


GDF SUEZ



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The logo for GDF SUEZ, featuring the company name in a bold, black, sans-serif font. A horizontal teal gradient bar is positioned directly beneath the text, fading out at both ends.

Changes in the UK energy
market and their impact on
competition

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The GDF SUEZ Group

GDF SUEZ is the largest utility company in the world (Forbes) and is present along the whole of the energy chain, for natural gas and electricity, from upstream to downstream:

- Purchase, generation, trading and sale of natural gas and electricity
- Transport, distribution, management and development of major natural gas and electricity infrastructures
- Design and sale of energy services and environment related services



- Number 1 buyer and seller of gas in Europe
- Number two storage and LNG terminal operator in Europe
- Global lead in liquefied natural gas (LNG)
- Number 1 gas distribution and transmission network in Europe

- Number 1 independent power producer in the world
- Number 2 French power producer
- Number 5 European power producer

- European leader in Energy Services

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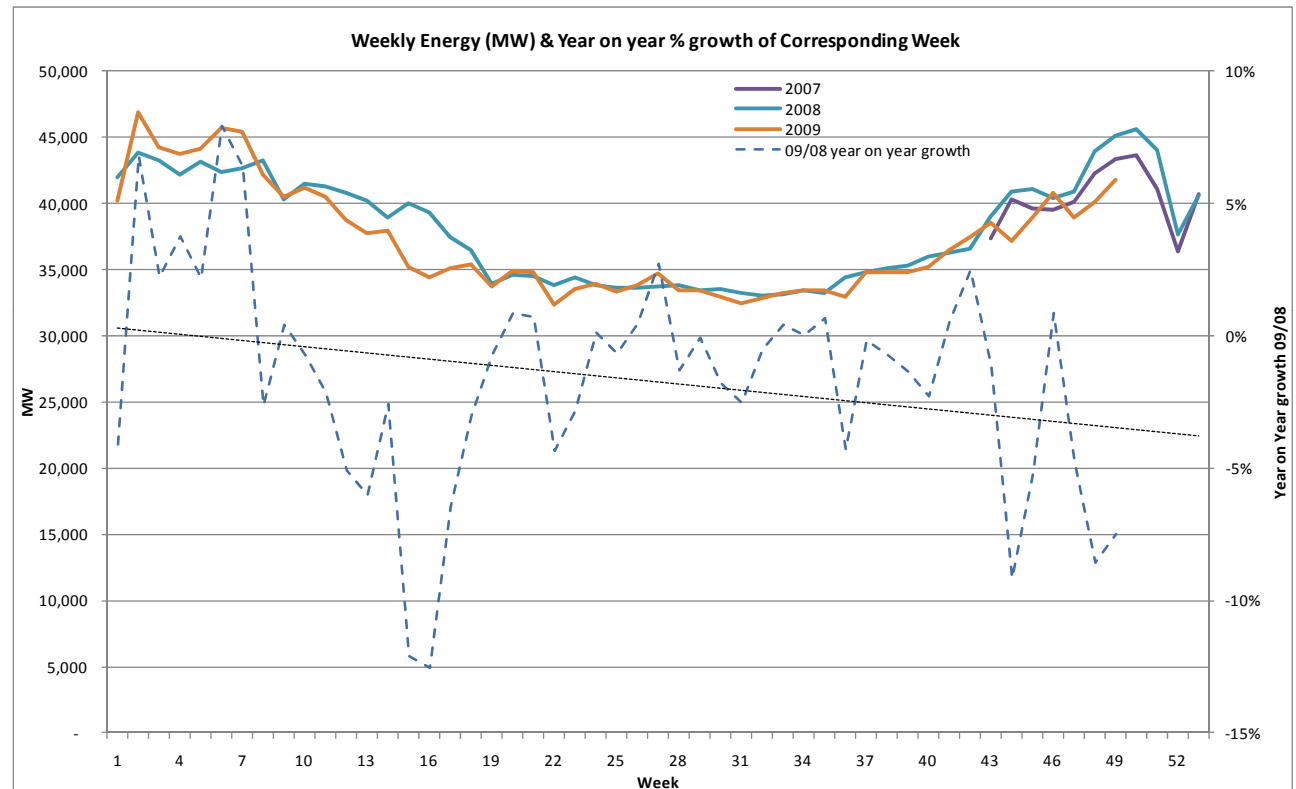
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Changes in the UK energy sector
- short term

UK Electricity Demand

The impact of the recession is clearly demonstrated by the reduced level of demand compared to previous years.

