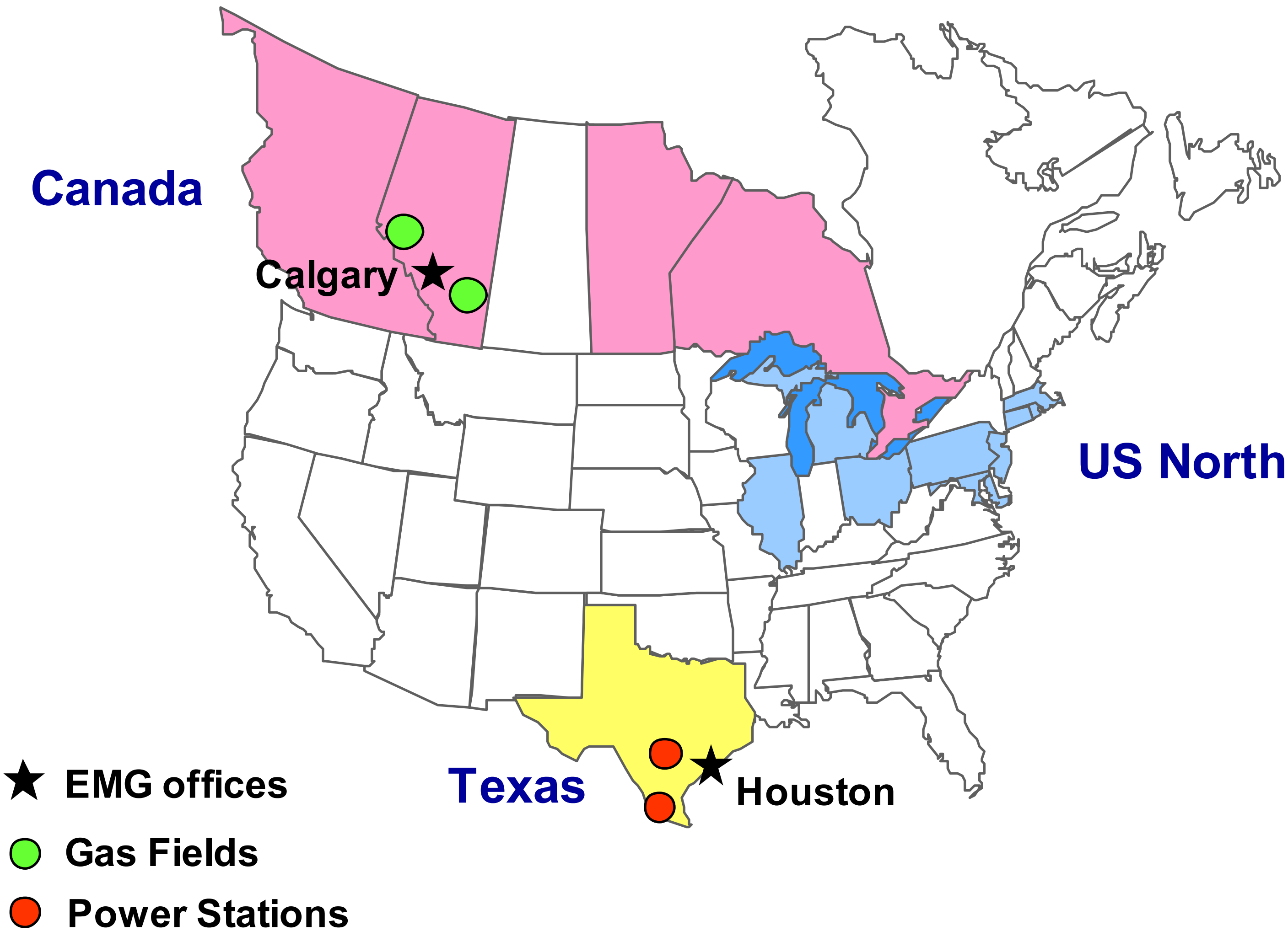
Closures
Maryland gas customers
Pennsylvania home services
Ontario retail stores

New Businesses
Ontario electricity
Texas electricity
Business Markets
Coal bed methane
Residential new construction
New England gas markets
PJM electric markets

Our current businesses

BUSINESS UNIT	TARGET CUSTOMER	PRODUCT OFFERING
MASS MARKETS RETAIL	Residential Small Commercial	Natural Gas Electricity
		Heating & Cooling Protection Plans Water heater Rentals Plumbing & Drains Duct Cleaning Home Comfort
BUSINESS MARKETS RETAIL	Big Box Retail Hotels & Restaurants Commercial Buildings MUSH Government Light Industrial	Natural Gas Electricity
		Heating & Cooling maintenance: service Heating & cooling maintenance: installation Building automation & controls Energy management: monitoring Performance contracting
UPSTREAM GAS	Conventional Reserves Coal Bed Methane	
POWER GENERATION	CCGT Renewables	
ENERGY MANAGEMENT	Wholesale Natural Gas & Electricity Gas Storage & Transportation Positions Renewable PPAs Weather Hedges	

Current business footprint



Our Core Strategy – "Optimize and Grow"

- Influence regulatory progress in Residential Energy markets and maximise value of core markets
- Continue to build Home Services business in Canada and extend geography and product suite in United States
- Deliver value from Business Markets through rapid energy growth supported by services and technology offering
- Pursue attractive investments in Upstream Gas and Power to support retail business
- Drive fit for purpose Cost Structure

A strong and integral part of the Centrica Group

- Major growth platform for Centrica – 23% of Group EBIT growth since 2000
- Common skill sets give competitive edge – both ways
- Sharing of business models and processes
- Interchange of people – both ways
- Key insights into global LNG trade; North American customer assets will add value to our planned LNG activities
- Strategic optionality combined with high execution certainty
- Credit support from Group reduces costs and gives competitive advantage
- Diversification of risk

Strong synergies with Centrica in the UK

Sales channel management

Product design

Home services operational processes

Global natural gas markets/LNG

Asset management

Natural gas exploration and development

Regulatory skills

Energy trading and procurement

Risk management

Automation and energy management technology for Business

Outsourcing and off-shoring

Debtor management

Regulation and Competition

Maura Clark

SVP Strategy and M&A

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We are thriving in a difficult regulatory and competitive environment

- Regulatory environment variable and evolving
  - Texas pre-eminent model for retail competition
  - Canadian landscape presents discrete challenges
  - Incremental residential opportunities will emerge in time
  - Attractive upside in Business Markets
- Current commodity price environment creates challenges and opportunities
- EMG skills and credit capacity confer competitive advantage
- Robust competition in each of our markets
- Asset acquisition landscape competitive
- Energy Policy Act neutral to supportive for retail competition

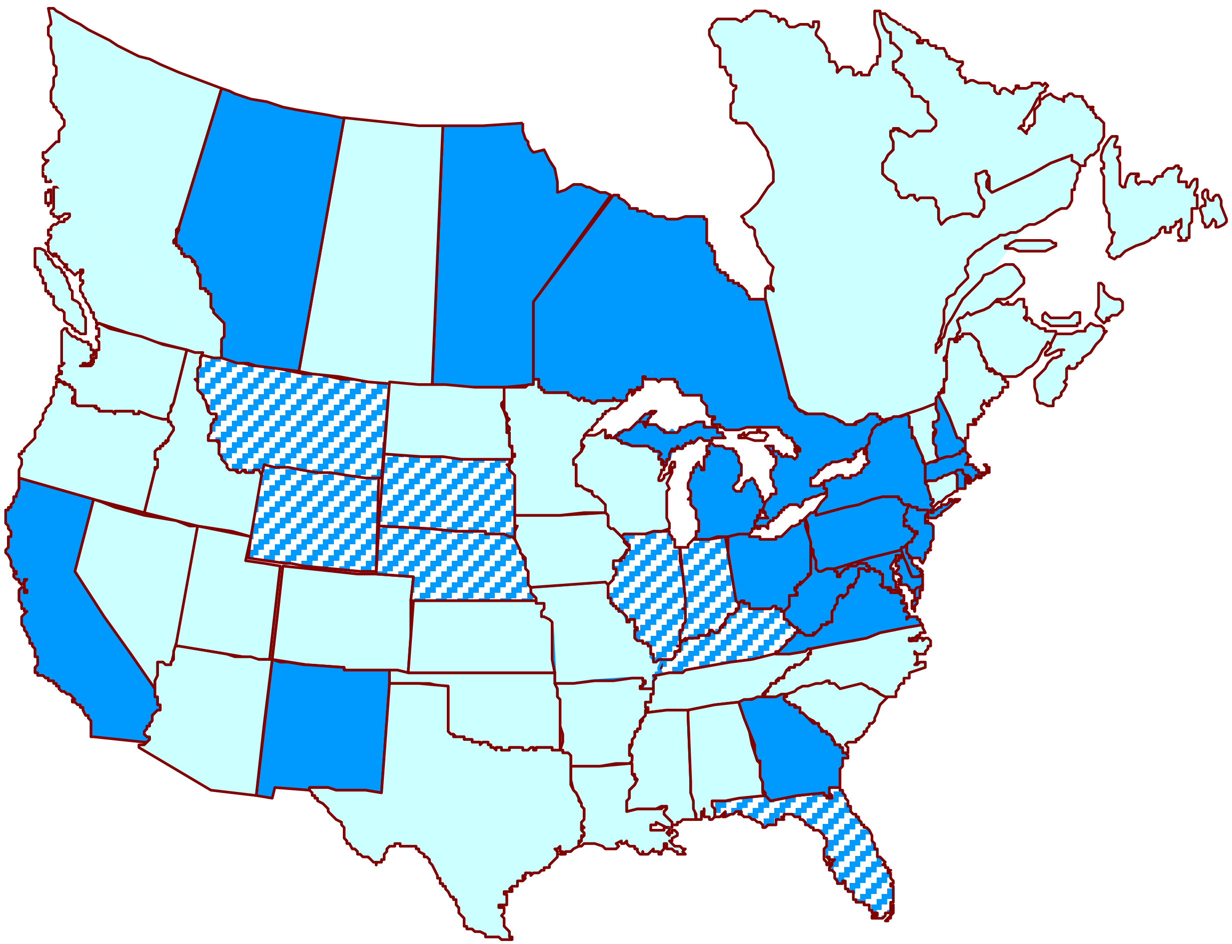
Well positioned with a diverse, integrated portfolio

Protracted period of restructuring in North America

- Federal legislation not primary driver of deregulation
  - Dictated by state legislation and/or regulatory mandate
  - No single authority; hundreds of LDCs/EDCs
  - Regulation for gas and electric differs
  - Lack of uniformity complicates operating environment
- Regulatory emphasis has been on protecting smaller customers rather than fostering competition
  - But growing body of evidence that competition benefits customers
- Complexity requires effective regulatory skills
  - Direct Energy recognised leader in advocating market change

Growth plans not predicated on a more favourable regulatory environment

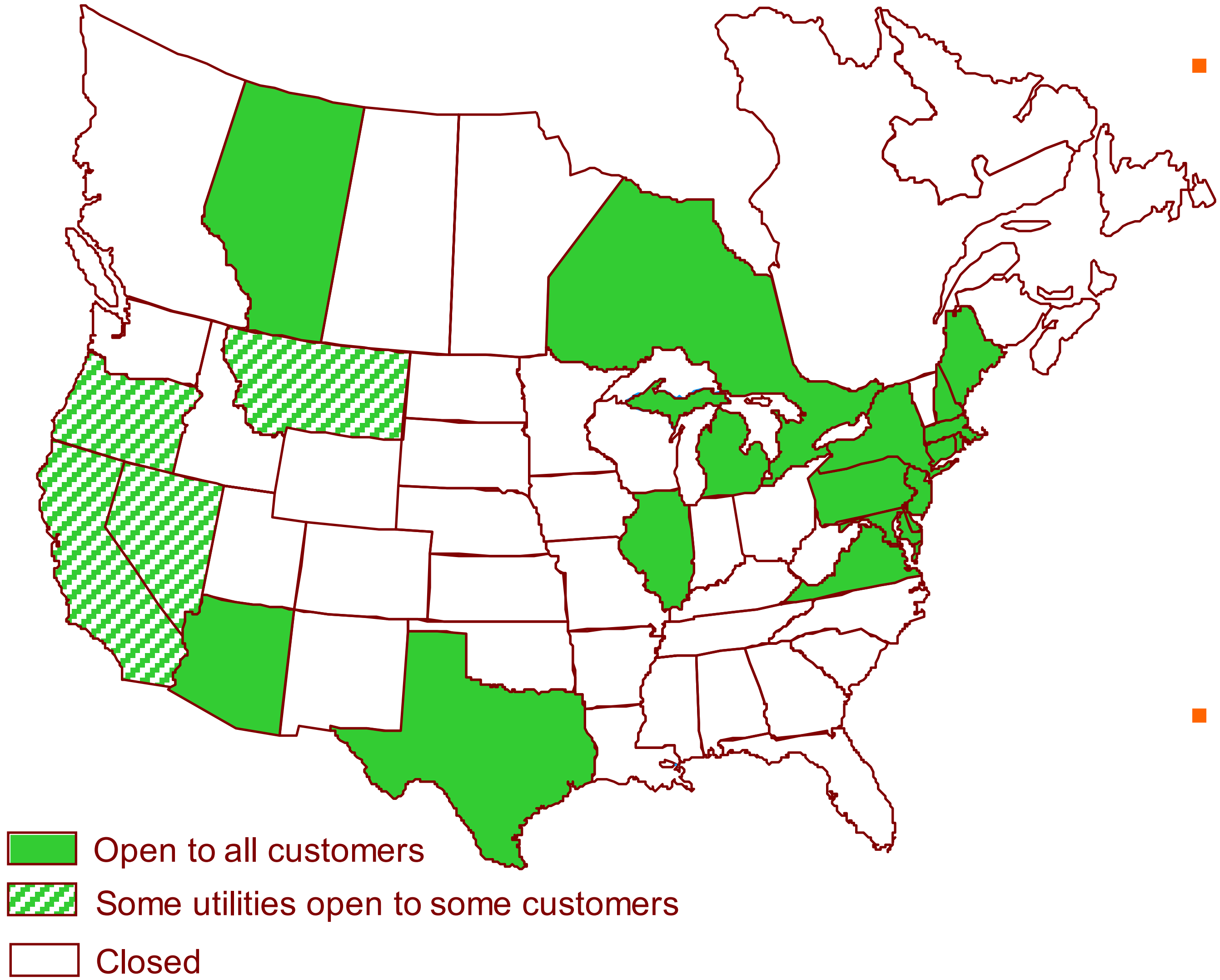
Natural Gas Regulatory Landscape



- Open to all customers
- Some utilities open to C&I and residential customers
- Open to C&I, closed to residential

