

centrica

taking care of the essentials

Deryk King

MANAGING DIRECTOR - NORTH AMERICA

North American Overview

- Huge market:
 - 120 million electricity; 60 million gas customers
- Significantly higher energy consumption per capita than the UK
- Deregulation gathering momentum
- No existing national energy brand
- Related home services market very fragmented

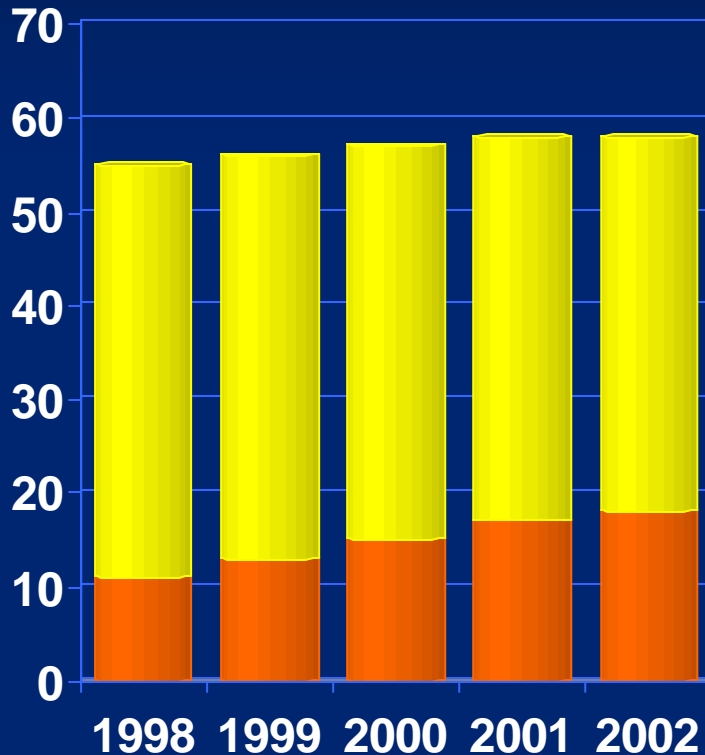
Forces Shaping the Market

- Development of consumer choice

Development of Consumer Choice in the USA

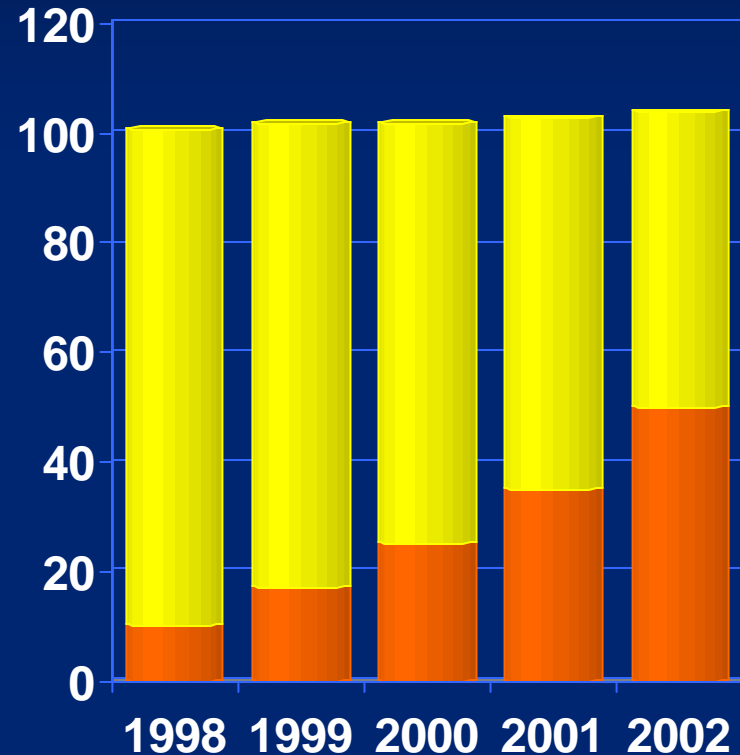
million

Gas



million

Electricity



Choice Available Regulated

Forces Shaping the Market

- Development of consumer choice
- Convergence of gas and electricity
 - gas-fired power station investment
 - arbitrage by traders and generators
 - dual fuel offers by retailers
- Early signs of convergence between energy and telecoms

