How E.ON is working with our customers
OFGEM: Options for Energy Buyers Seminar

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17th July 2007

Agenda

- Introducing E.ON UK
- Market Context
- What are E.ON doing?
- Security of Supply – the bigger picture

Introduction to E.ON UK

- UK's largest integrated power and gas company
- Part of the E.ON group, the world's largest investor-owned power and gas company supplying around 40m customers in 20 locations

In the UK:

- Our Retail business is one of the largest in the UK, supplying electricity, gas and Home Energy Services to around six million Residential, Small Business and Industrial and Commercial customers.
- Central Networks brings power to 4.9 million customers across central England through 133,000km of underground and overhead cables.
- Energy Wholesale creates and trades electricity for a lower carbon future, producing electricity from its portfolio of world-class power stations, researching new technologies and trading energy.

Our expertise

- E.ON has extensive experience and knowledge of both the UK and European energy markets allowing 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 products designed to meet the differing energy patterns of a diverse range of businesses, whether it be a SME or a Pan European customer.

- E.ON has recently launched a retail facing Sustainable Energy Solutions business which offer technologies and sustainable energy solutions to businesses wishing to reduce their carbon footprint

- E.ON is committed to the UK energy market with £3bn being invested in renewable technology, generation capacity and gas storage to help with the future of security of supply.

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BUSINESS SECTOR SHARE SUMMARY

Electricity - Share of Meter Points

1	**E.ON UK**	**24%**
2	British Gas	21%
3	EDF Energy	20%
4	RWE npower	14%
5	Scottish and Southern Energy	13%
6	Scottish Power	5%
7	British Energy	0%
8	Total Gas and Power	0%
9	Gaz de France Energy Services	0%
	Other	3%

Gas - Share of Meter Points

1	British Gas	51%
2	**E.ON UK**	**22%**
3	RWE npower	7%
4	Total Gas and Power	6%
5	Corona Energy	5%
6	Scottish and Southern Energy	3%
7	Shell gas Direct	2%
8	EDF Energy	2%
9	Scottish Power	1%
10	Gazprom Marketing and Trade	1%
11	Gaz de France Energy Services	0%
12	ENI	0%
13	Hydro Wingas	0%
14	Statoil	0%
	Other	0%

Electricity - Share of overall volume

1	EDF Energy	18%
2	RWE npower	17%
3	Scottish and Southern Energy	14%
4	**E.ON UK**	**14%**
5	British Energy	14%
6	British Gas	9%
7	Scottish Power	6%
8	Gaz de France Energy Services	5%
9	Total Gas and Power	2%
	Other	3%

Gas - Share of overall volume

1	British Gas	19%
2	Gaz de France Energy Services	16%
3	Total Gas and Power	14%
4	**E.ON UK**	**13%**
5	Shell gas Direct	10%
6	Corona Energy	7%
7	Statoil	6%
8	RWE npower	5%
9	Scottish and Southern Energy	3%
10	Hydro Wingas	2%
11	ENI	2%
12	EDF Energy	2%
13	Scottish Power	1%
14	Gazprom Marketing and Trade	1%
	Other	0%