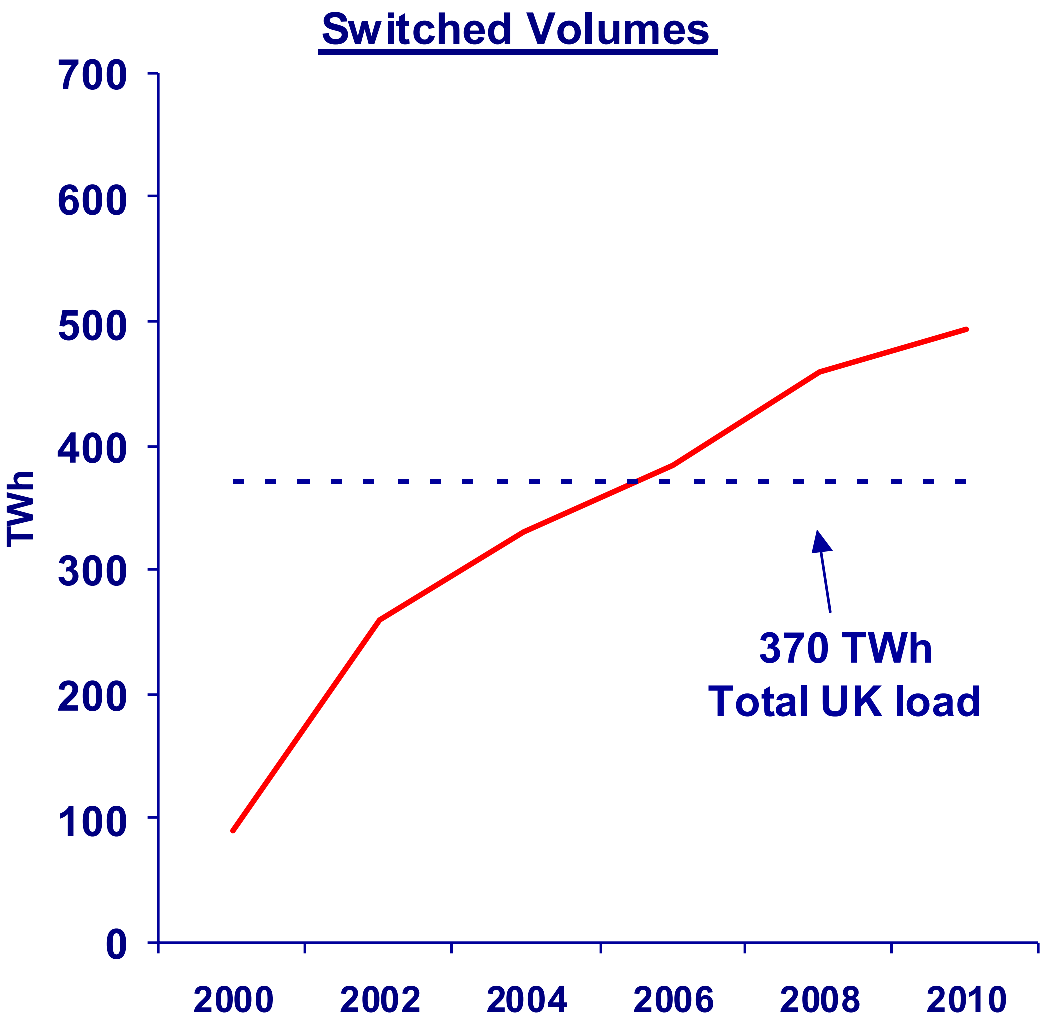
- North American gas network is highly integrated
- All states and provinces open in large C&I sector
- Limited new economic residential market opportunities

Electricity Regulatory Landscape



- Market reforms offer opportunities:
  - Ontario market re-opened
  - California rejected Proposition 80
  - New York rapidly advancing rules and standards
  - Aggregation programs
- Significant progress in advancing C&I sector

Trend in switched electricity volumes demonstrates continued support of competitive markets



- Volume switched in 2004 is almost three times 2001 switched volumes:
  - Market reforms driving market based pricing and exposure to hourly pricing
  - RTOs evolving aiding wholesale market design
  - No successful attempts to re-regulate
- Switched volume estimate for 2005 close to total UK power market load
- Industry consultants project switched load of 500TWh by 2010

Source: Kema
2001-2004 actual, 2005 -2010 estimated

Regulatory status has created differing opportunities across our businesses

Ontario	Alberta	Texas	US North
▪ Gas competition well-established ▪ Renewed (dual fuel) growth opportunity with electricity market reopening ▪ Loss of MPMA rebates alters economics	▪ Gas rebates hampering growth ▪ "Mixed economy" on electricity extended ▪ Conversion to deregulated products slow	▪ Price-to-beat is gold standard for deregulated market structure ▪ Deregulation has weathered the stress of recent extreme market conditions	▪ Mass markets deregulation making only slow progress ▪ Ohio gas progressing well ▪ New York offers material dual fuel opportunity

Despite sluggish progress in new Mass Markets, C&I market competition and switching is growing strongly in all regions

No true 'peer' to our unique model and geographic footprint

Primary Competitors

- **Residential**
  - Leading position in Canada
  - Strong # 3 in Texas
  - Smaller independents lack staying power and credit capacity

Canada
Union Gas, ESC
Enmax
US
TXU, Reliant
FPL/Gexa

- **Business Markets**
  - Few national players
  - No player has more than 20% market share

Constellation
Strategic Energy
Hess
Sempra
Suez
Select Energy

- **Services**
  - Residential energy and services offering is key differentiator
  - Mostly regional players and manufacturers

Servicemaster
Service Experts/Lennox
Sears
Local Contractors

Canadian Retail Operations

Bob Huggard

President, Canadian Retail Operations

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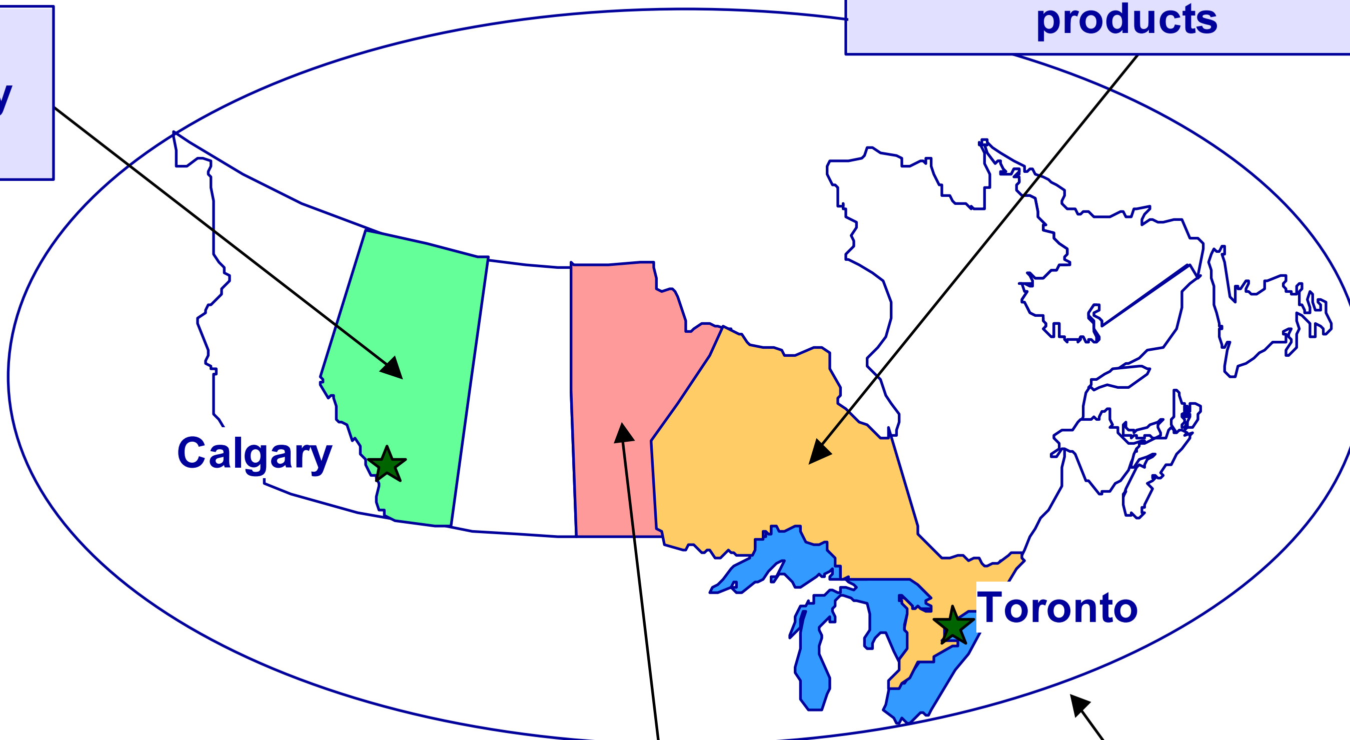
Canadian Retail Operations

1.8m households taking 2.8m energy & services products

1m gas & electricity customers



34,000 gas customers in Manitoba

Over 12,000 Business Markets customers throughout Canada

Market Size (res cust)	Gas	Power
Alberta	1.0m	1.1m
Ontario	2.9m	4.2m
Manitoba	0.2m	-

Canada Mass Markets Energy – Highlights

12 months to June 30, 2005	**Gas**	**Power**
Customers (000s)	1,550	576
Volumes*	2,414	7,399
Turnover (£m)	1,003	247
Gross Profit (£m)	70	51
Gross Margin %	7	21
Operating Profit** (£m)	41	
Operating Margin** %	10	

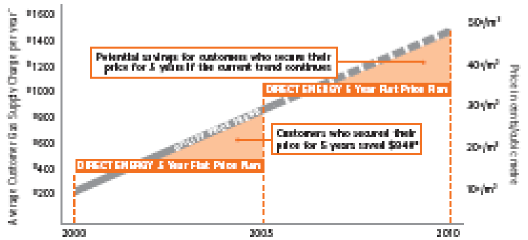
* Gas: million therms; Power: GWh

** Deregulated business only

- Branded, fixed price offer - #1 market share
  - Fixed price contracts, low risk, fully hedged, nominal weather and attrition exposure
  - Utility bill offers low cost and A/R protection
- Positioned for growth in Ontario with new dual fuel opportunity; growth will mitigate impact of rebate expiry
- Home Services differentiates energy offer

Forecasting deregulated customer growth averaging 5% per year and sustainable operating margins of 4-5%

DE's energy proposition emphasizes price stability



At Direct Energy, we've been protecting Ontarians against fluctuating natural gas prices for almost 20 years. And now we can offer the same protection for electricity. It's just another way we can help you manage your energy better.

The truth about energy prices.

As a homeowner in Ontario, there are some things you should know when it comes to your energy bill.

Energy prices fluctuate. Just like a variable rate mortgage, natural gas prices fluctuate – and lately they've been rising. This means you get a highly unpredictable energy bill.

You have a choice. Two major utilities in Ontario own the pipes that supply your natural gas. But in 1985, the Ontario government introduced *deregulation*, allowing consumers to choose their natural gas supplier instead of having to buy from the utilities. The electricity industry was deregulated as well. So now you have a choice when it comes to both natural gas and electricity.

We give you one rate, guaranteed. With our 5-year flat rate plans, you can avoid fluctuating prices and spikes in your natural gas and electricity bills. So you can more accurately budget your expenses.

Switching to Direct Energy is easy. All it takes is a phone call, and there will be absolutely no interruption to your current supply.

Avoid price fluctuations with Direct Energy. If you sign up now you can secure a price for the next 5 years.

This chart compares our flat natural gas price to the market trend. It illustrates how much our customers have saved over the past 5 years.

4

"The homeowner this winter is probably going to be looking at much higher [heating] prices."
- National Post, August 25, 2005

Tom Adams, Executive Director of Energy Probe expects "that over the next two years, overall electricity prices in Ontario, including the cost of transmission, will rise by 25%."
- CP Wire, August 15, 2005

Every Direct Energy Protection Plan Includes Priority Service.™
Sign up for any Protection Plan and you're automatically enrolled in our Priority Service. It's exclusive to Direct Energy.

Natural Gas

Make the natural choice.

Customers who have had a Direct Energy Natural Gas Price Protection Plan over the past 5 years have already saved an average of $848.* Choose the plan that best suits your needs.

The Flat Price Plan
Secure a flat rate for the next 5 years. It's smart. It's easy. And it's guaranteed.

The Declining Price Plan
Get pricing that declines by a full cent every year for the next 5 years. Only from Direct Energy.

Electricity

Our NEW Electricity Plans.

The Ontario government has increased the price of electricity twice in the past 2 years. Direct Energy now has two plans that can help protect you against potential price increases.

The Flat Rate Electricity Price Plan
Offers stable pricing with its 5-year fixed pricing at 8.50¢/kWh.**

The Green Electricity Price Plan
If you're concerned with saving the environment and money, Direct Energy is the first retailer to offer Green Power to all consumers in Ontario. The Green Electricity Price Plan draws power from a combination of renewable and conventional sources, and offers 5-year fixed pricing today at only 8.80¢/kWh.** Call today and find out how Direct Energy Electricity Plans can help save you energy.

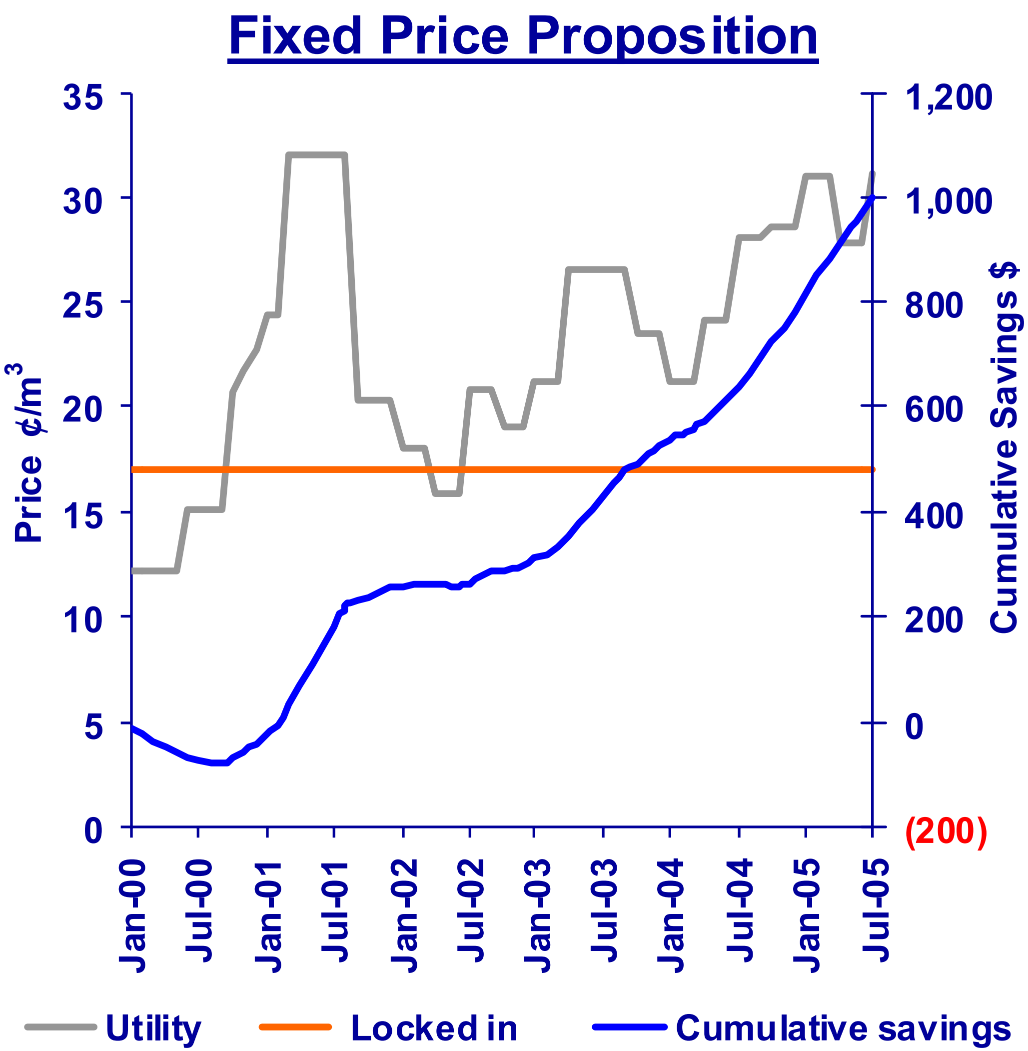
Get FREE LONG DISTANCE MINUTES every month for 5 years.†

Direct Energy has teamed up with Rogers to provide an offer exclusively for our customers. Just sign up for a 5-year Direct Energy Natural Gas or Electricity Price Protection Plan, and a long distance residential service plan with Rogers, and you'll get 300 FREE minutes of Canadian Long Distance† every month for the term of your Plan. It's just another way we help you save.