Competitive Landscape

Value Chain



Integrated Utilities
(Exelon, FP&L)

Upstream
AES, IPR, BP,
Burlington

Convergence
Enron, Dynegy

T&D Cos
NGG, Sempra

**Conventional
Retailers**
DEML, Green
Mountain

e-retailers
essential.com
TNPC

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DEML, Green
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essential.com

Centrica's Vision

Our vision is to become *the* leading retailer of energy to residential, commercial and small business customers in North America

Progress to Date

- Acquisition of Direct Energy for C\$912m completed in August 2000
- Acquisition of Avalanche Energy for C\$253.5m completed in December 2000
- Acquisition of Sempra's 72.5% stake in Energy America just announced

With over 1.2 million customers, Centrica is already the North American market leader in the unregulated sector

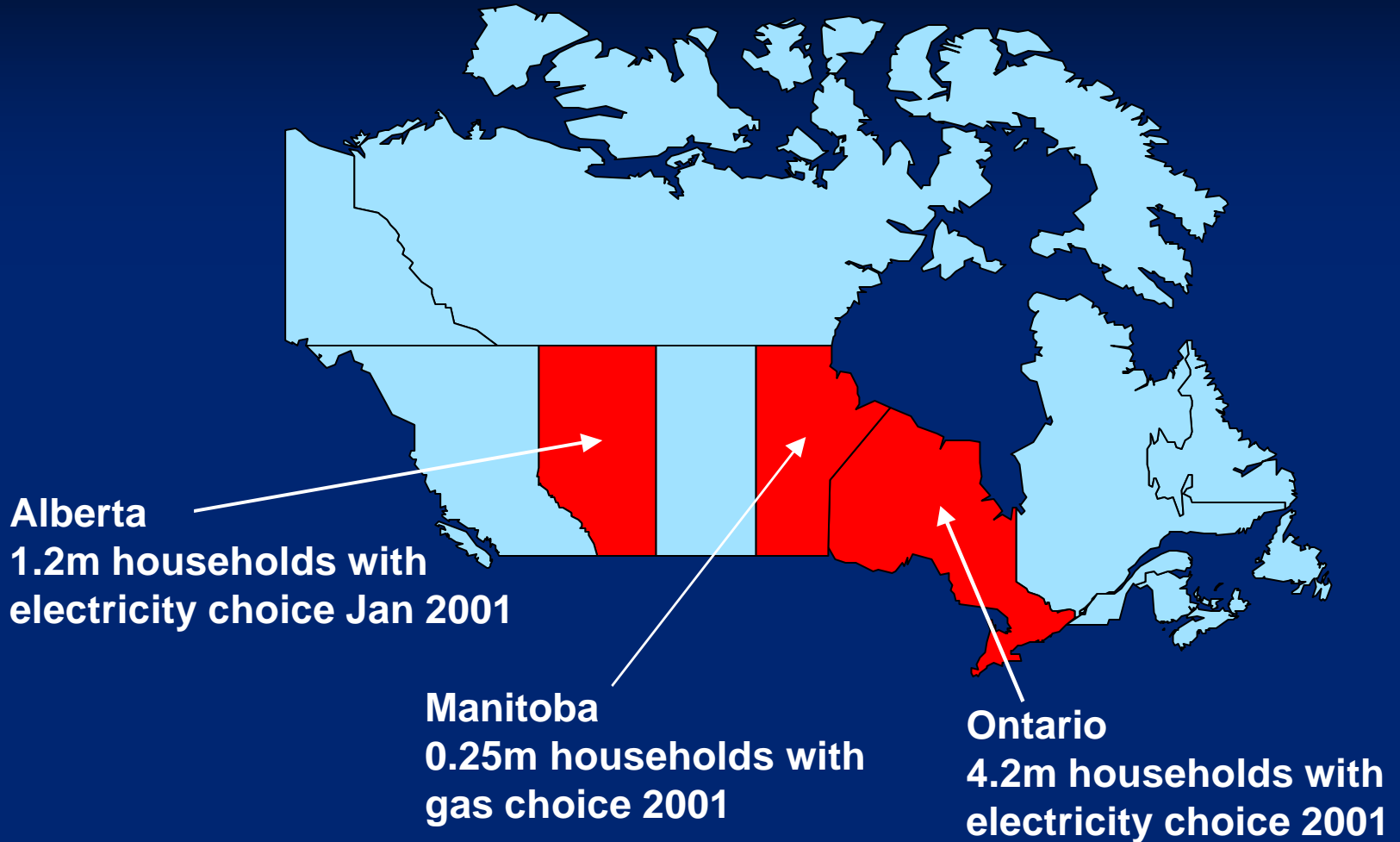
Direct Energy Acquisition



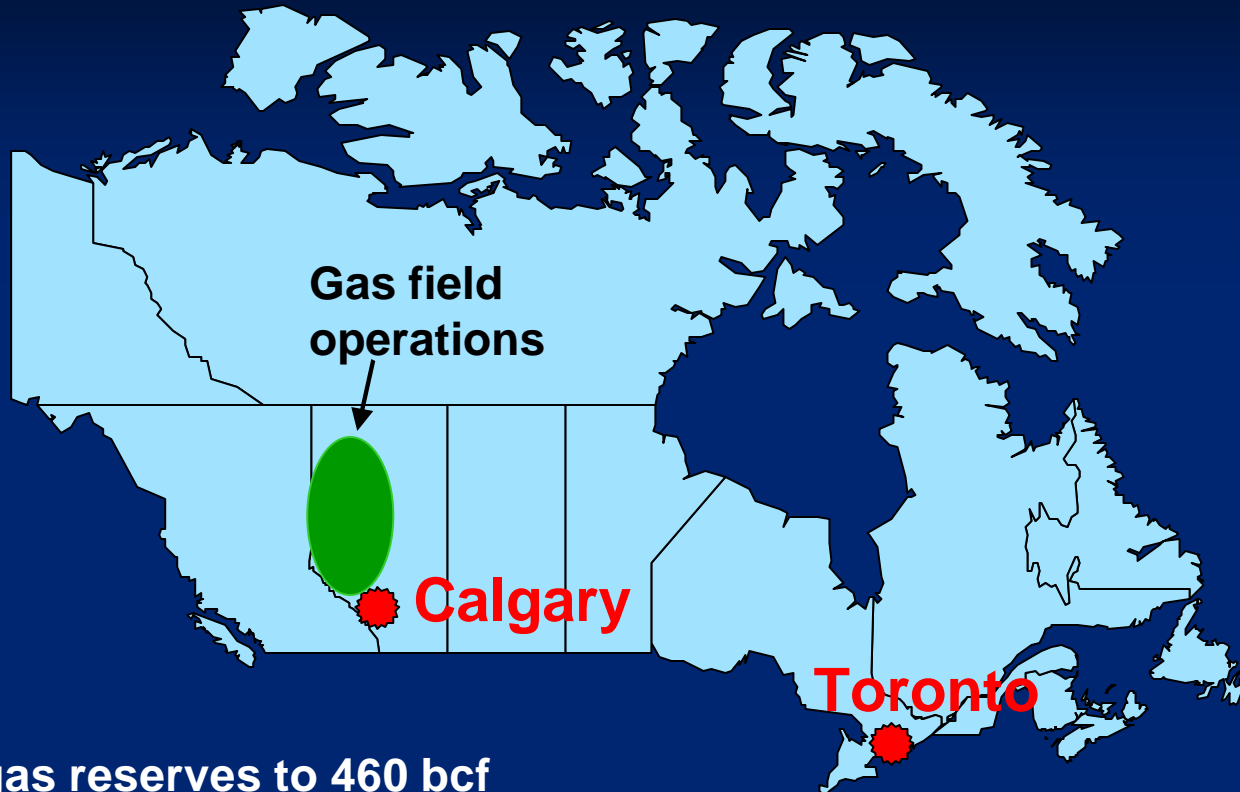
- 840,000 gas customers (>80% of switchers)
- Retail book fully hedged
- No regulatory issues
- Proven management team
- Upstream assets
- Earnings accretive