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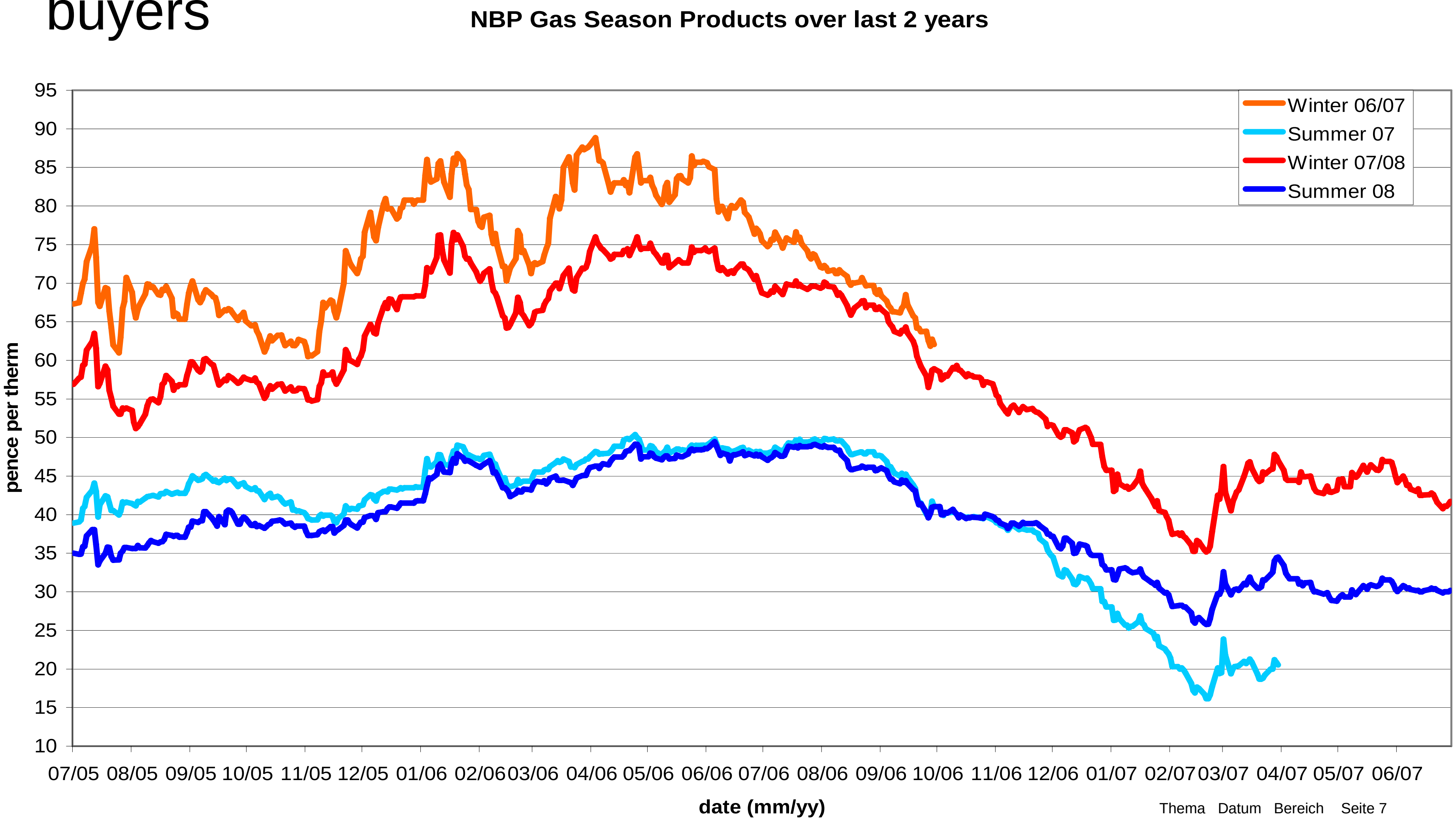