- You'll get all the stability that comes with a Direct Energy Price Protection Plan.
- You won't have to watch the clock when you're talking long distance.
- You'll have total control of both your energy and long distance bills.
- You'll save money.

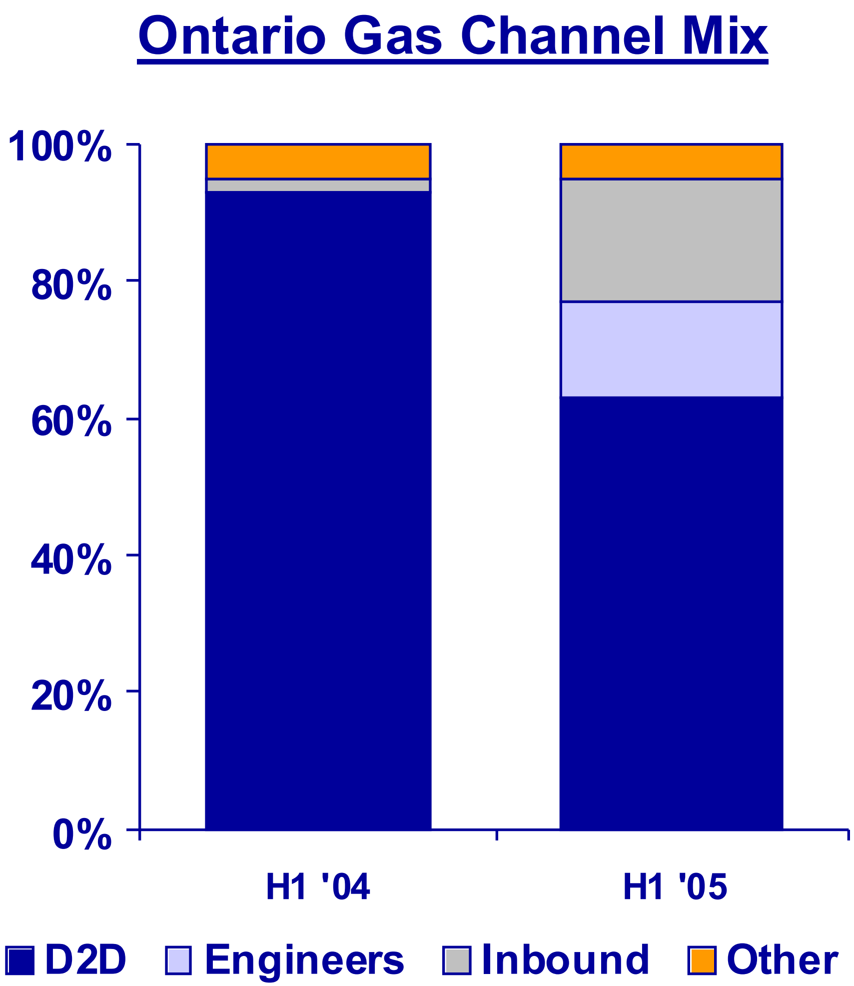
Direct Energy

Fixed price proposition resonates with customers



- 5-year contracts are core offer
- Exploit market opportunities through:
  - product innovation
  - proactive sales
- Low risk product, with expected requirements fully hedged:
  - Low customer mobility
  - Low CTS with utility bill and A/R protection
- A customer who signed five years ago would have saved approx $1,000
- Backwardation creates future profit growth

Evolving channel mix to reach new customer segments and increase CTA leverage



- D2D remains important channel
- Sales force excellence initiatives have improved agent productivity
- Engineers cross-selling energy contracts to home services customers
- Outbound telesales added in H205
- New channels and affinity relationships have opened up new customer segments

Residential power margins revert to lower, but attractive and sustainable levels with rebate expiry in Ontario

- April 2006 marks the end of government payments under Market Power Mitigation Agreement
  - Decision to capture MPMA rebates contributed substantial value over 4-yr duration
  - MPMA expiry will impact profit/MW adversely, but margin on new contracts remains attractive
  - Renewed growth and business optimisation will offset any profit shortfall in medium term

Alberta

- The £37.5m ATCO Retail acquisition gave us:
  - 1 million regulated gas and power customers in Canada’s second largest and fastest-growing market
  - A profit growth opportunity by migrating these accounts to competitive offers
  - Ownership of the incumbent utility billing envelope to quickly establish the Direct Energy brand at low cost
- Political climate has slowed down residential energy switching in near term, but other elements of strategy intact/enhanced:
  - Accelerating development of Business Markets opportunity (eg $300m University of Calgary contract)
  - Earlier development of a home services business
  - Extending presence into British Columbia

Focus in Alberta is to fully reward ATCO investment despite slower residential switching

Canada Home Services – Highlights

Home Services	*12 months to June 2005*
Customers (000s)	1,797
Annual calls (000s)	735
Turnover (£m)	132
Gross Profit (£m)	75
Gross Margin (%)	56
Operating Profit (£m)	8
Operating Margin (%)	6

All financials include CWIF on equity accounting basis

- Largest Home Services business in Ontario:
  - Serves over 40% of all Ontario households
  - 780 engineers and installers
  - 60% growth in protection plans since 2002
- Low risk utility billing
- 19.9% retained interest in Consumers' Waterheater Income Fund
- Recently established in Alberta and Manitoba
- Potential to double addressable market

Forecasting overall operating margins of 14-16% and year-on-year revenue growth of 7-8%

Restructuring of Enbridge Services established our services platform with minimal invested capital

Gross Cost
C$1.0bn

- **Acquisition included:**
  - **Water tanks**
  - **Rental customers**
  - **HVAC service relationships**
  - **Engineers**

Proceeds
C$856.5m

- **Disposed of water tanks into publicly-traded income trust (CWI.un-T)**
- **Closed Philadelphia ops**

Net Cost
C$143.5m

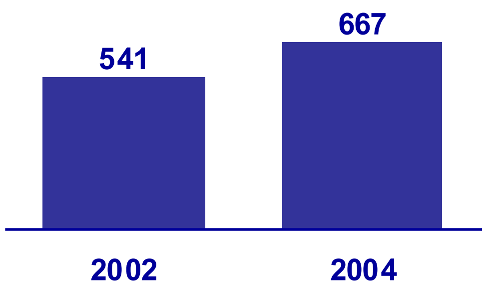
- **Elements retained:**
  - **HVAC and rental customers**
  - **unregulated gas customers**
  - **Contract for WHR service**
  - **C$100m loan book**
  - **Engineers, trucks**
  - **19.9% interest in Trust (C$160m*)**

* As of November 29, 2005.

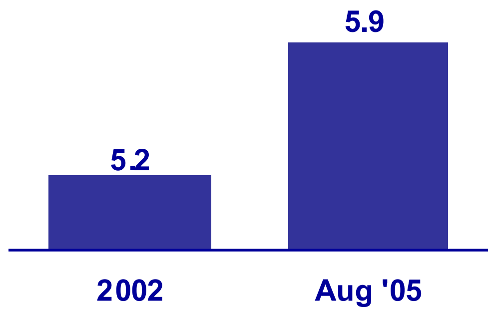
- We retained the following:
  - relationships with >1.3m rental customers
  - 35% of the rental revenue from the WHR portfolio
  - 95,000 unregulated gas customers
  - 320,000 protection plan customers (now 500,000)
  - 600 engineers & installers
  - utility billing
  - loan book
- Minimal ongoing capital requirements

Knowledge transfer from British Gas is enabling us to extract more value from each customer relationship…

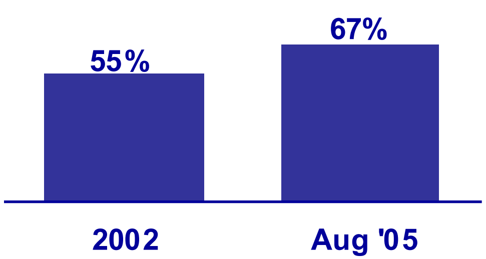
Service Volumes (000)



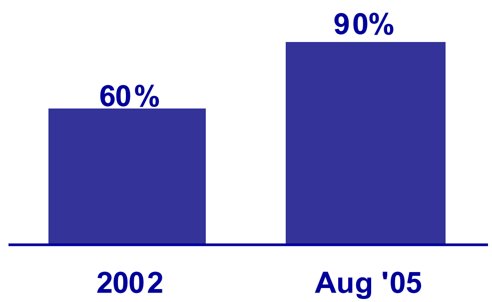
Jobs per Day



Tech Interaction Quality



1st Time Completion



- Transformation created platform that:
  - Supports incremental revenue at low marginal cost
  - Enables provision of high quality, differentiated services in large volumes
- Efficiency and satisfaction have improved markedly

…and it has capacity to support substantial incremental growth

Leading position in Ontario Services is increasingly being leveraged to pull through energy sales…

- Products combine premium price and high service, creating strong loyalty
- Continue to grow volumes of core Ontario offer and extend product range
- Build organically on recent service company acquisitions in Alberta and Manitoba
- 670,000 engineer home visits and sales opportunities each year in Ontario alone

Service Relationships (000s)	*At June 30, 2005*
Rental Water Heaters	1,320
Heating Plans	400
Cooling Plans	50
HVAC Retrofits	20
Chargeable Visits	50
Total	**1,860**

…as we execute on our objectives to Restructure, Transform and Grow

Canada Business Markets – Highlights

12 months to June 30, 2005	**Gas**	**Power**	**Services**
Volumes*	323	2,397	n/a
Turnover (£m)	108	65	28
Gross Profit (£m)	9	16	7
Gross Margin (%)	9	24	25
OP** (£m)		3	
OP Margin** (%)		1	

*Gas: million therms; Power: GWh

**across all 3 business segments

- Focus on mid-sized business customers
- National services capability
- Successful growth following strategic emphasis in 2003
- Growth and backwardated gas curve impact operating margins in the near term
- Total Energy Solutions proposition

Forecasting sustainable run-rate operating margins of 3-4% and year-on-year revenue growth of 15-20%

Canada Business Markets Strategy Summary

- Focus on customers with consumption above mass-market tariff thresholds, but below volumes requiring wholesale procurement
- Expand 'blue chip' customer base, raising profile and creating platform for future growth
- Leverage national services footprint to deliver differentiated *Total Energy Solution* value proposition, integrating proprietary technology capabilities with energy and HVAC services
- Leverage increasing scale and cost optimisation to earn the top end of 3-4% industry margin range, and translate into ROCE in the mid-teens

Total Solutions approach gaining traction in Canada; plans to replicate in the US as appropriate

SOURCE	BUY	CONVERT	USE	DISPOSE
Wind, Solar, On-site, Gas generation, Coal generation, Hydro	Energy commodity Natural gas, Electricity, Water	Equipment that consumes and converts energy into useful forms	Heating, Cooling, Lighting, Scheduling, Comfort, Maintenance and Operation	Regulatory tracking and compliance, CFC, PCB disposal, Kyoto protocol

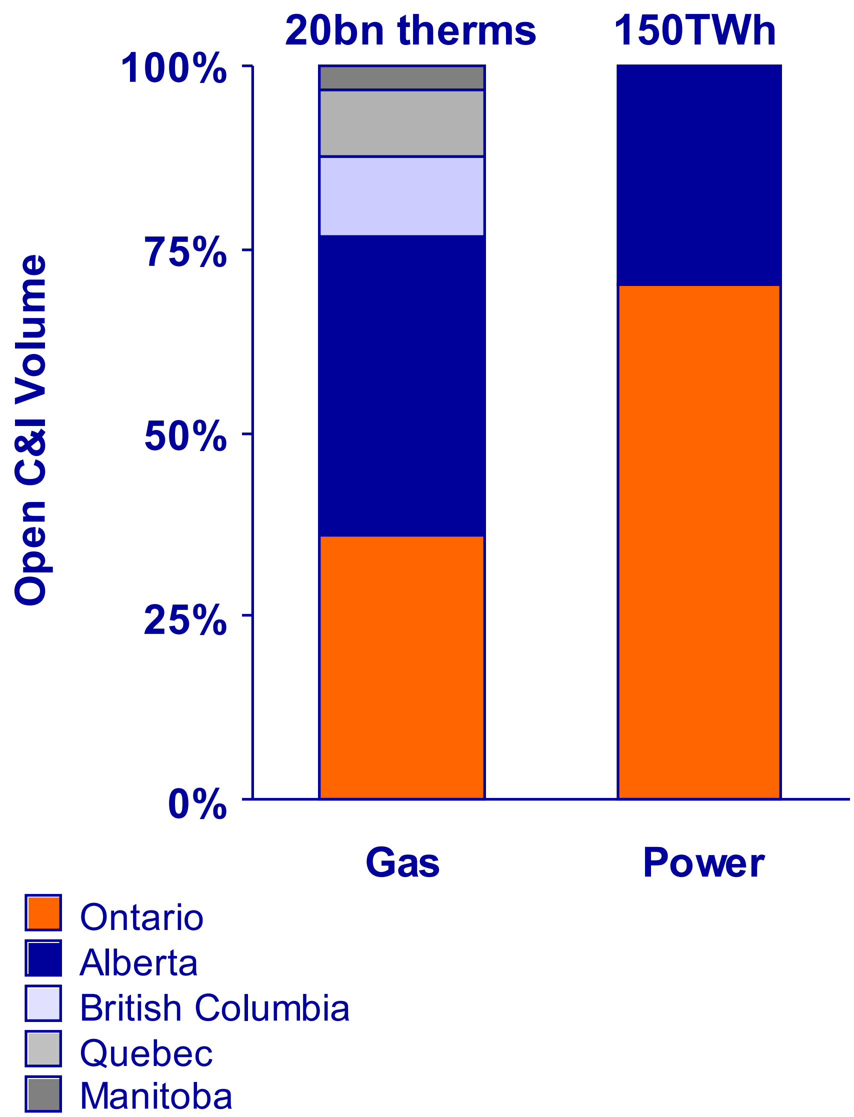
Multi-faceted offer increases average revenue and extends contract life, driving greater customer lifetime value

Growing Success

Sample Customers	Gas	Power	Services
Corel Centre	✓	✓	✓
Marriott Hotels & Resorts	✓		✓
Sears	✓	✓	✓
Staples Business Depot		✓	✓
Tim Hortons	✓	✓	✓
University of Calgary	✓	✓	✓

- Cross-selling gas and power
- Exploiting national services footprint to become provider of choice for multi-regional customers
- Winning with differentiated energy and energy related services and technology
- Expanding high-profile customer base and market awareness
- Setting platform for future growth

Significant growth opportunity



- 20 billion therms and 150 TWh of C&I volumes in open markets in Canada
- Focusing on retail, light industrial, property management, hospitality and public sectors
- Large and fragmented markets present significant growth opportunity

Canada Retail Summary

- Ontario power market re-opening revitalizes residential dual fuel opportunity
- Opportunity to grow energy <u>and</u> services in under-penetrated segments
- Value creation in Alberta will focus on Business Markets and Services opportunities
- National footprint in both energy and services offers compelling proposition to mid-size target business market
- Increased focus on operational excellence will augment value creation from top-line growth

Questions?