On track and performing well

Growth in Canada



Avalanche Energy Acquisition



Avalanche

- Doubles gas reserves to 460 bcf
- Largely uncontracted
- Hedges over 20% of retail gas sales
- Earnings accretive immediately

Energy America Acquisition

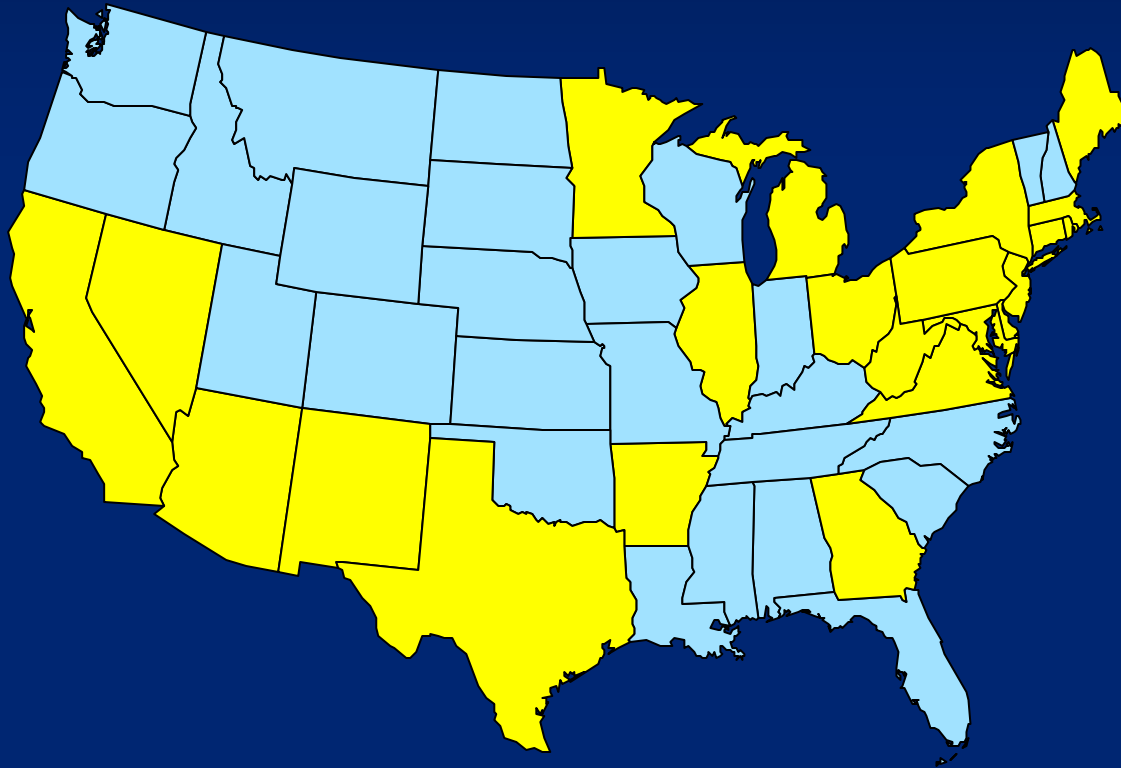


- Around 400,000 customers in OH, GA, MI, MD, NJ and PA
- Assimilation into Centrica North America a priority
- Pace of growth will depend on local regulation