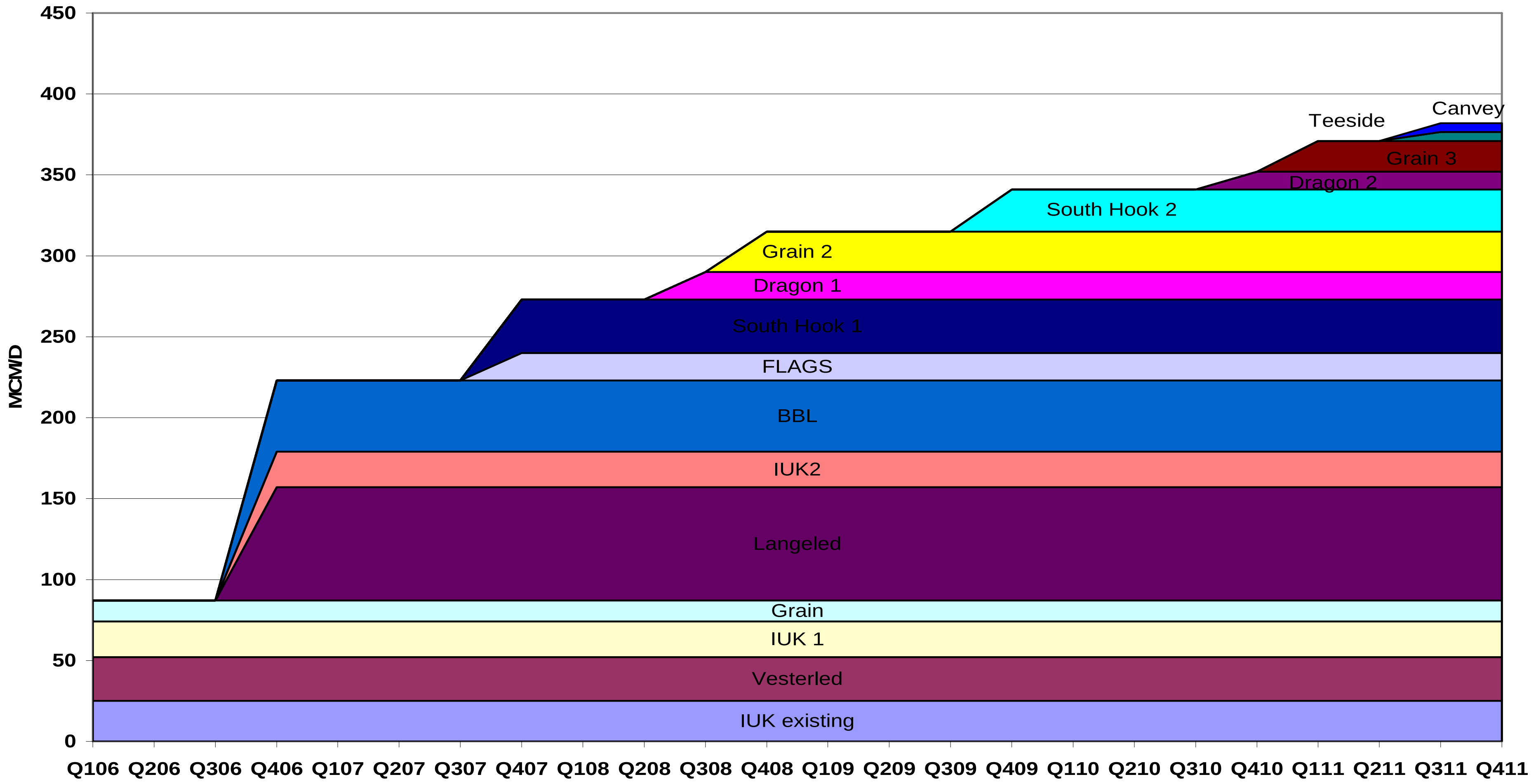
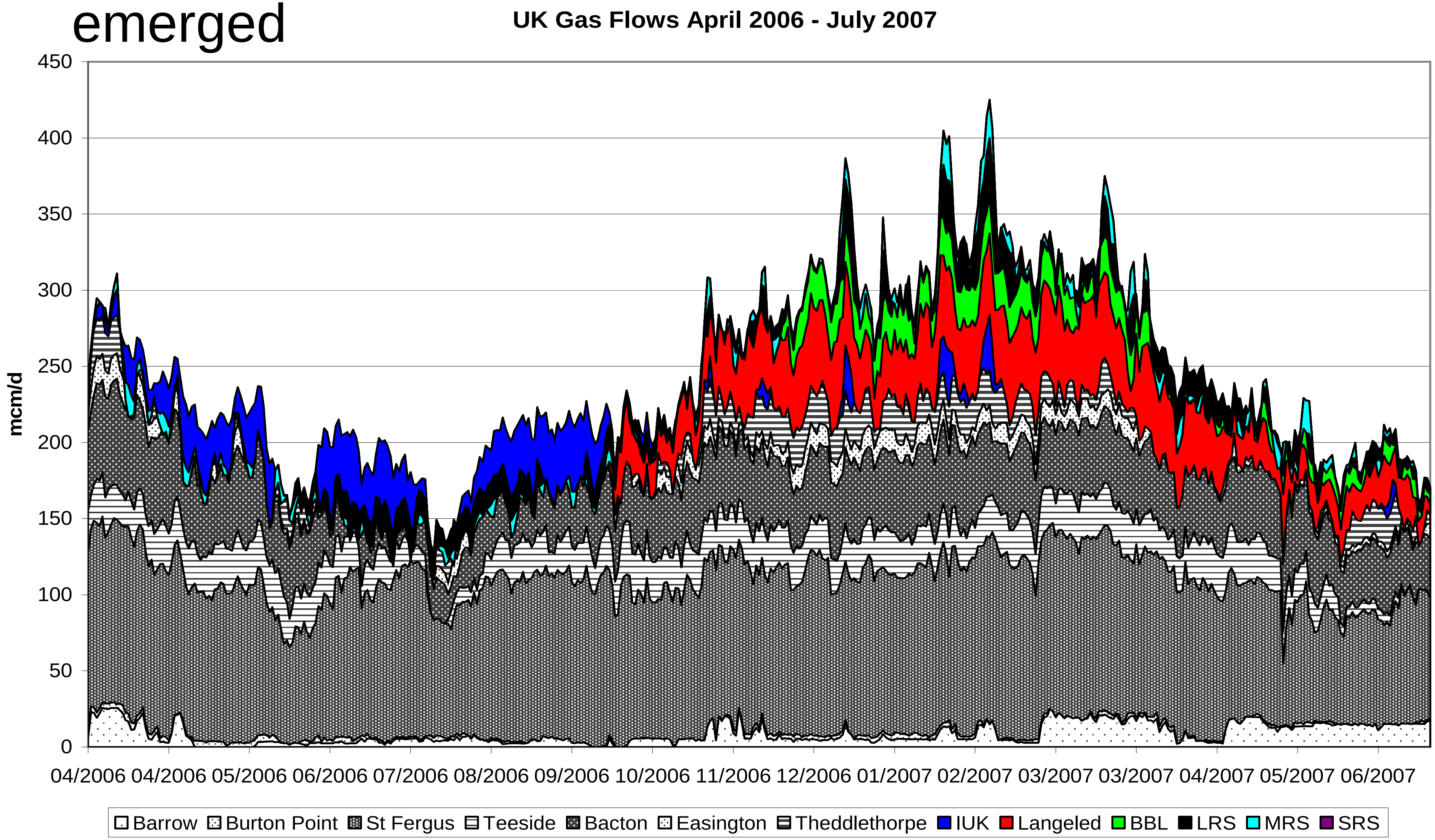
Gas prices have posed a significant challenge for energy buyers



