Direct Energy Introduction

Leadership

- Chris Weston: President and CEO
- David Clarke: Chief Financial Officer
- Maura Clark: President, DE Business
- Eddy Collier: President, DE Services
- Badar Khan: President, DE Upstream
- Georganne Hodges: Interim President, DE Residential
- Kumud Kalia: CIO and EVP, Customer Operations
- Adèle Malo: EVP and General Counsel
- Janice Thomson: EVP HR & Communications

Strategy

- Establish leading positions
  - 2000-08
- Strengthen the platform
  - 2009
- Improve returns from existing business
  - 2010
- Grow scale and leadership downstream
  - 2011
- Invest in upstream integration
  - 2012
- Material contribution to Centrica earnings

US Northeast Residential Electricity Growth

Percentage of eligible customers switched to competitive suppliers

Source: KEMA and EIA

Texas Transformation Initiatives: Retention and Bad Debt

DE inbound customer retention (% of total)

- 2008: 10%
- 2009: 20%
- 2010 YTD: 30%

DE debt recovery rates* (%)

- 2008: 30%
- 2009: 35%
- 2010 YTD: 40%

* Voluntary churn debt

Prepaid in Texas

Texas customer credit quality

- Customers requiring deposit who would not pay
- Paid deposit
- No deposit required

2009 DE Acquisition Screening

Texas smart meter deployment (% of total)


## Downstream Financial Performance

**DE Residential**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (£m)</td>
<td>2,437</td>
<td>2,652</td>
<td>2,644</td>
</tr>
<tr>
<td>Operating Profit (£m)</td>
<td>110</td>
<td>118</td>
<td>155</td>
</tr>
<tr>
<td>Operating Margin %</td>
<td>4.5%</td>
<td>4.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Gas Customers '000 (period end)</td>
<td>1,692</td>
<td>1,723</td>
<td>1,724</td>
</tr>
<tr>
<td>Electricity Customers '000 (period end)</td>
<td>1,313</td>
<td>1,369</td>
<td>1,351</td>
</tr>
</tbody>
</table>

**DE Business**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (£m)</td>
<td>978</td>
<td>2,015</td>
<td>2,491</td>
</tr>
<tr>
<td>Operating Profit (£m)</td>
<td>1</td>
<td>11</td>
<td>34</td>
</tr>
<tr>
<td>Operating Margin %</td>
<td>0.1%</td>
<td>0.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Gas Production (mmth)</td>
<td>627</td>
<td>603</td>
<td>689</td>
</tr>
<tr>
<td>Electricity Consumption (GWh)</td>
<td>13,925</td>
<td>27,411</td>
<td>33,430</td>
</tr>
</tbody>
</table>

**Services**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (£m)</td>
<td>351</td>
<td>375</td>
<td>406</td>
</tr>
<tr>
<td>Operating Profit (£m)</td>
<td>17</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Operating Margin %</td>
<td>4.8%</td>
<td>4.3%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Gas Customers '000 (period end)</td>
<td>2,033</td>
<td>2,140</td>
<td>2,111</td>
</tr>
</tbody>
</table>

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Note: DE Residential is before £61m one-off provisioning.
Electricity Markets:
Small Commercial Opportunity


DE Business electricity market
(annual gross margin)

Small commercial

Medium and large commercial & industrial

DE Business electricity market
Small commercial
Texas Transformation Initiatives

Cost to serve
- Bill print vendor switch
- IVR enhancements
- Platform consolidation
- Bill improvements

Retention
- Segmented pricing
- Inbound saves
- Transfer of service
- Proactive retention
- Automatic payments

Acquisition
- Prepay
- Online channel
- Pre-acquisition loss:
  - Priority move-ins
  - Credit engine
  - Incumbent MF partnership

Bad debt
- A/R management: outbound vendor, debt path and skip tracing
- Regulatory rulemakings: tampering, deferred payment plans and critical care
- Credit assessment and deposits strategies
  - Prepay application for high-risk customers

Prepay
- Prepay launch
  - Go-to-market
  - Payments
  - IS/Ops
  - Finance
  - Legal/Regulatory

Direct Energy: Power Asset Operational Performance


Controllable Cost $/KW vs. Capacity MW

- Paris
- Frontera
- Bastrop

Benchmark performance

Source: Solomon benchmarking
North American Natural Gas Supply

Note: Economics based on cash costs / marginal costs only (i.e. excludes cost of entry, F&D); Associated gas and contract LNG assumed to flow regardless of short term price movements
Source: Warlick International, Credit Suisse, expert interviews
Direct Energy's Competitive Upstream Gas Position