United States Retail Operations

Phil Tonge

President, Texas Retail Operations

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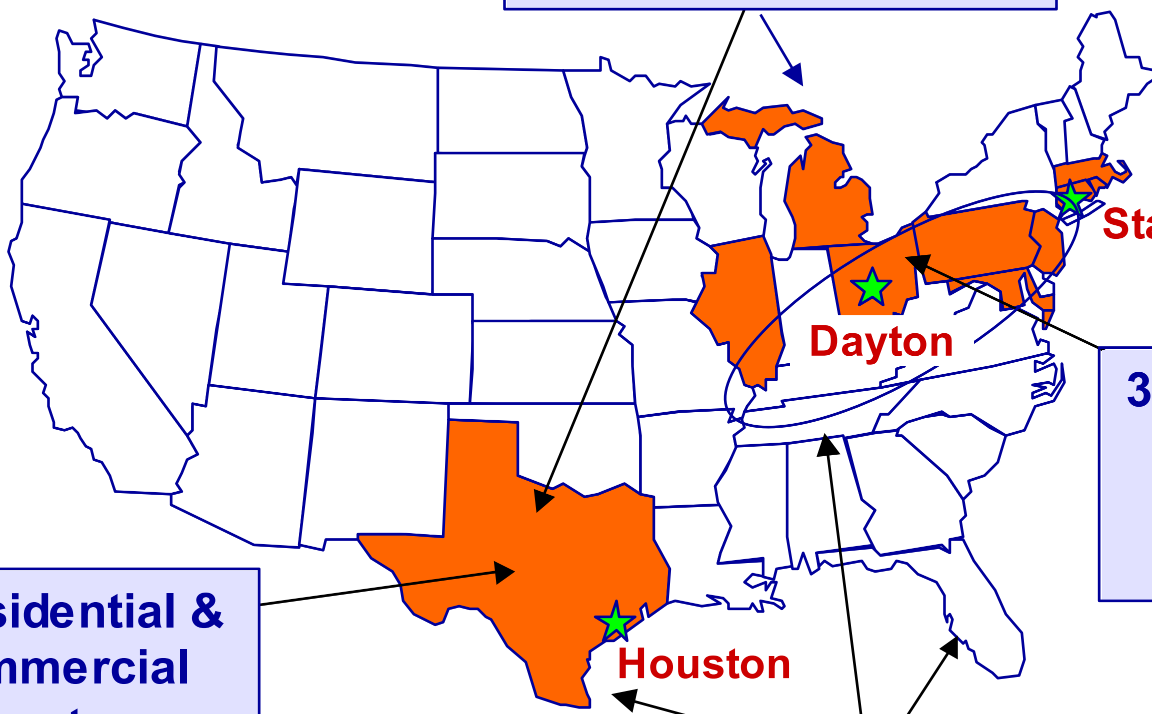
US Retail Operations



4,000 business markets gas & electricity customers

300,000 residential & small commercial gas customers

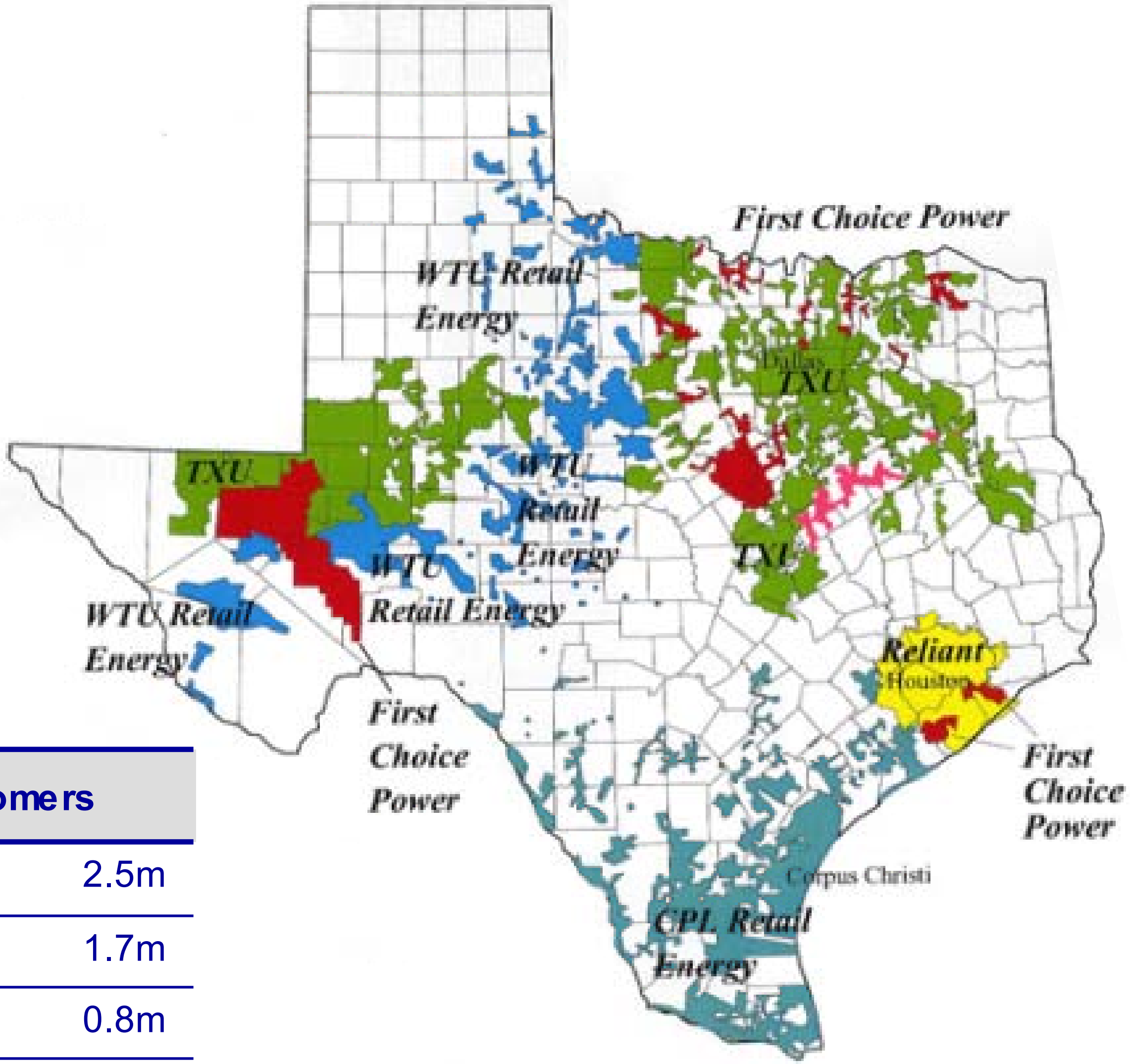
900,000 residential & small commercial electricity customers

40,000 residential services customers in 10 states

US Retail Agenda

- Focus residential energy efforts in Texas power, Ohio gas and New York dual fuel
- Continue to grow the profitable RSG residential new construction business and build out home services from this platform – focusing initially on Texas and Ohio
- Achieve significant growth in US North business energy markets through organic growth supplemented by opportunistic acquisitions
- Progressively roll out business services and technology to support energy sales, with initial focus on Texas

Texas has the 2nd largest energy consumption in the US, and is enjoying robust growth



Residential Customers		
	TXU	2.5m
	Reliant	1.7m
	CPL/WTU	0.8m
	First Choice	0.2m

Texas Residential Energy – Highlights

12 months to June 30, 2005	
Customers (000s)	892
Volume (GWh)	12,871
Turnover (£m)	813
Gross Profit (£m)	189
Gross Margin (%)	23
Operating Profit (£m)	74
Operating Margin (%)	9

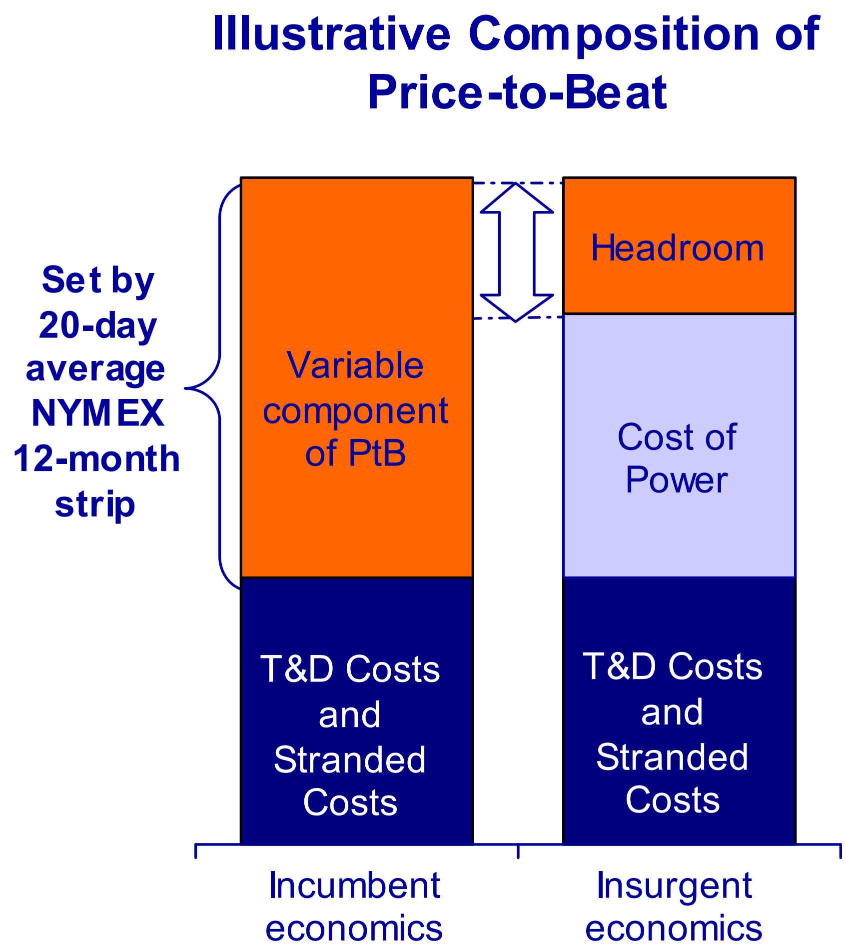
- Mature branded incumbent and high growth insurgent in largest US competitive market
- Attractive market structure, similar to UK, with average power consumption twice that of UK
- Commercially-minded competitors
- Integrated business with 1,017MW CCGT capacity
- Outperformed peers in recent volatile price environment on both margins and net customers
- Home Services being progressively rolled out

We expect net customer growth of c. 5% to continue in the near term, forecasting sustainable operating margins of 7-8%

Texas Mass Markets – Strategy Summary

- Build on strong #3 position and narrow gap with market leaders
- Successfully manage through end of Price to Beat by:
  - Maintaining gross profit
  - Retaining high value customers
- Achieve continued growth in insurgent business through modest organic growth and acquisitions of exiting smaller retailers
- Exploit achieved scale to drive low cost operating model
- Grow home services aggressively by:
  - Building on profitable residential new construction business
  - Organic and acquisitive development of home services business

Effectively managed PtB dynamics to maximize profitability and customer retention



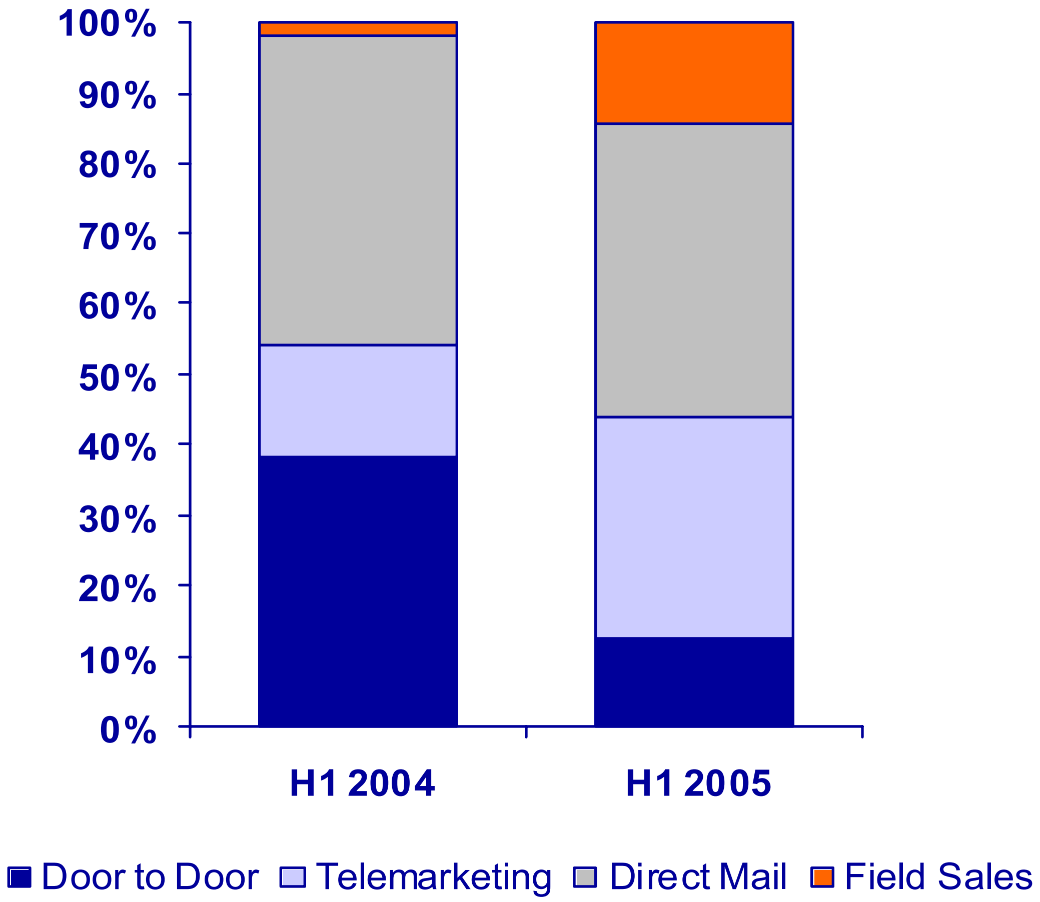
- Rates are designed to leave headroom for competitive offers
- Headroom and cost of power vary among territories, creating opportunities for nimble market participants
- PtB highest in CPL/WTU but churn mitigated with service enhancements and retention-focused discounts
- Competitors have priced rationally

Our proposition offers short-term price stability and guaranteed savings off the PtB rate