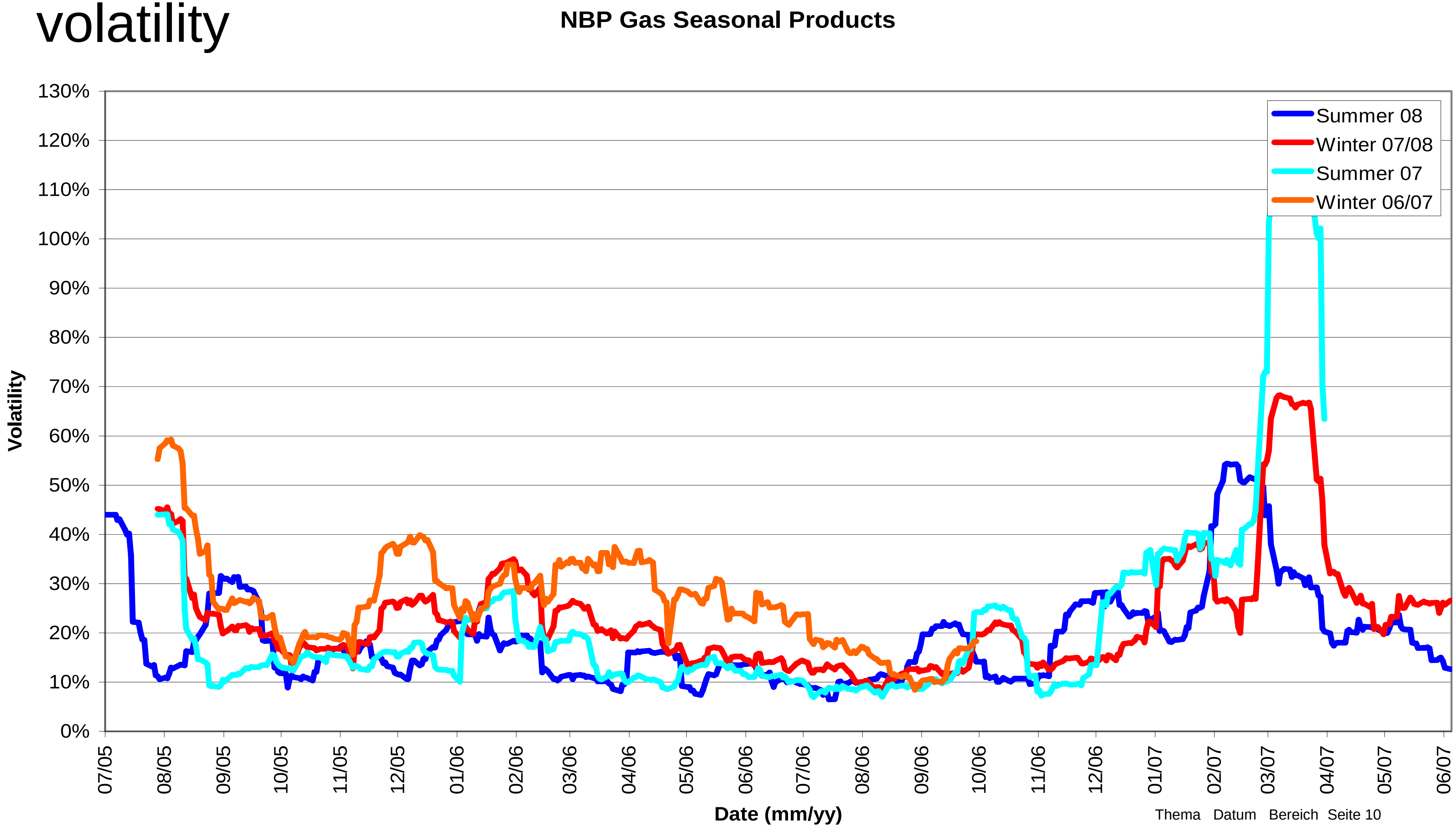
And led to significant investment in gas infrastructure