Over the past 6 months demand has been running at an average of between (-)3% and (-)4% down on the year before.

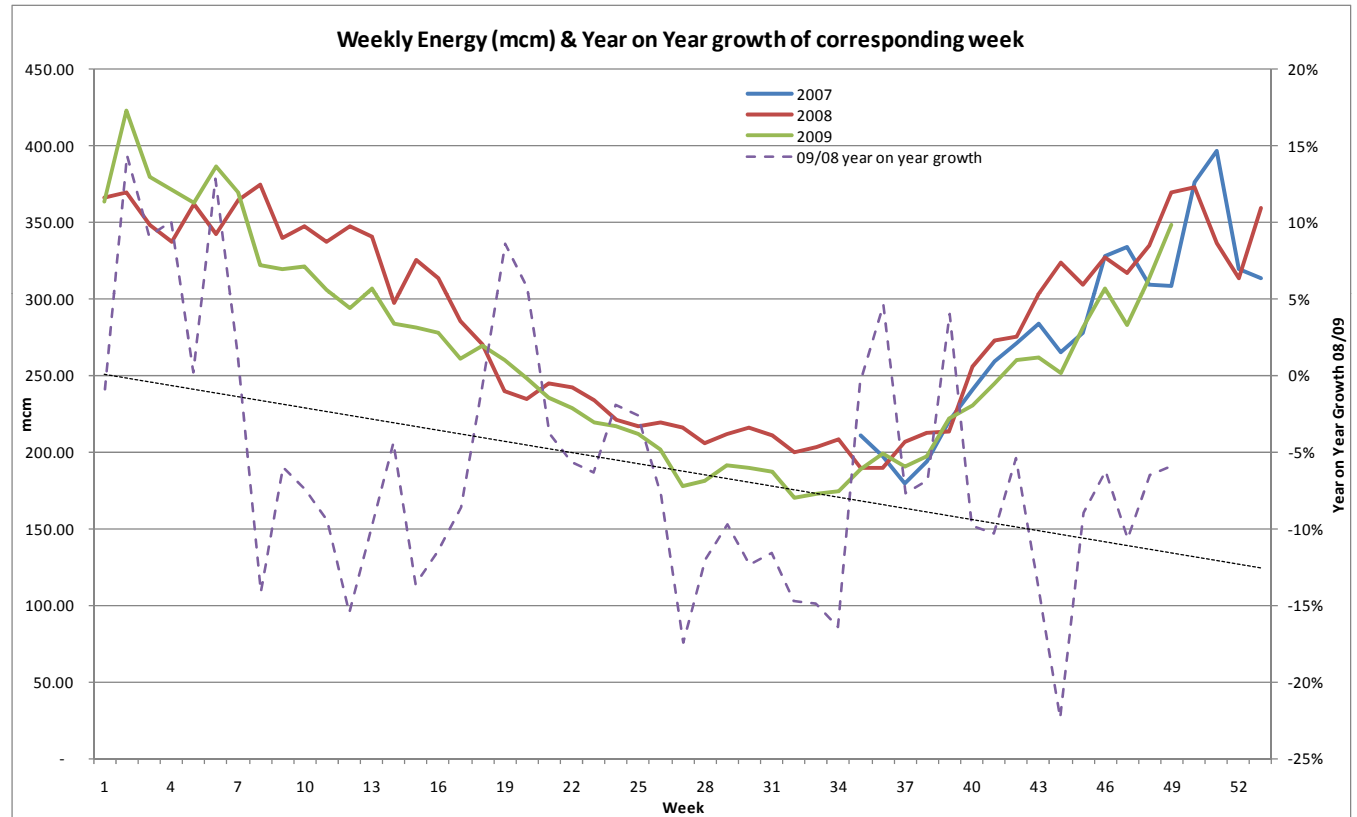


UK Gas Demand

UK Gas demand continues to be weak, not only in the UK but all across Europe

The Low demand levels and comfortable Supply/Demand balance are combining to impact European Day Ahead prices and keep them low