WCSB producer cash costs ($/mcf)$^1$

1 Q3 2009 cash costs for WCSB producers >50% gas weighted
Disciplined Investment Track Record

Power investments (US$/kW)

- Paris Q1 2006: 200
- Bastrop Q2 2004: 300
- Frontera Q4 2004: 400

ERCOT CCGT new build

- Paris Q1 2006: 900
- Bastrop Q2 2004: 800
- Frontera Q4 2004: 700

Gas investments (100% = market transaction average\(^1\))

  - Market average: 100%
  - ERCOT: 80%

\(^1\) Quarterly market transaction averages for WCSB acquisitions (reserve multiples – 2P)

## DE Upstream Financial Performance

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<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (£m)</td>
<td>226</td>
<td>786</td>
<td>567</td>
</tr>
<tr>
<td>Operating Profit (£m)</td>
<td>46</td>
<td>51</td>
<td>7</td>
</tr>
<tr>
<td>Operating Profit margin</td>
<td>21%</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>Gas Production volume (mmth)</td>
<td>297</td>
<td>365</td>
<td>375</td>
</tr>
<tr>
<td>Power Generated (GWh)</td>
<td>5,053</td>
<td>4,688</td>
<td>4,982</td>
</tr>
</tbody>
</table>

Upstream

Power generation in North America

Direct Energy

Gas production in North America

Upstream Medicine Hat Edmonton Calgary 300 km 300 km

Shallow gas
CBM – Wet (Mannville)
CBM – Dry (Horseshoe Canyon)
Conventional

Gas production in North America

Competitive wholesale power markets

Reserve margins and new capacity requirements

Reserve margins

Required new generation 2005–30 (GW)

Direct Energy power generation assets

Direct Energy gas operations

Direct Energy – vertical integration

Direct Energy CCGT Generation – 1,215MW


0% 20% 40% 60% 80% 100%

Installed capacity

Power generation in North America

Gas basins

Gas production (tcf)

Source: ISO/RTO Council and ISOs; excludes ISOs where retail power is not deregulated

Source: ISO’s

ERCOT Supply Stack

Authoritative, comprehensive, and consistent electricity market information.

Efficiency & carbon policy scenario

prevails scenario

Base Case Efficiency

ERCOT PJM NY NEPOOL

2010 2014

Direct Energy's generation assets in Texas competitively positioned

- Flexible, low heat-rate and low carbon
- Acquired at 20-30% of new build cost
- Strong (and improving) reliability

Expansion focus in Texas and US Northeast
- Aligned to downstream power positions

Direct Energy's gas production is based in Western Canada

- 4,550 producing wells
- Annual production of 40bcf per year
- 50% conventional / 50% unconventional
- Reserves of c. 400bcf (P+P), 10 year Reserve life index
- 295k net acres of undeveloped land
- Top quartile cost position versus competitors

Growth focus in Western Canada production
- Also exploring shale

Gas production in North America spread across several basins and reserve types

Decreasing conventional production will be offset by growing unconventional (shale) production

Current low gas prices impacting returns and creating opportunities to increase reserves

Several competitive wholesale power markets in North America

Current low spark spreads creating challenging economics

Strong fundamentals
- Capacity margins shrinking in key markets
- Large requirement for investment in new capacity

Gas production in North America

Offshore

Associated

Coalbed Methane

Conventional

Shale

Tight

Greater Green River

Barnett

Fayetteville

Haynesville

Marcellus, Utica and Devonian/ Ohio Shale

Montney

Horn River

Utica-Lorraine

Bakken

Eagle Ford

Shale Plays

Uinta-Piceance and San Juan Basins

Antrium

Key conventional & offshore basins

New Albany

Mid-Continent (inc. Permian) Basin

Western Canadian Sedimentary Basin

Appalachian Basin

Gulf of Mexico

North Atlantic offshore

Powder River Basin

Michigan and Illinois Basins

Gammon

Gulf Coast

WCSB

Rockies

Mid-Continent/Permian

Northeast

Annual production

0% 20% 40% 60% 80% 100% 25 tcf

DE peak load and generation (MW)

DE gas demand and production (mmth)

Peak load

Generation

Demand

Production

Texas

US NE

Canada

Other

WCSB

Trinidad

1 Excludes 1,400mmth gas demand of regulated customers in Alberta

Paris

Bastrop

Houston

Frontera

Offshore

Reserve margins Required new generation 2005–30 (GW)

ERCOT PJM NY NEPOOL

2009-30 (GW)

25%

20%

15% 10% 5% 0%

Base Case Efficiency

prevails scenario

Efficiency & carbon policy scenario

2010 2014

Source: The Brattle Group