



## Options for Energy Buyers

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# Presentation Overview

- Introducing E.ON
- Reasons for E.ON to act and progress to date
- Valuation of Interruptible Gas Contracts Project
- Emergency and Commercial Sell-Back Propositions
- Customer events
- Focus on customers
- Winter 06/07 - the bigger picture

## Introducing E.ON

**E.ON formed in June 2000 and became the world's largest investor-owned power and gas company**

- E.ON UK is one of the largest residential energy suppliers, has a portfolio of world-class power stations, and is one of the leading names in power generation. Our trading business is a major player in UK energy markets, and our consultancy services deliver world-class expertise to the sector.
- Under the Powergen and E.ON Energy brands we sell gas and electricity to all types of businesses. We have extensive experience and knowledge of both the UK and European energy markets, enabling us to deliver a wide range of customer products and services to meet individual business requirements.
- E.ON UK offers a number of gas and electricity tariffs designed to meet the differing energy patterns of a diverse range of businesses, backed by flexible billing, data and risk management products.

# Reasons for E.ON to act and progress to date

## Political

- E.ON is taking a key role in developing and encouraging the take up of innovative demand side response products by our customers.
- We have a corporate social responsibility to demonstrate we are working to mitigate demand side pressures for the forthcoming winter.
- Ensure that we are actively participating in market arrangements such as E.ON modification proposal 0097 to release information on interconnector flows.

## Retail

- The market is responding to the challenges of the volatile energy markets and developing increasingly sophisticated options.
- Winter 06/07 Readiness event to raise profile and differentiate supplier brand
- Re-launch of DSR propositions responding to customer feedback.
- Structured internal and external communications programme.

## Energy Wholesale

- Working as an integrated business to ensure that the wholesale value of flexibility is incorporated into propositions –  
Market valuation activity for bespoke contracts for large gas users.
- Ensuring the CCGT portfolio and E.ON Energy's DM portfolio are able to provide significant gas swing if required.

• There are organisational, process and system issues to consider – EW/Retail Crisis Management Team established

# Valuation of Interruptible Gas Contracts Project

- Leveraged the E.ON Power Technology department, specifically the Mathematical Modelling Team, to commence a Retail sponsored R&D project
- The aim of project was to design and develop a model which can be used to value interruptible gas contracts for customers – not just “plain vanilla” contracts
- A model has been developed which enables E.ON to work with customers and value bespoke interruptible regimes in a robust way that meet customer needs, not the specifications of the trading market contracts.

# Emergency and Commercial Sell-Back Propositions

1/2

- These propositions were originally launched December 2005, but were developed late for that winter and the terms and conditions were felt to be overly complicated.
- In response to customer feedback both the Emergency and Commercial Sell-Back propositions have been revised and re-launched.
- Key changes to the terms and conditions were:
  - Formulas broken down and “stepped through”
  - Language simplified
  - Grey areas clarified/explained explicitly

# Emergency and Commercial Sell-Back Propositions

2/2

- Additionally, a model has been developed (the Sell-Back Calculator) to i) assist Account Managers in explaining these propositions, and ii) help customers to decide the price level at which they should set sell-back price.
- A presentation guide to support these propositions has been prepared.
- As part of the re-launch, there have been internal briefing and training sessions for sales and operational colleagues.

## Customer events 1/2

- E.ON has held two customer events on the theme “Planning for a Gas Supply Emergency”.
- These were held on 21<sup>st</sup> September in Windsor and 22<sup>nd</sup> September in Manchester
- We specifically target our largest 50 gas and power customers – we did not limit to gas as we feel that DSR will increasingly be relevant to power customers.



## Customer events 2/2

- Agenda of the day:
  - Supply Emergency – Roles, Responsibilities and Obligations
  - Supply Emergency – The Industry Regulators Approach (Ofgem)
  - Risk Management – Preparation and Proposition
  - Knowledge Sharing – Working Together
  - Interactive Session – Focusing on our Customers
- Cross-business E.ON expert representation from B2B Retail, Trading Arrangements, Gas Operations, Product Development, etc.

## Focus on customers 1/2

- This is not purely an issue for large customers - E.ON is preparing its business customers, big and small, for the winter ahead
- Regular mailing campaigns to all our business customers asking them to update their emergency contacts, improving data collection e.g. online
- Regular internal briefings for staff to enable them to be fully briefed on customer needs should a gas emergency occur
- Providing customers with information, products and tools to help them manage their energy and business risks