The UK Supply/Demand balance is very comfortable with Rough stock levels well above last years level



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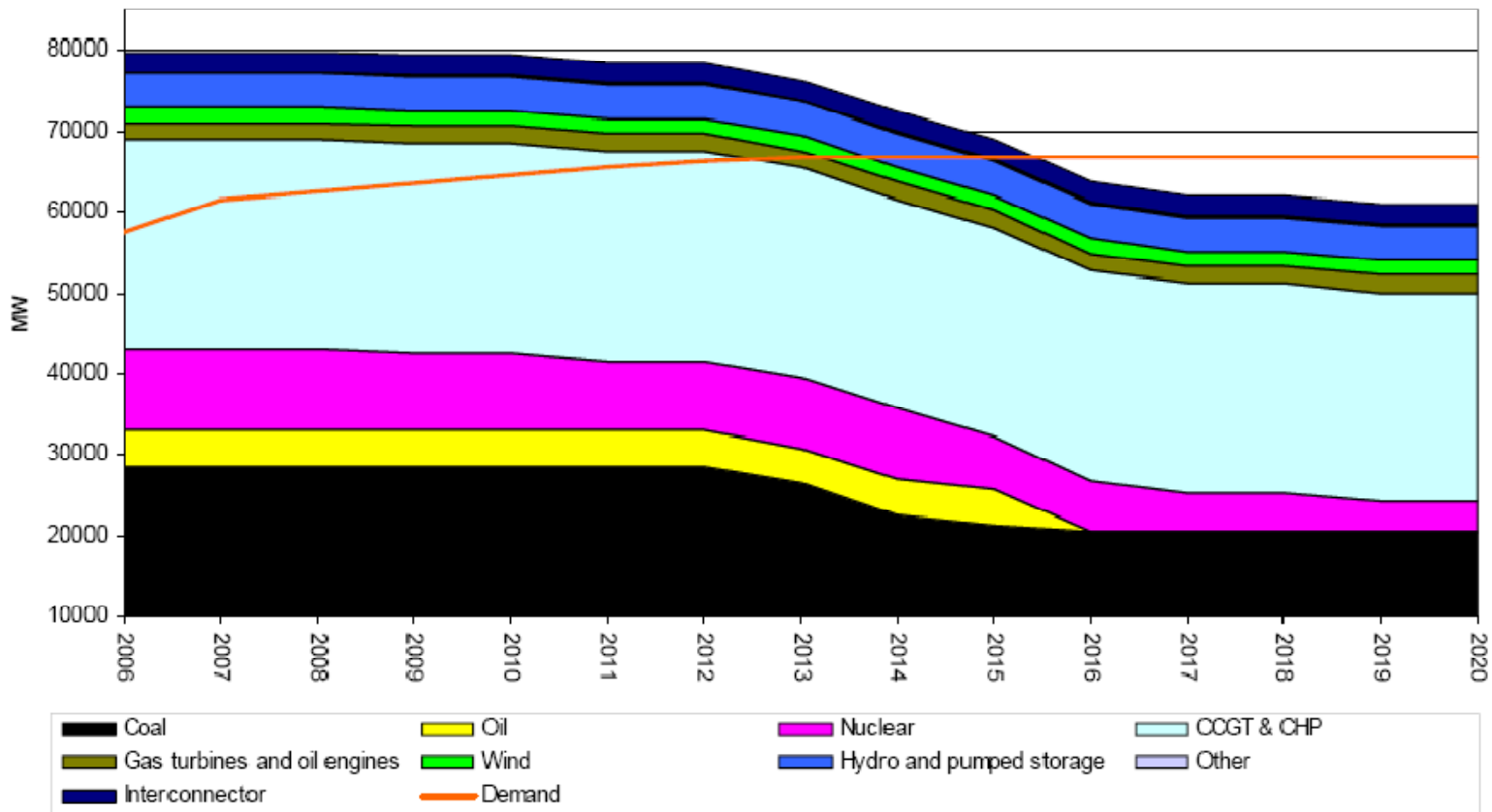
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Changes in the UK energy sector
- long term