Positioned for major growth in the USA

Growth in the USA

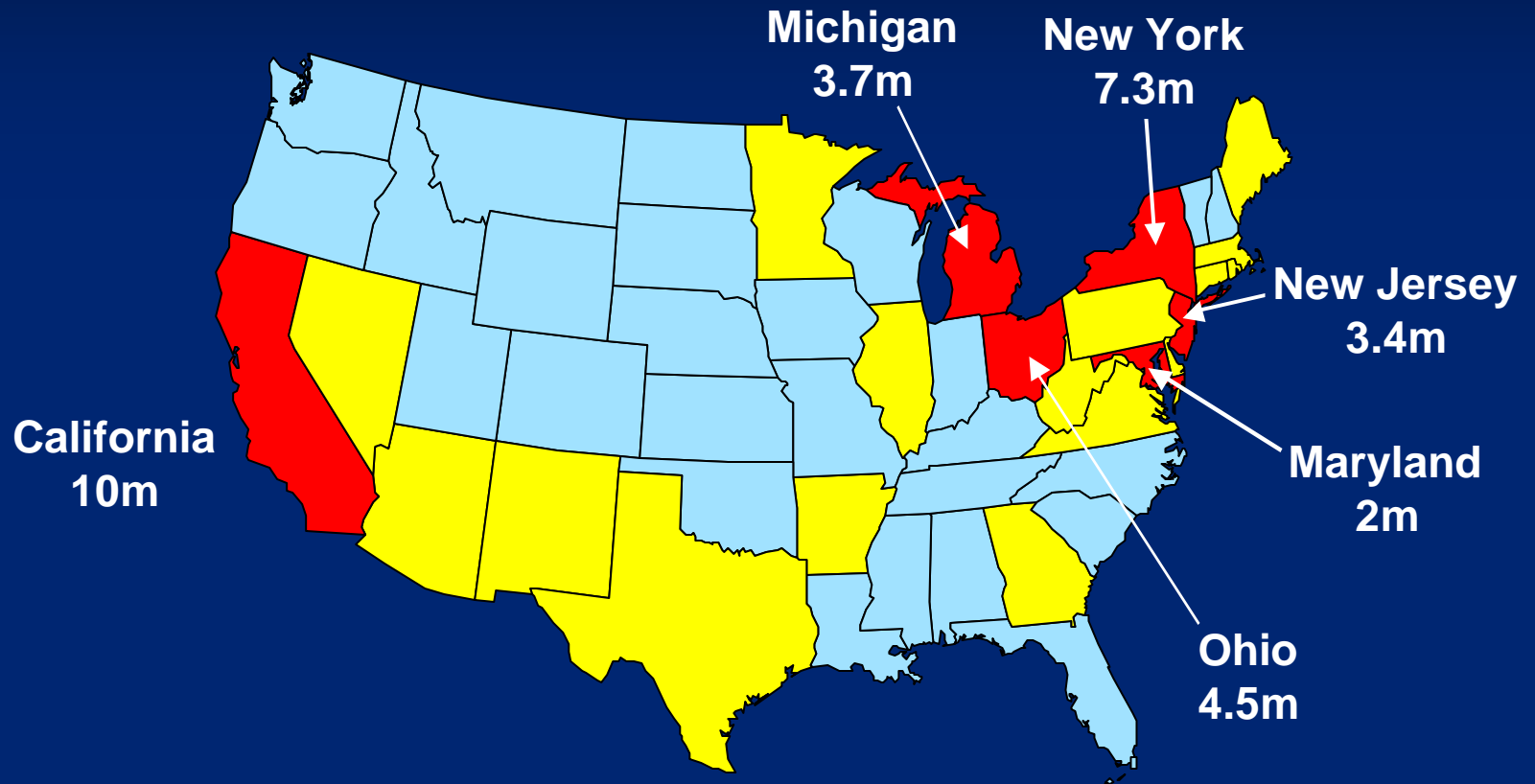
Residential customers with *notional* choice by 2002