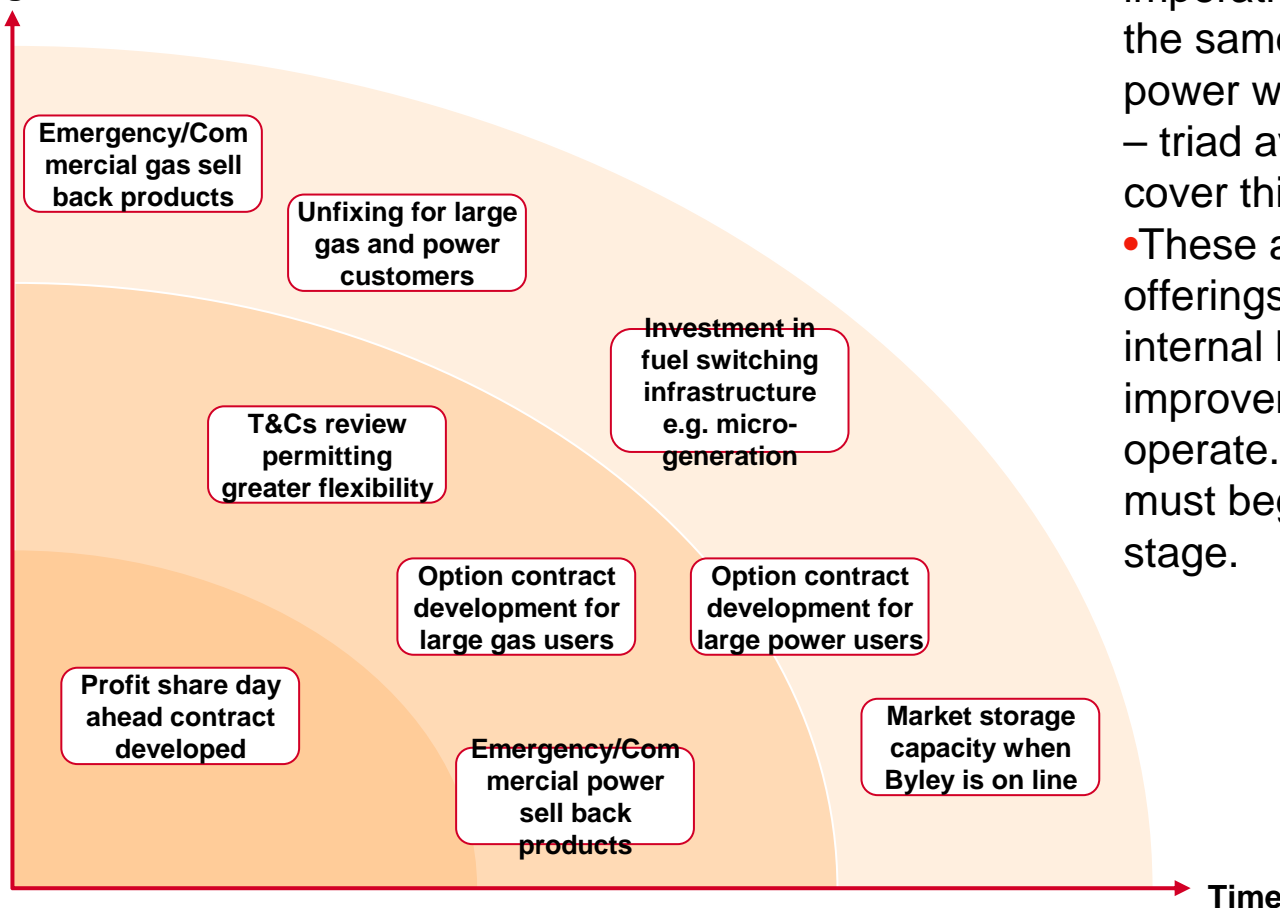
## Focus on customers 2/2

- Winter planning website  
[eon-energy.com/winterplanning](http://eon-energy.com/winterplanning)
- Additionally, there is winter planning pack containing full details on how to prepare for an emergency
- Register to receive your winter planning pack – today or at our website  
[eon-energy.com/winterplanning](http://eon-energy.com/winterplanning)



# Proposition development

Stages:



- There is a real imperative to prepare for the same issues in the power wholesale market – triad avoidance will not cover this.
- These are complex offerings which require internal business process improvements to operate. Investment must begin at an early stage.

## Winter 06/07 - the bigger picture 1/2

**Besides building up the DSR capability, E.ON is undertaking a number of actions to prevent a Gas Emergency, these include but are not limited to:**

- Ongoing involvement in discussions with Environment Agency to ensure that environmental constraints on CCGTs, do not constrain response to an emergency
- E.ON UK has the largest fleet of fully flexible CCGTs in the U.K., equivalent to over 10% of the entire U.K. CCGT fleet - providing the greatest amount of CCGT demand side response by a generator

## Winter 06/07 - the bigger picture 2/2

- E.ON is investing significantly into gas storage in the UK
- Currently building a gas storage facility at Holford in Cheshire that would be complete by 2009-10 and capable of holding half of the gas used by the UK in an average day
- Investigating the possibility of building a gas storage facility on the East Yorkshire Coast.