Award winning TV advertisement

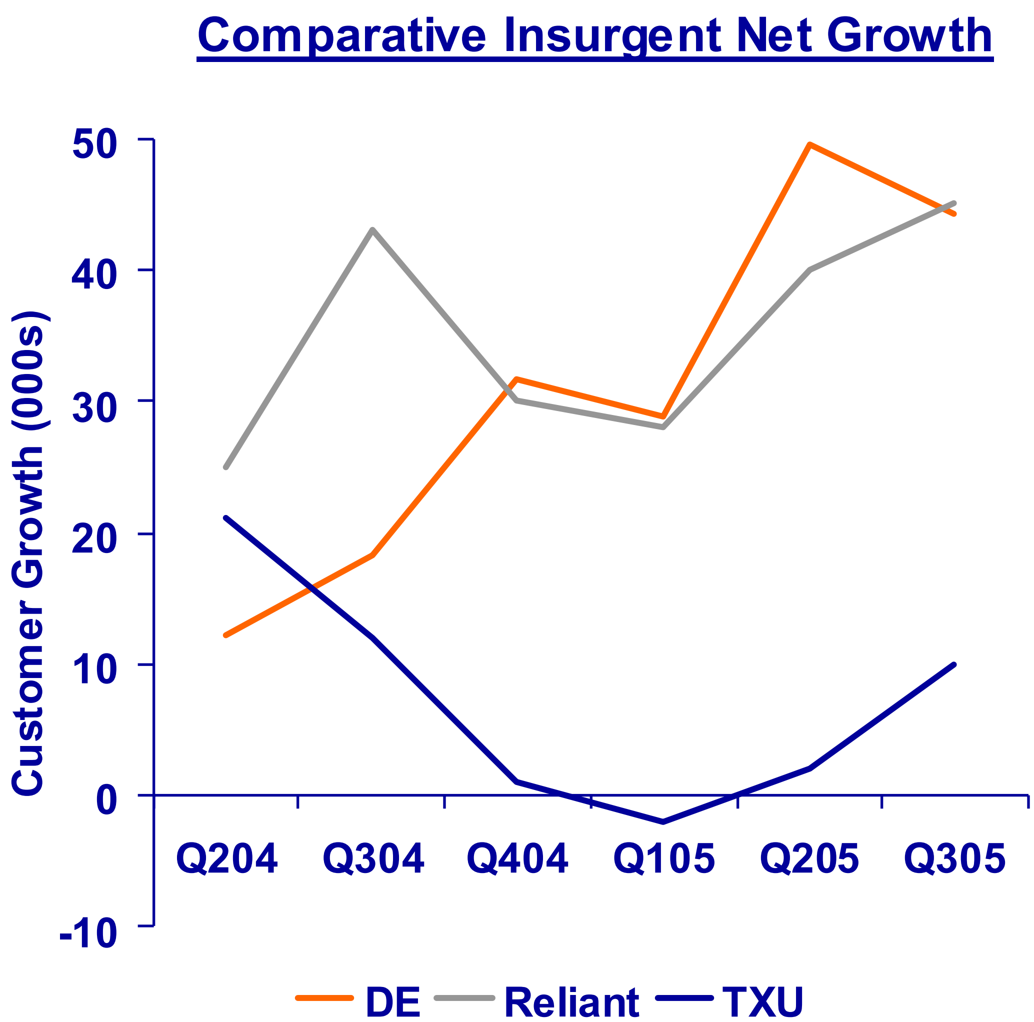
Diversified channel mix and process improvements have improved sales performance

Insurgent Sales Channels



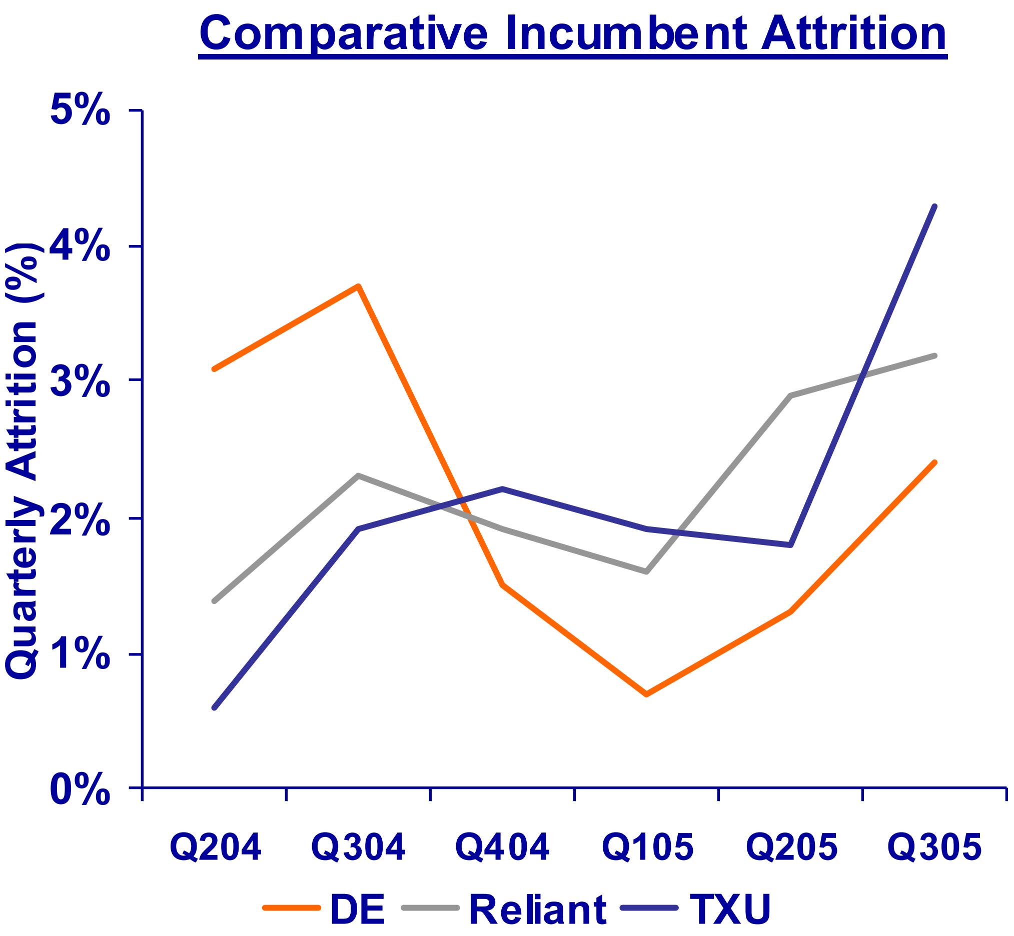
- Exploiting direct marketing opportunity with direct mail, affinity programs, moves
- Diversified channel mix to better leverage scale and scope:
  - Builders
  - Associations
  - Kiosks
- Closed higher cost channels, driving 30% reduction in CTA in 2005

Successful channel strategy has translated into sales wins against key competitors…



- Focus on attracting and retaining higher-value customers
  - In Houston and Dallas, our average customer uses 106% of ERCOT averages
  - Rolling out bundled offerings of energy and services

…and in combination with reduced incumbent attrition, has resulted in faster net growth



- Managed attrition in incumbent territories through:
  - Rebates and price stability: passing on savings
  - Energy subsidies for low income consumers
  - Improved operations have driven complaints down 74% since mid 2003

Outperformed larger peers on key customer and profit metrics this year

Grown net customers by 112,000 and maintained profitability through a 16% price increase

- Recent commodity price spikes have driven negative margins at competitors
  - Discounting arrangements with the PUC extend this into H1 2006
- Hedging strategy has produced favourable results through this volatile period

We believe Texas margins will remain attractive post PtB expiry

- PtB expiry offers the opportunity to tailor our pricing strategy to target acquisition and retention of high value customers
- The market is consolidating through a combination of acquisitions, exits and bankruptcies
- Evidence since PtB "relaxation" in 2005 indicates competitive environment will remain rational
- Small insurgents will not have staying power to mount a protracted period of price discounting
- Competitors' stated margin expectations are healthy

Changing incumbent vs insurgent mix will cause margins to trend down over time, but aggregate margins will be attractive

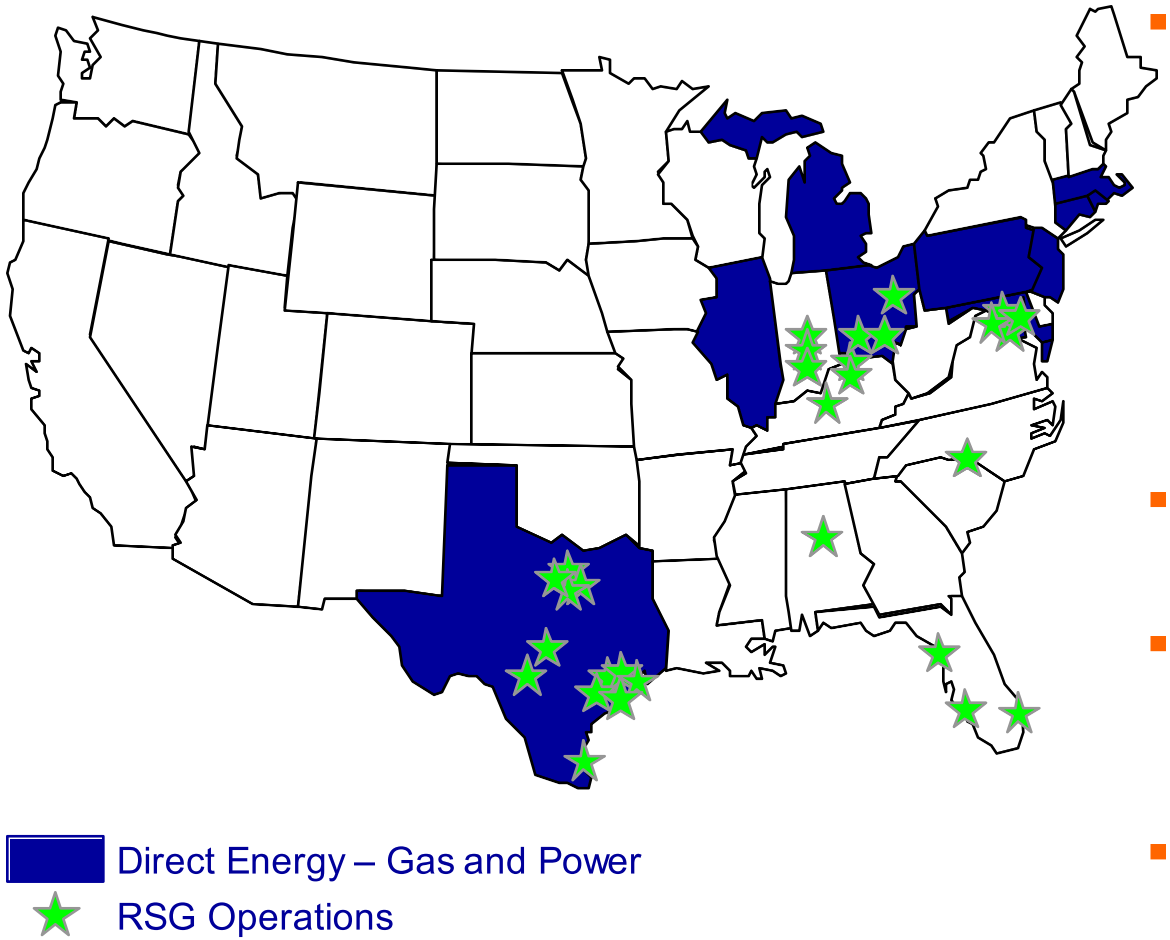
US North residential performance has improved with optimisation and growth

12 months to June 30, 2005	
Customers	317,000
Volume (m.therms)	506
Turnover (£m)	199
Gross Profit (£m)	23
Gross Margin (%)	12
Operating Profit (£m)	5
Operating Margin (%)	3

- "Cleaned up" acquired books, shedding low value customers
- Retained larger customers with good renewal margins
- Promising gas regulatory outlook in Ohio
- New York dual fuel
- Portfolio optimisation has driven steady profit improvements

Forecasting overall operating margins of 2-3% and average revenue growth of 10-15% per annum

RSG provides an excellent, profitable platform on which to build home services



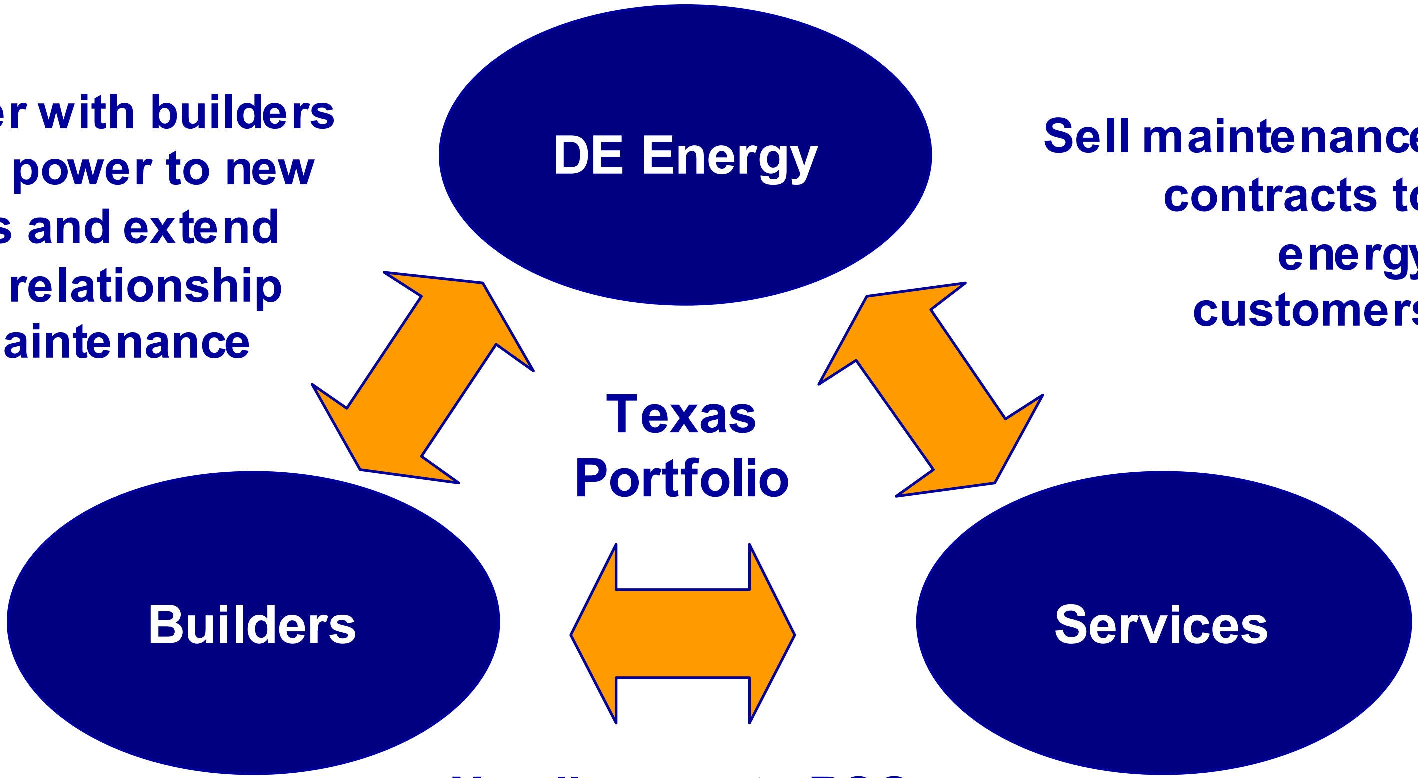
- HVAC installation and services markets:
  - residential new construction
  - after-market service, maintenance and retrofit
- Integration with energy business going well
- Services an area covering ~50% of our energy customers
- Tuck-in acquisitions will extend this reach

Forecasting average revenue growth of c. 5% per annum, and overall operating margins of c. 10%

Home services has opened new, lower cost channels for energy sales not available to competitors…

Partner with builders to sell power to new homes and extend install relationship into maintenance plans

Sell maintenance contracts to energy customers



X-sell power to RSG maintenance contract customers,

…and is creating a virtuous circle for brand, increased sales and lower costs

US Business Markets – Highlights

12 months to June 30, 2005	**Power**	**Gas**
Volumes*	1,321	44
Turnover (£m)	90	23
Gross Profit (£m)	9	2
Gross Margin (%)	10	9
OP (£m)	(3)	
OP Margin (%)	(3)	