A more diverse and complex supply situation has emerged



With changing, complex fundamentals driving price volatility



The drivers for price volatility remain a feature are st

Indigenous supplies

- Forecast decline of UKCS supplies at least 7% year on year
- Operational failures a significant risk – Rough, CATs pipeline
- Summer maintenance plans

Weather

- No guarantee that mild winter of 2006/7 will be repeated

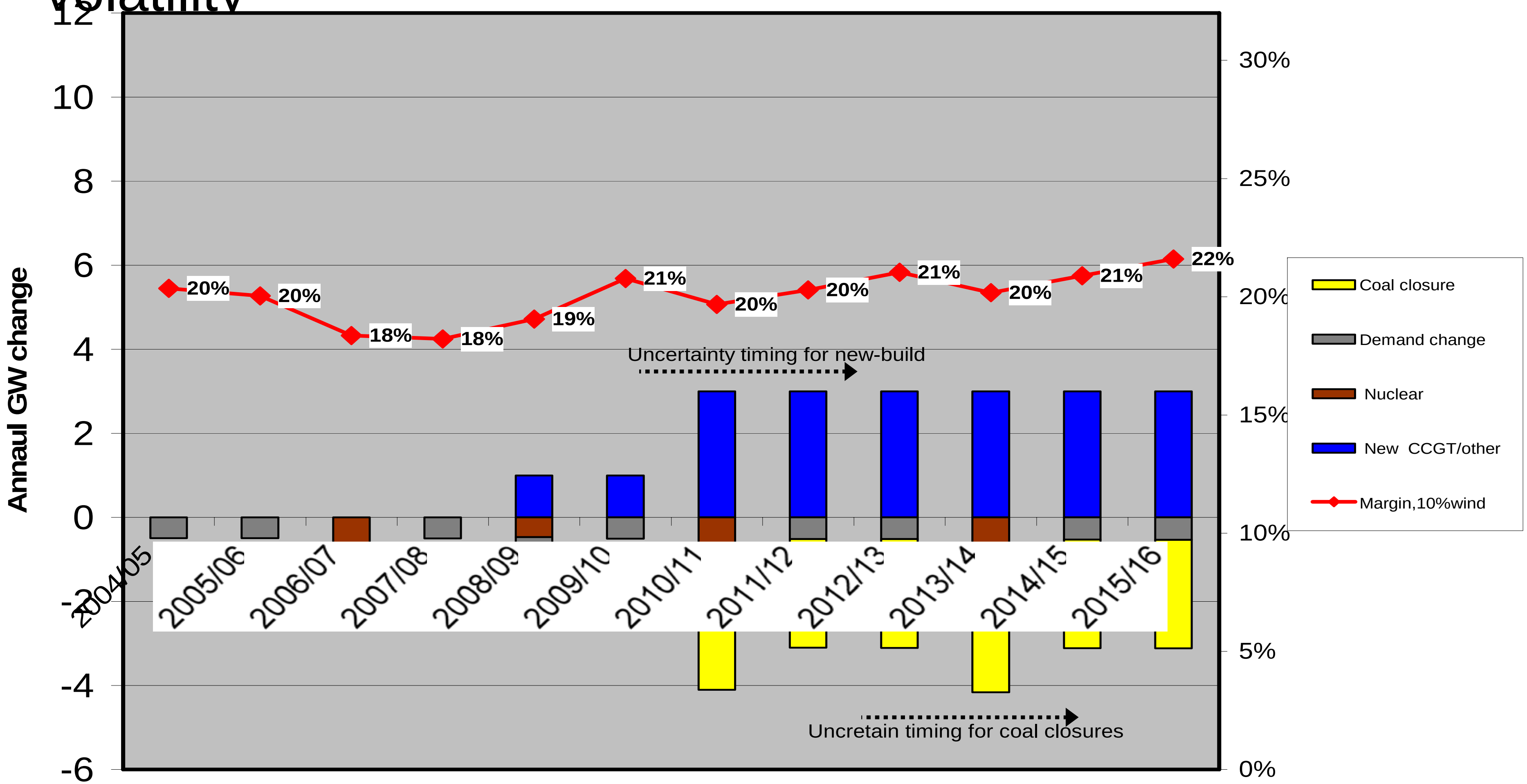
New Infrastructure

- New infrastructure yet to be tested under circumstances of colder weather
- Gas supply issues in other parts of Europe may influence interconnector flows

Other Price Drivers

- Oil will remain a key driver of gas prices in the medium to long-term
- Power and carbon prices may have significant short term influences
- New sources of some information and lack of other information