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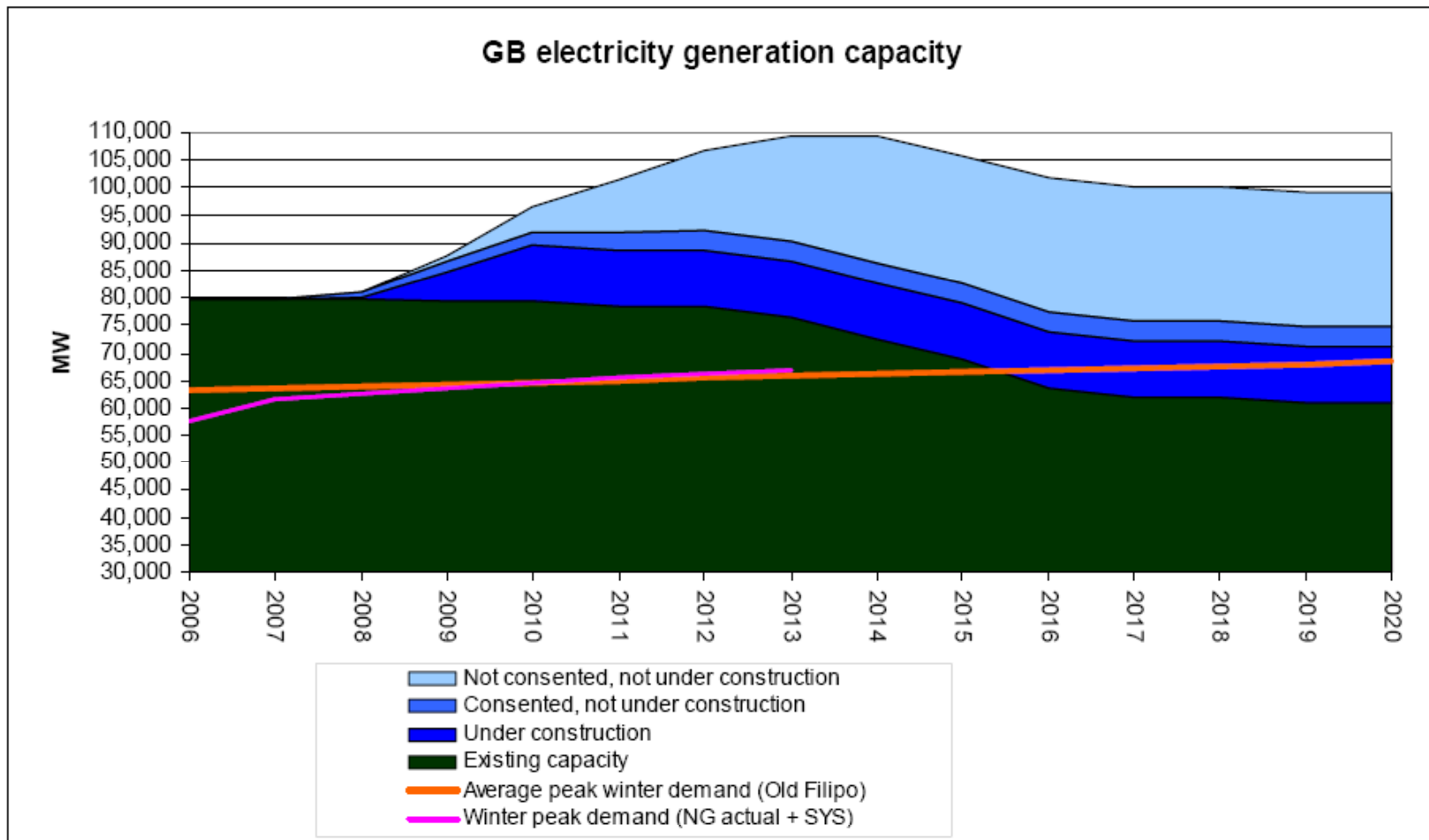
Existing Generating Capacity : DECC/NGrid