*Gas: million therms; Power: GWh

- Market entry in 2003
- Very strong growth to date
- OP reflects market entry costs associated with early stage
- Targeting ROCE in mid-teens
- Low risk, with supply fully hedged
- Potential to overlay Services and Technology proposition

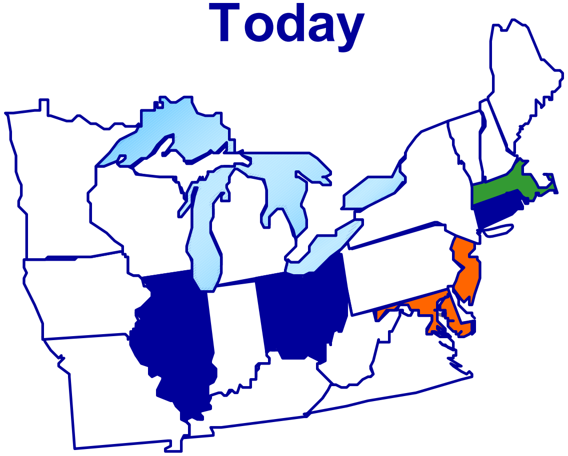
Forecasting turnover CAGR of 40-60% per annum and industry operating margins of 2-3%

US Business Markets Strategy Summary

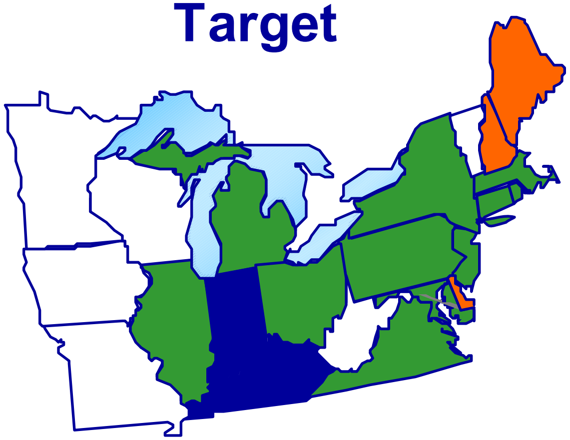
- Low risk, adjacency-driven strategy, leveraging Canadian experience to drive growth in Texas, the Northeast and Midwest
- Will build on early success of PJM and NEPOOL power market entries with New York market entry in 2006
- Targeting 16 states by 2010 through a combination of organic entry and acquisition
- Translate rapid growth into increased scale to achieve industry margins of 2-3% and ROCE in the mid-teens
- Leverage Centrica credit strength while competitors shake out due to volatility

US North expansion will increase our Business Markets footprint three-fold in gas and five-fold in power

Today



Target



Gas Power Dual Fuel

- Huge eligible power and gas business markets in the Northeast and Midwest
- Opportunity to leverage efficiencies from adjacent EMG and mass markets presence
- Capitalise on substantial emerging New York opportunity

Leveraging our Services and Technology knowledge to gain traction in Texas

Sample Customers		Power	Services
COWBOYS	Dallas Cowboys Stadium	✓	✓
TWU	Texas Women's University	✓	✓
Texas State Technical College	Texas State Technical College	✓	✓

- Early high-profile wins in replicating our Canadian Business Services and Technology capabilities in Texas are promising

US Retail Summary

- Strong number three incumbent position in Texas leveraged into number one insurgent operation, as we are:
  - Retaining more incumbent customers than peers
  - Acquiring more insurgent customers than peers
- Business markets represent substantial growth opportunity in Texas, Northeast and Midwest, with expectation of doubling number of served markets by 2010
- Services will be important differentiator of offer in residential and business markets, increasing retention and reducing CTA

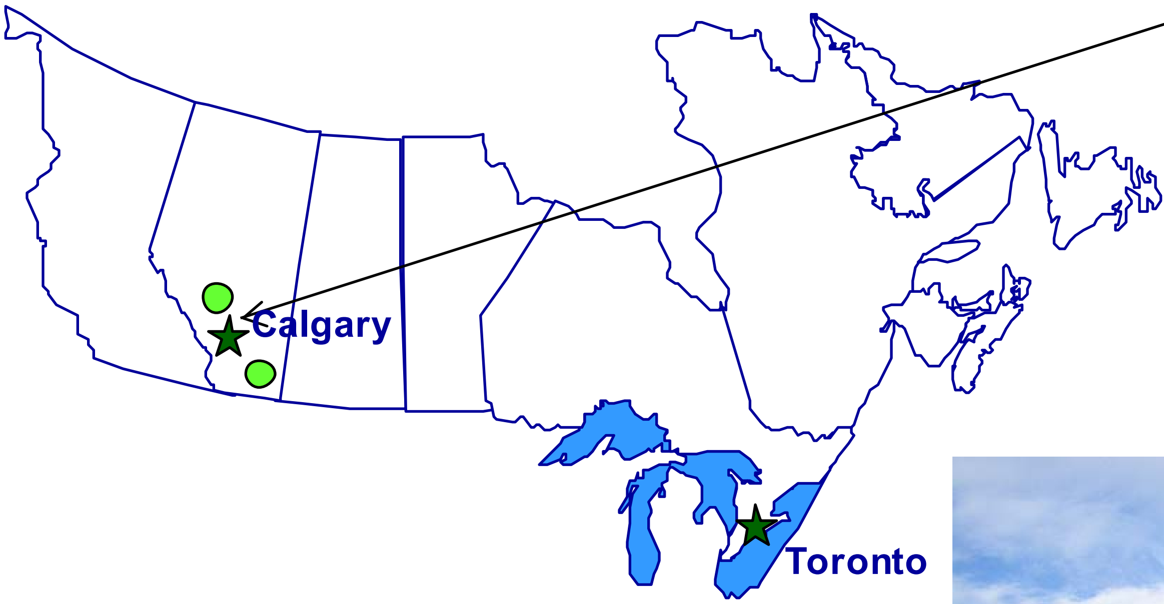
Upstream Gas & Power Generation

Mike Hogan

SVP Upstream Gas & Power

taking care of the essentials

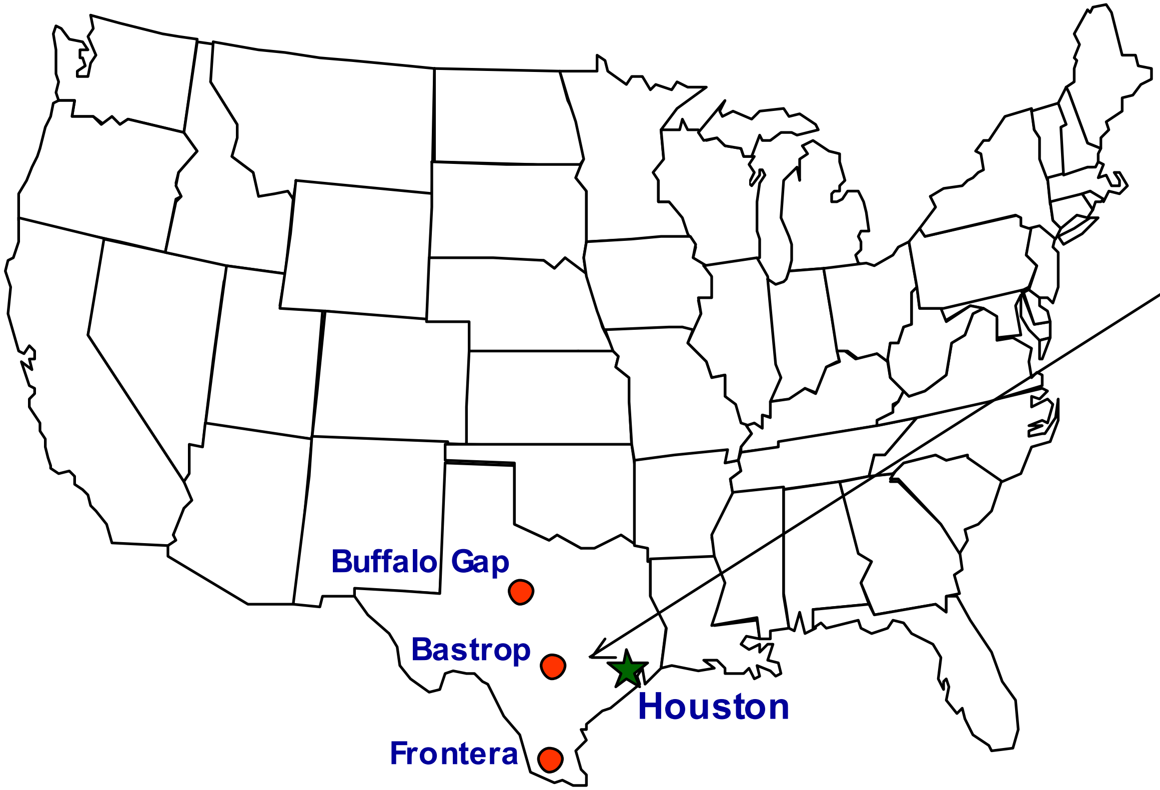
Upstream Gas Overview



Upstream Gas

- 3,400 producing wells; 93 compressors
- 1,200 wells drilled 2001-2005
- P+P reserves of 320 bcfe (95% gas)
- Current production of 88 mmcfe/d
- Total land portfolio of 302k hectares

Upstream Power Overview



Bastrop

- Near Austin, TX
- 540 MW
- 2x1 GE 7FA CCGT
- Commissioned 2002

Frontera

- Mission, TX
- 477 MW
- 2x1 GE 7FA CCGT
- Commissioned 2000

Buffalo Gap

- Near Abilene, TX
- 120 MW Wind Farm
- 15yr exclusive agreement for all output

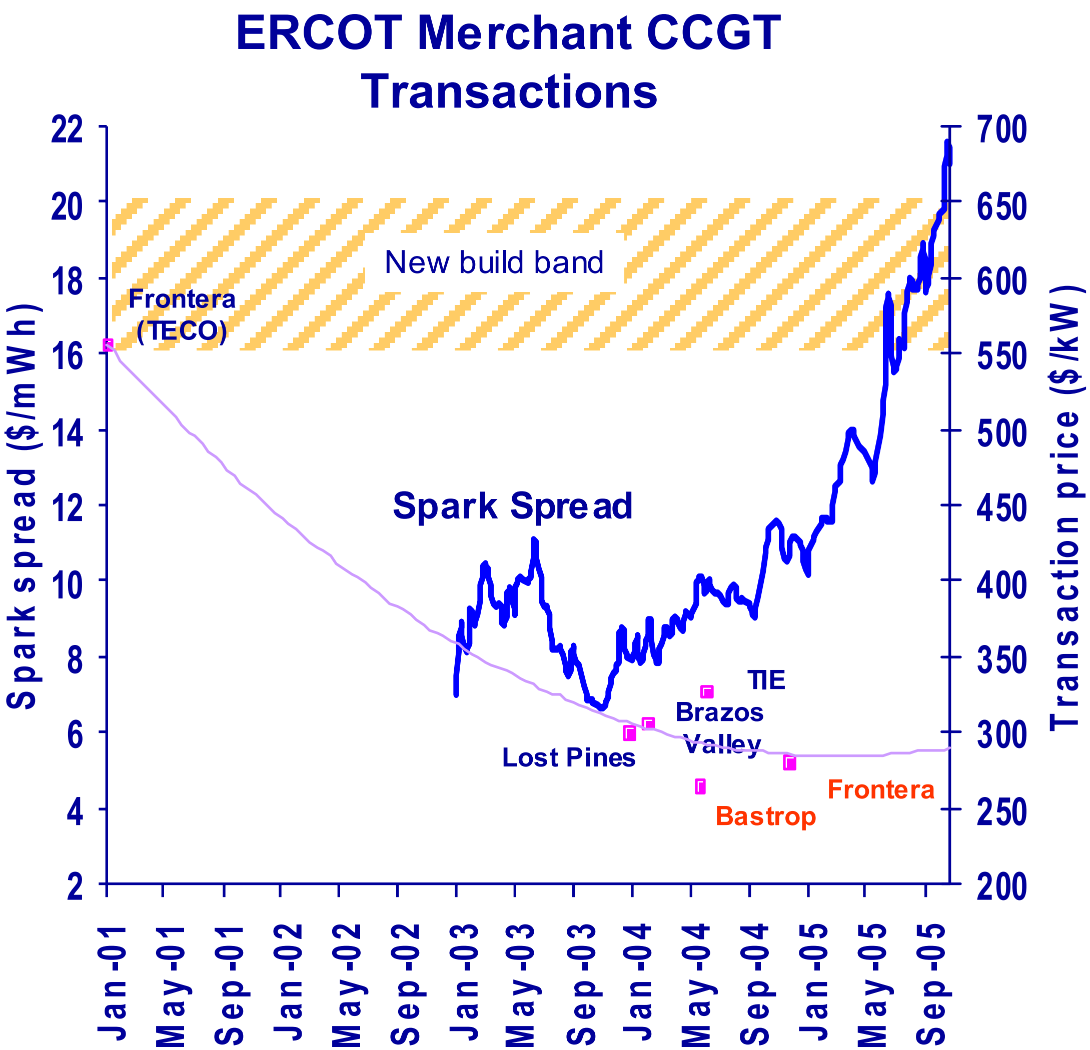
Hedging Strategy

- Risk tightly managed within prescribed limits established by Group Risk Management policy
- Procurement and hedging program executed by Energy Management Groups based in Calgary and Houston
- Highly experienced team with strong, independent risk management systems
- Natural gas market highly liquid; power markets vary by region
- Large number of creditworthy counterparties for gas trades; counterparty credit more of an issue in wholesale power
- Policy is to price hedge substantially all of weather-normalized load for forecasted sales – fundamentally different from UK

Upstream Gas and Power Asset Strategy

- Strategy guided by risk reduction through ownership of physical assets – *but must also create stand-alone value*
- Production targets as percentage of downstream requirements generally 20-30% for gas and 35%+ for power
- Upstream asset production transferred to downstream businesses at market – no distortion in downstream margins
- Current emphasis in upstream gas business is to maintain long term position and access attractive production margins
- Texas power plants acquired at attractive prices; provide optionality not readily available in wholesale market
- Both upstream gas assets and power plants have market values well in excess of capital invested