Source: CERA

Growth in the USA

Residential customers with *real* choice by 2002



Source: Centrica

Growth Opportunities

Unregulated Energy

- Organic growth of the unregulated business
- “Bolt-on” customer acquisitions

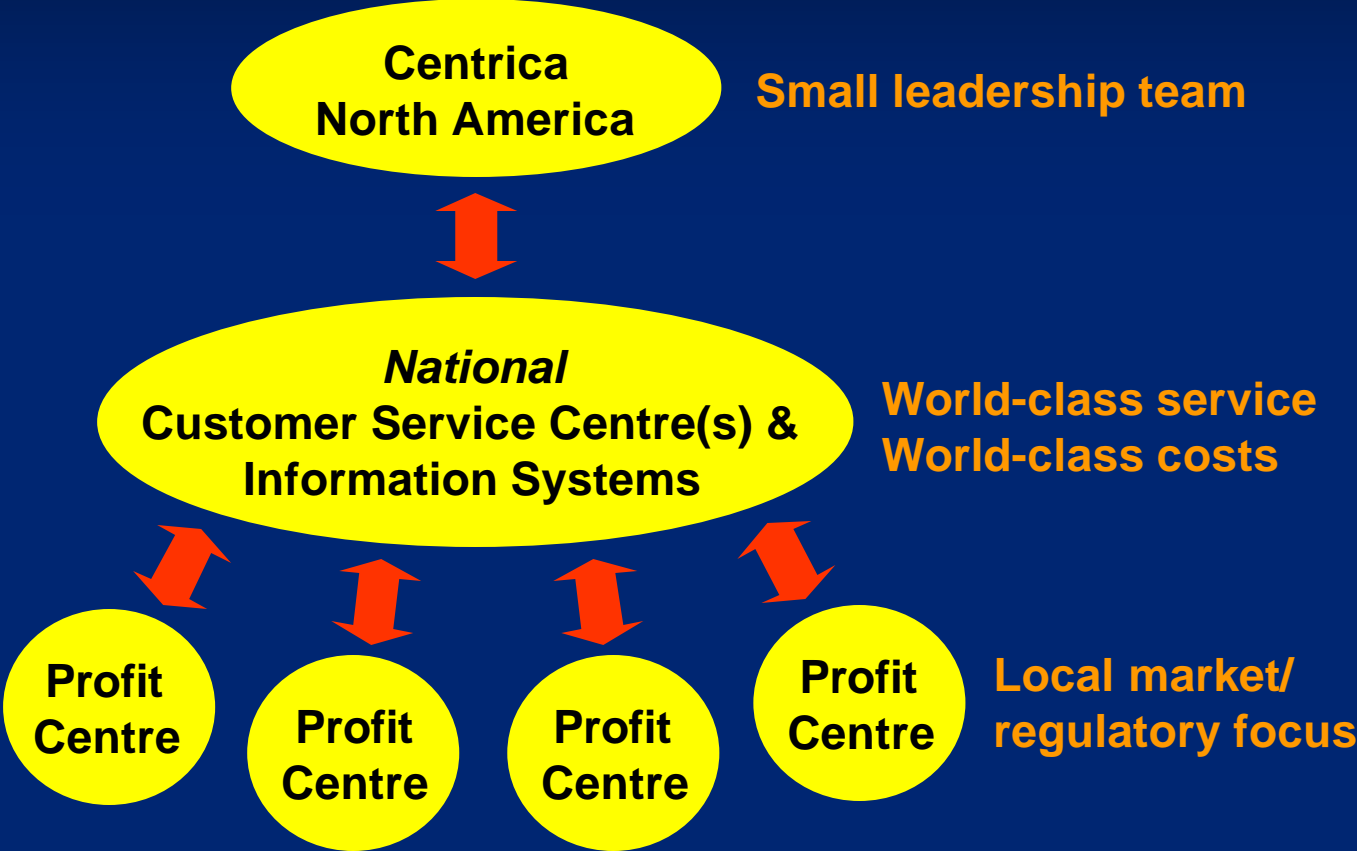
Regulated Energy

- Acquisition of regulated supply businesses
- Acquisition and restructuring of a regulated utility

Other Businesses

- Upstream
- Home services
- Telecommunications

Centrica North America - Organisation



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