UK electricity could see future uncertainty and price volatility



•Introducing E.ON

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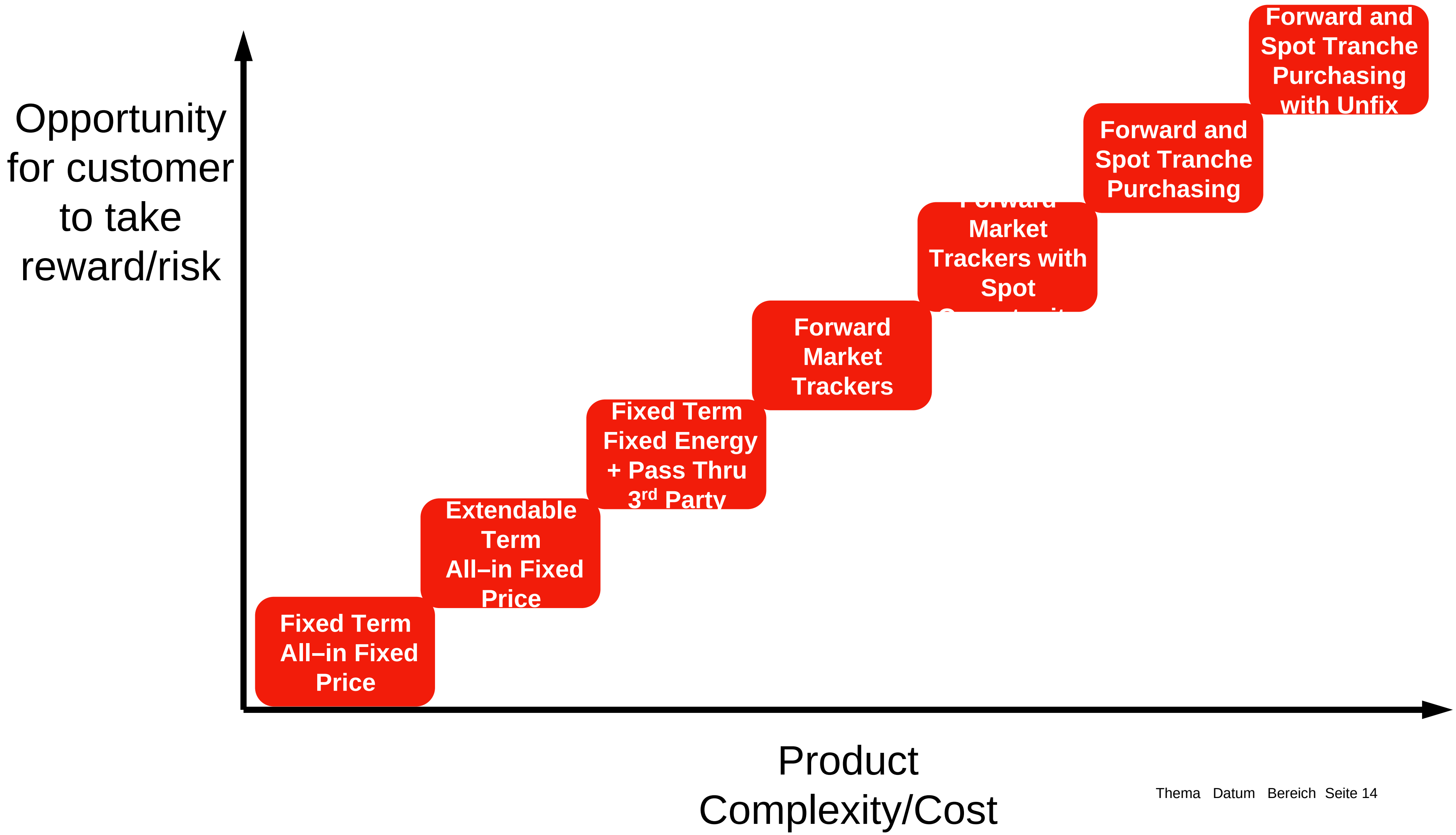
E.ON present a range of options to customers



We work with customers to select the right option for them

Focus on Relationship Management

- Evaluate the product fit for the customer: ranging from fixed priced products (simplicity) to progressive hedging approaches
- Dedicated Key Account Managers work with customers to understand customer requirements:
  - Key business drivers
  - Balance of control of absolute cost vs competitive position
  - Propensity to take risk
  - Need for simplicity or comfort with complexity
  - Decision making and governance process
  - Understand bespoke requirements
- Monitor and review