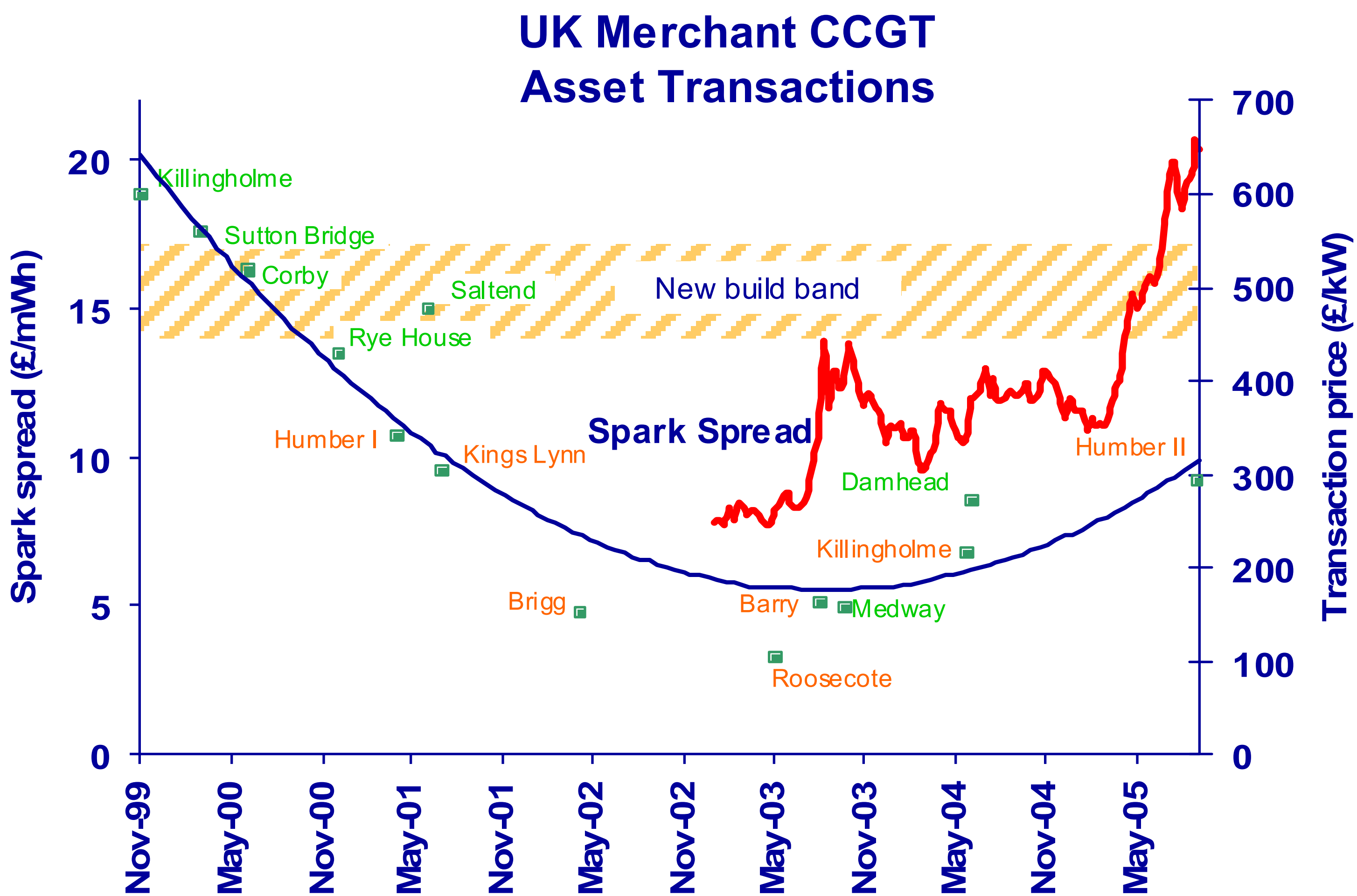
Well-timed acquisition of quality power assets



*Direct Energy acquisitions shown in orange

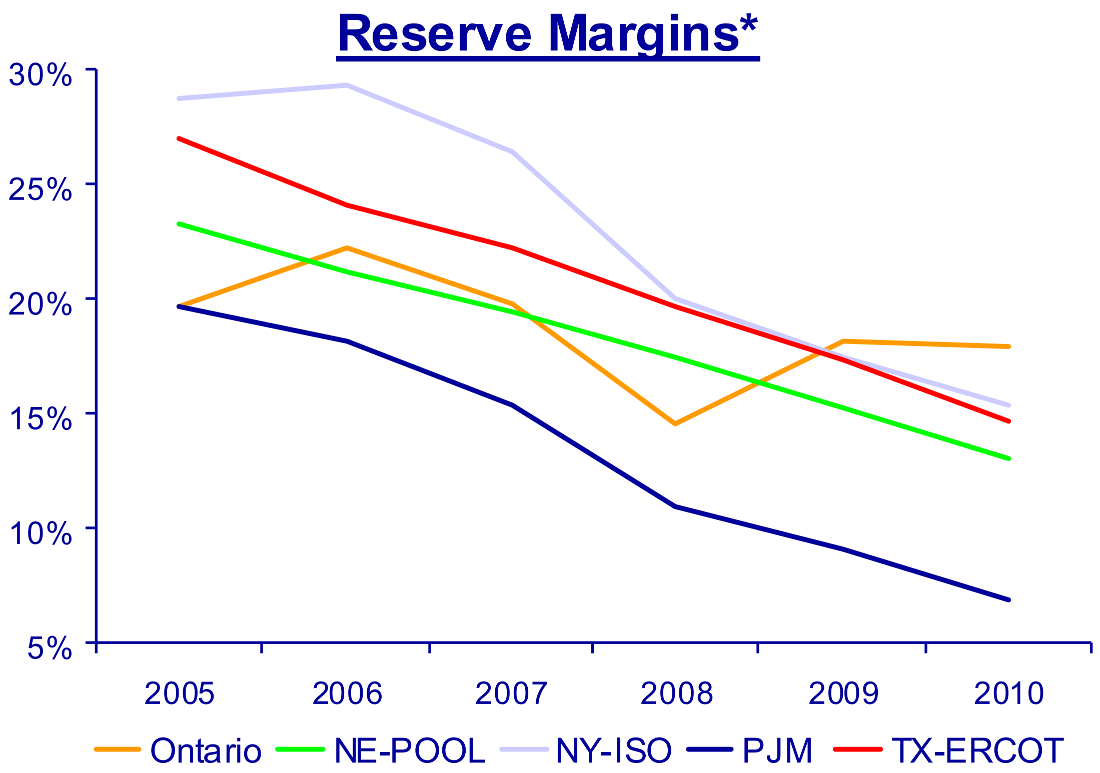
- Mid merit plants acquired in 2004 for $265-280/kW
- Well located to support retail load
- Reserve margins have declined; valuations have risen apace
- Operations enhanced under DE ownership
- Market recovery and DE performance upgrades have increased value to ~$400/kW
- Incremental value to retail procurement

The UK market – a leading indicator



*Centrica acquisitions shown in orange

Wholesale power markets vary by region

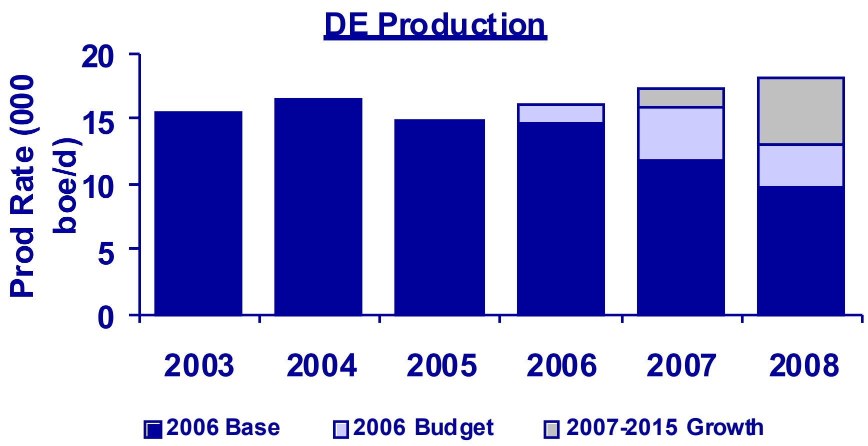


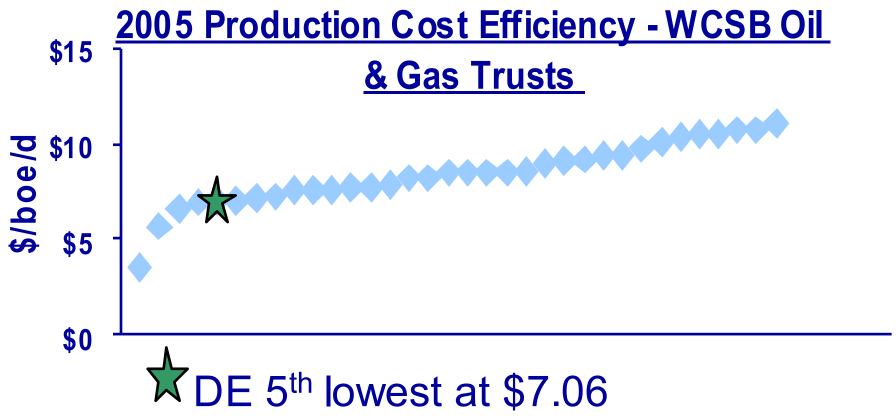
- US Northeast markets are large, with varying levels of transparency and liquidity
- Large shaped load in TX makes asset ownership highly desirable
- Addressing liquidity in Ontario, limited despite adequate reserve margins

Asset ownership not currently required for new market entries in US Northeast

*Source: Henwood Database, Aug data; and Navigant Consulting (Ontario)

Upstream Gas – operational excellence





- Strong track record in replacing reserves
- Executed on ~1200 new wells over past five years with success rate >85%
- Good production cost efficiency – competes with the top performing oil & gas trusts in Canada
- Coal bed methane expertise – one of the leaders in Canada
- Centrica is leveraging our NA CBM expertise in the UK

Value is underpinned by strong operational capability

Attractive gas asset position in Western Canadian Sedimentary Basin

- High working interests in existing lands
- Contiguous acreage in highly sought-after core areas in WCSB
- Production is 95% gas
- Proven plus probably reserve life index of10 years
- Attractive upside from coal bed methane, expanded development program

Estimated fair market value of c. C$1 billion

Upstream Summary

- Physical and long-term positions are delivering real benefits to our procurement and risk management activities
- Assets add significant value in their own right
- Excellent track record of timely, targeted acquisitions complemented by profitable investment in organic growth
- Strong competency in operational management, delivering efficient production economics and improved asset performance
- Assets provide us with a solid earnings stream and valuable optionality when combined with our retail load

Financial Review & Valuation

David Clarke

Chief Financial Officer

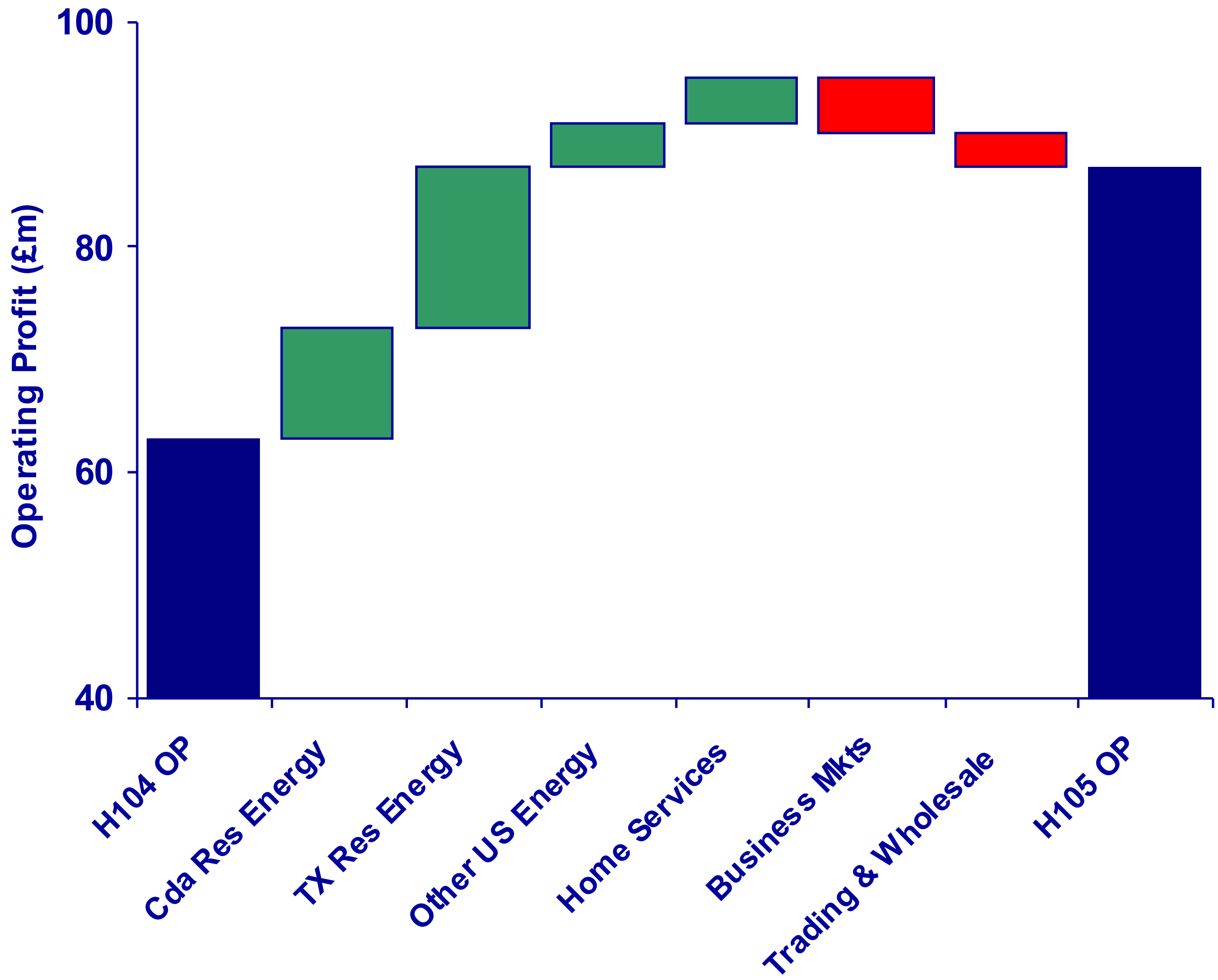
taking care of the essentials

Recent Financial Results (as published)

Turnover (£m)	H1 2005	H2 2004	H1 2004	H2 2003	H1 2003
Canada residential energy	706	544	275	171	252
Texas residential energy	401	412	332	465	468
Other USA energy	130	69	122	78	167
Home Services	163	112	73	88	84
Business Markets	180	111	93	62	64
Energy trading & wholesale	20	67	59	230	240
Total	**1,600**	**1,315**	**954**	**1,094**	**1,275**
Operating Profit (£m)					
Canada residential energy	29	11	19	11	22
Texas residential energy	30	44	16	33	27
Other USA energy	8	(3)	4	(7)	5
Home Services	21	19	17	18	9
Business Markets	0	(1)	5	0	3
Energy trading & wholesale	(1)	1	2	2	7
Total	**87**	**71**	**63**	**57**	**73**
Operating Margin					
Total North America	**5.4%**	**5.4%**	**6.6%**	**5.2%**	**5.7%**

Note: Home Services includes full consolidation of Consumers Waterheater Income Fund

Operating Profit Trace – H1 2004 to H1 2005



Residential businesses continue to grow while investing for future growth in C&I customer space

Canada Residential Energy: Financial Trends

Customer numbers (period end 000s)	H1 2005	FY 2004	FY 2003
Regulated gas	856	865	0
Deregulated gas	694	687	702
Regulated power	174	175	0
Deregulated power	402	402	459
Average consumption			
Gas (therms)	924	1,146	1,000
Power (kWh)	6,527	12,093	13,294
Financials (£m)			
Turnover - Regulated gas & power	459	438	0
Turnover - Deregulated gas	174	238	264
Turnover - Deregulated power	73	143	159
Gross Profit - Deregulated gas	31	30	34
Gross Profit - Deregulated power	23	44	46
Operating Profit	29	30	33
Operating Margin (Deregulated only)			
Total	**12%**	**8%**	**8%**

Canada continues to generate solid profits, but electricity margins will fall going forward

Texas Residential Energy: Financial Trends

Customer numbers (period end 000s)	H1 2005	FY 2004	FY 2003
CPL/WTU	625	639	731
Insurgent Business	267	190	128
Average consumption			
CPL/WTU (kWh)	7,150	14,614	16,768
Insurgent Business (kWh)	7,523	15,933	12,149
Financials (£m)			
Turnover - CPL/WTU	304	618	855
Turnover - Insurgent Business	97	126	78
Gross profit	86	170	183
Operating Profit	30	60	60
Operating Margin			
Total	**7%**	**8%**	**6%**