Existing GB electricity generating capacity



Generation capacity and demand
 Source: DUKE, National Grid, DECC

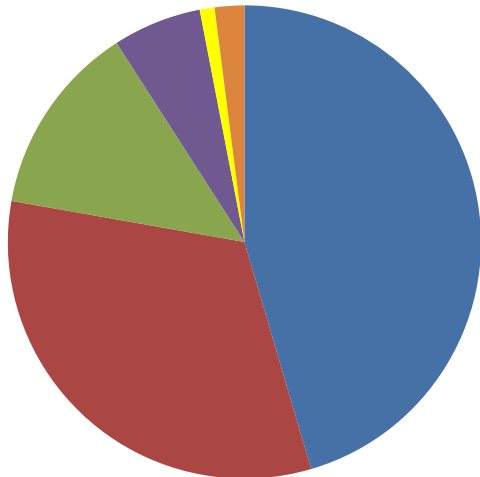
DECC Forecast Generating Capacity Non-derated



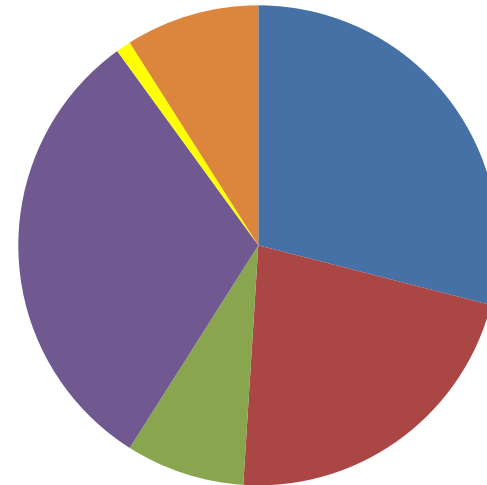
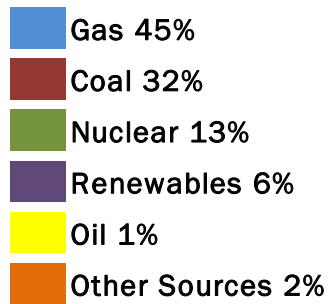
Source: National Grid, DECC

The Generation Mix

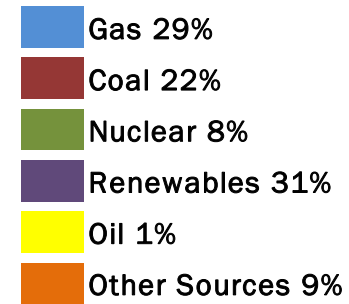
Around 75% of our electricity is currently generated from gas and coal today; renewables will expand to around 30% by 2020¹



Today



2020



Source: Energy Trends (2009, Quarterly) Department for Business Innovation & Skills (2009)

Source: Department of Energy and Climate Change

Capital Investment Estimate to 2025 – UK Energy Industry

Investment Type	Incremental spend from 2009 to 2025 in real terms (£bns)
Nuclear Power Plant	38
Gas-fired power plant	6
Coal-fired power plant with CCS	7
Renewable generation capacity	113
Transmission – offshore network	12
Transmission – onshore grid reinforcement	12
Distribution – network enhancement	4
Smart metering roll-out	13
Carbon Emissions Reduction Target (CERT)/Supplier Obligation (SO)	16
Gas Storage	8
LNG import terminals	1
New pipeline infrastructure	1
CO ₂ transport infrastructure for CCS	2
Total	233

Energy Investment

- Two elements will be key to ensuring the necessary investment takes place within the timescale needed
 - A Stable Regulatory framework
 - Government support by technology where appropriate
 - Renewables, CCS, Nuclear
- Networks, Big 6, new entrants and developers with healthy balance sheets will be the main players
- Projects increasingly involving joint venture partners

GDF SUEZ strategy aligns with Government Carbon Reduction and Sustainable Development Objectives

Craigengelt Windfarm



- First wind farm for GDF SUEZ in the UK
- Plans for development of further onshore wind farms
- 8 Turbines -
- 20 MW of Power