We work with customers to select the right option for them

Focus on Tailored Solutions

- The challenge of today's energy markets have led to some customers requiring a more tailored approach
- We are working with customers on an individual/small group basis to consider and provide:
  - ➢Alternative indices to NBP gas in order to reduce exposure to volatility
  - ➢Greater transparency of peak/residual purchase prices
  - ➢Longer term virtual power station/spread-type arrangements
  - ➢Flexible purchasing for multi-site, lower consumption users
  - ➢Pan-European purchasing portfolio solutions
- Bespoke solutions now become standard products in the future

Working with customers to address security of supply

Emergency and Commercial Sell-Back Propositions

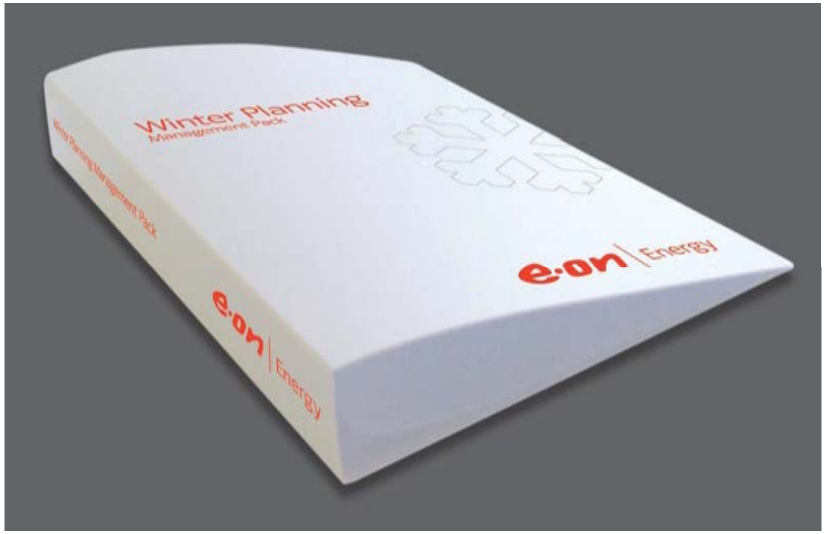
- Provides financial incentive if gas supplies are interrupted;
- Emergency Sell Back triggered by Gas Balancing Alert or Advanced notice of potential gas supply emergency – customer agrees to stop using gas and gas sold back to E.ON at pre-agreed strike price
- Commercial Sell Back triggered by market price reaching agreed strike price and E.ON retains option to interrupt even if NGT has not declared a gas supply emergency
- Sell-Back Calculator developed to assist Account Managers in explaining the propositions and help customers to decide the price level at which they should set sell-back price
- Work on-going to accurately value embedded optionality of customer load management in gas and power

Working with large customers on security of supply

Educating customers on obligations and planning

- Hold forums targeted mainly at our largest gas and power customers, OFGEM key participant in the past;
- Reminding and educating customers about roles, responsibilities and obligations associated with security of supply as well as explaining our Proposition offerings and how a customer can be prepared
- Providing knowledge and examples to customers about how they can make Contingency plans
- Additional forum for customers to express concerns and engage in security of supply debate
- On-line bulletins and facility for all customers to get up to date market information and provide emergency contact details

Emergency Planning Pack



Please email

Vicky.Hofton@eon-energy.com

if you would like to receive an Emergency Planning pack

Helping customers get the most out of their products

High volatility drives appetite for information

- Direct access wholesale market via B2B Trading desk
- Regular updates on market prices and market events to help buyers understand and manage price volatility
- Development and monitoring of purchasing strategy using price triggers
- Developing purchasing and risk management strategies with customers
- Creating market reports for customers that help them get the most from their selected product and inform their energy purchasing decisions
- Providing insight on how to use and interpret new information flows
- Working with colleagues in other E.ON market units to consolidate and share knowledge of other European energy markets to the benefit of customers

Summary

- Price volatility set to remain a feature of UK gas and electricity markets
- Range of standard purchasing options has increased and is now well understood
- Development of supporting Risk management strategy and provision of information required to aid decision making essential
- Security of supply type options still relevant
- Customer understanding of security of supply obligations and requirements critical