Insurgent business achieving scale, while careful management of CPL/ WTU customer base and hedging has sustained overall margin levels

Other US Residential Energy: Financial Trends

Customer numbers (period end 000s)	**H1 2005**	**FY 2004**	**FY 2003**
Total	317	305	414
Average consumption			
Gas (therms)	1,016	1,548	1,369
Financials (£m)			
Turnover	130	191	245
Gross profit	17	15	24
Operating Profit	8	1	(2)
Operating Margin			
Total	**6%**	**1%**	**-1%**

Other US Residential Energy business rationalised to achieve profitability

Home Services: Financial Trends

Customer numbers (period end 000s)	H1 2005	FY 2004	FY 2003
Canada - Waterheaters	1,320	1,317	1,300
Canada - Protection Plans	477	447	390
US	40	36	0
Financials (£m)			
Turnover - Canada	66	124	138
Turnover - US	81	30	2
Gross profit - Canada	36	71	82
Gross profit - US	27	10	0
Operating Profit	7	10	4
Operating Margin			
Total	**5%**	**6%**	**3%**

Note: Home Services Canada includes 19.9% of Consumers Waterheater Income Fund on an equity accounting basis

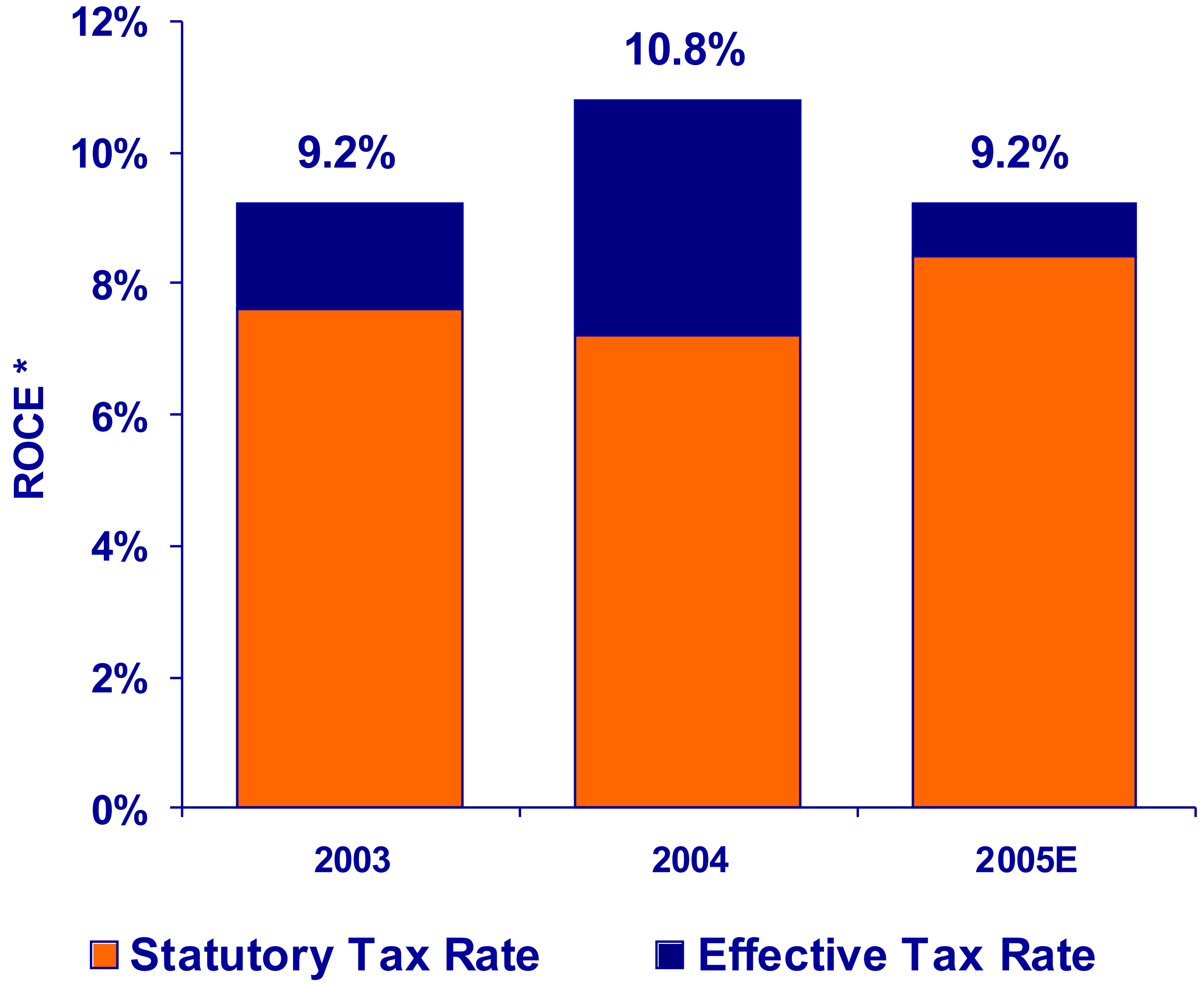
Steady growth continues in service business; focus now is to increase scale and so improve profitability

Business Markets: Financial Trends

Sales volumes	H1 2005	FY 2004	FY 2003
Gas (m.therms)	220	249	204
Power (GWh)	2,233	2,722	1,975
Financials (£m)			
Turnover - Gas	72	72	52
Turnover - Power	92	109	52
Turnover - Services & Technology	16	23	22
Gross profit - Gas	6	7	5
Gross profit - Power	12	25	16
Gross profit - Services & Technology	4	6	5
Operating Profit	0	4	3

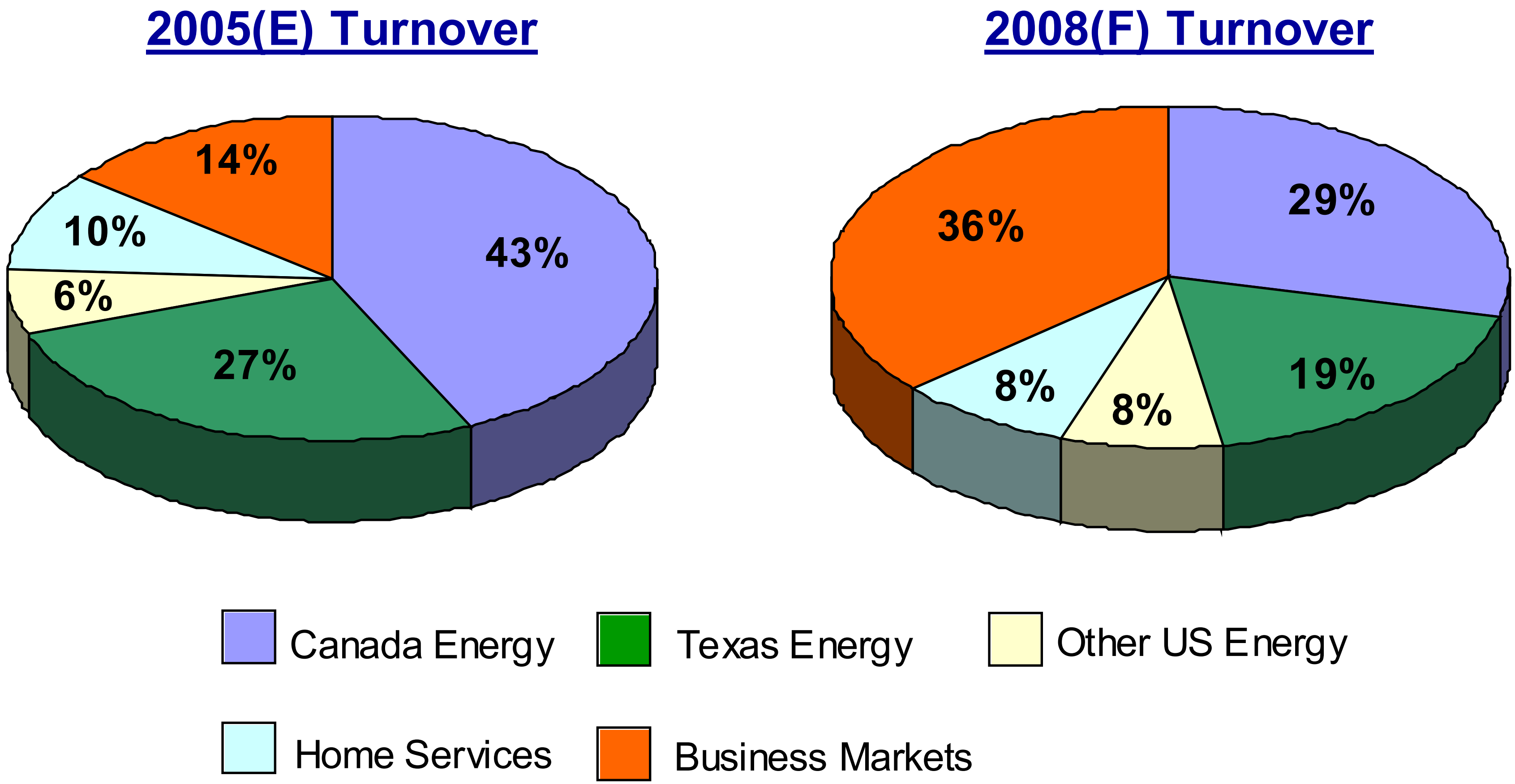
Continued investment in Business Markets segment has meant rapid growth not yet turned into ongoing profitability

Return on Invested Capital



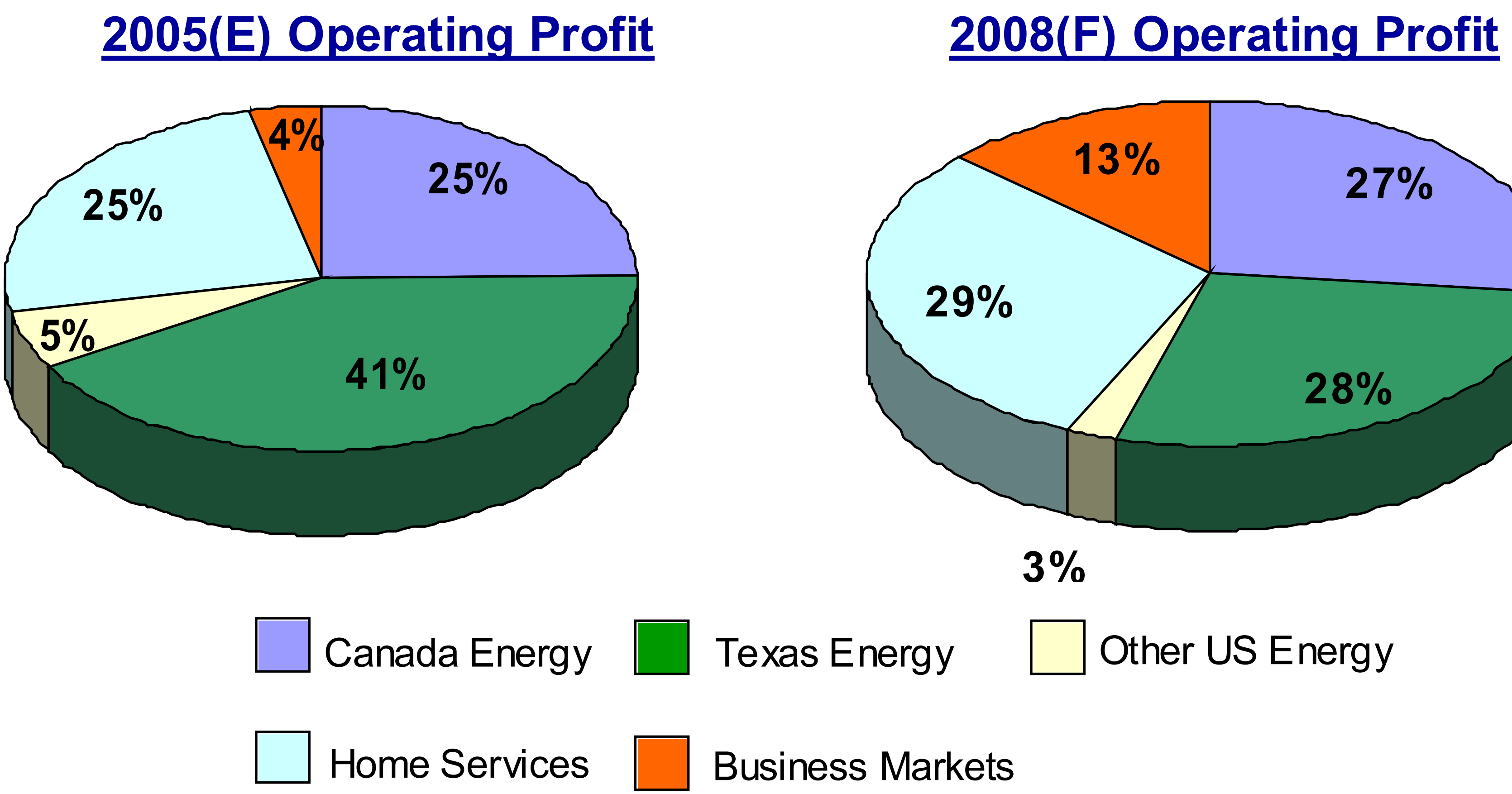
* NOPAT/average invested capital

North America Turnover Mix: 2005 and 2008



Geographic/segment turnover is forecast to become more balanced as C&I businesses grow

North America Operating Profit Mix: 2005 and 2008



Operating profit will also become more balanced, although still weighted towards the higher margin residential businesses

Selected Valuation Benchmarks

Business Unit	Peers	Ticker	Trailing 12 months P/E	Trailing 12 months EV/ EBITDA
Canada Residential Energy	Energy Savings Fund[1]	SIF.un-T	n/a	19.7
Services	UE Waterheater Fund	UWE.un-T	n/a	10.0
	Consumers' Waterheater Income Fund	CWI.un-T	n/a	8.9
Texas Residential Energy	TXU	TXU	15.7	10.3
	Reliant	RRI	56.8	12.5
	Gexa[2]	n/a	9.9	7.0
C&I Energy	New Energy[3]	CEG	n/a	6[4]
	Strategic Energy	GXP	n/a	5-7[4]
Upstream Power[5]			US$400-450/kW	
Upstream Gas[5]	Production		C$75,800/BOE/d	

1 Represents EV of C$1,150 per customer
2 Acquired by FPL Energy
3 New Energy was acquired by Constellation in Q2/02 at a multiple of 4.8x 2002E EBITDA
4 Analysts' estimates based on forward EBITDA
5 Estimated value based on recent transactions

Financial Summary

- Impressive financial track record
- Portfolio of businesses that reduces exposure to external factors or individual markets
- Improving mix of turnover and operating profit going forward
- Positive and improving spread on the Group WACC
- Business expected to be cash self-sufficient over the next few years combined based on current projections

Summary and Questions

Deryk King

President & CEO

centrica

taking care of the essentials

A compelling investment case

- Enhances Centrica's growth profile by accessing opportunity-rich market
- Balanced footprint minimises exposure to market-specific risks
- Material synergies between UK and NA skill sets
- Leading residential energy and services positions in core markets
- Business markets opportunity will drive significant new growth
- Upstream and energy trading capabilities add value and reduce risk
- Forward development is relatively low risk and will be funded from local resources
- Proven capability to deploy capital in pursuit of profitable growth testifies to management bench strength – others have failed
- Relentless focus on execution

North America offers double-digit revenue growth, robust operating margins and a progressive return on capital

Direct Energy™