Teesside Power Station



- Planned upgrade
- Replacement of some of the existing gas and steam turbines with four new 300 MW gas turbines and two new 340 MW steam turbines

UK Nuclear Programme



- Part of consortium building new nuclear power plants in the UK to replace existing old power stations nearing decommissioning

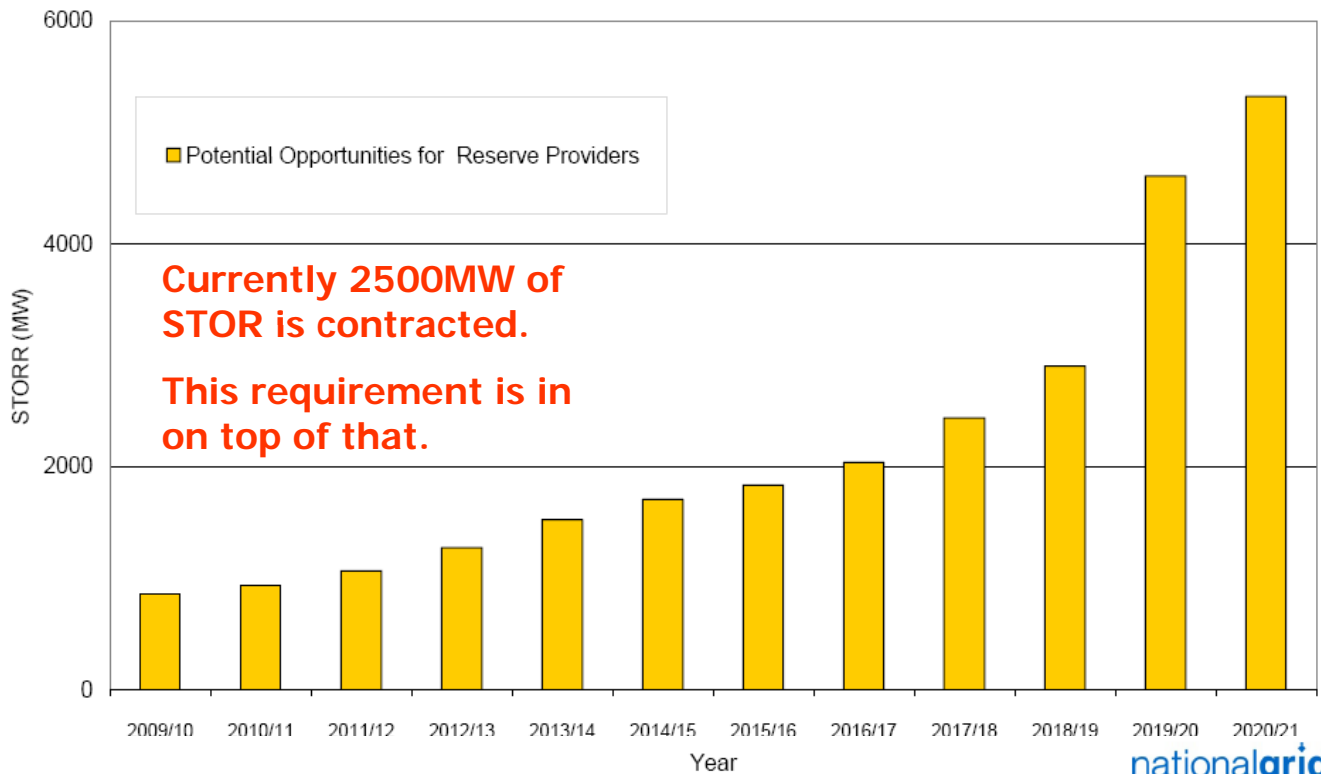
Increasing supply volatility

- There will be greater supply volatility due to a higher proportion of wind and nuclear in the generation mix which will lead to greater price volatility
- A study by Poyry found that even at an annual level, wind generation output varied by almost 25 per cent in the Irish market and 13 per cent in the British market
- Nuclear can't be switched off so there may be periods of major over supply

National Grid's Increasing STOR Requirement

Gone Green Scenario overview

Substantial opportunities for new entrants into Balancing Services

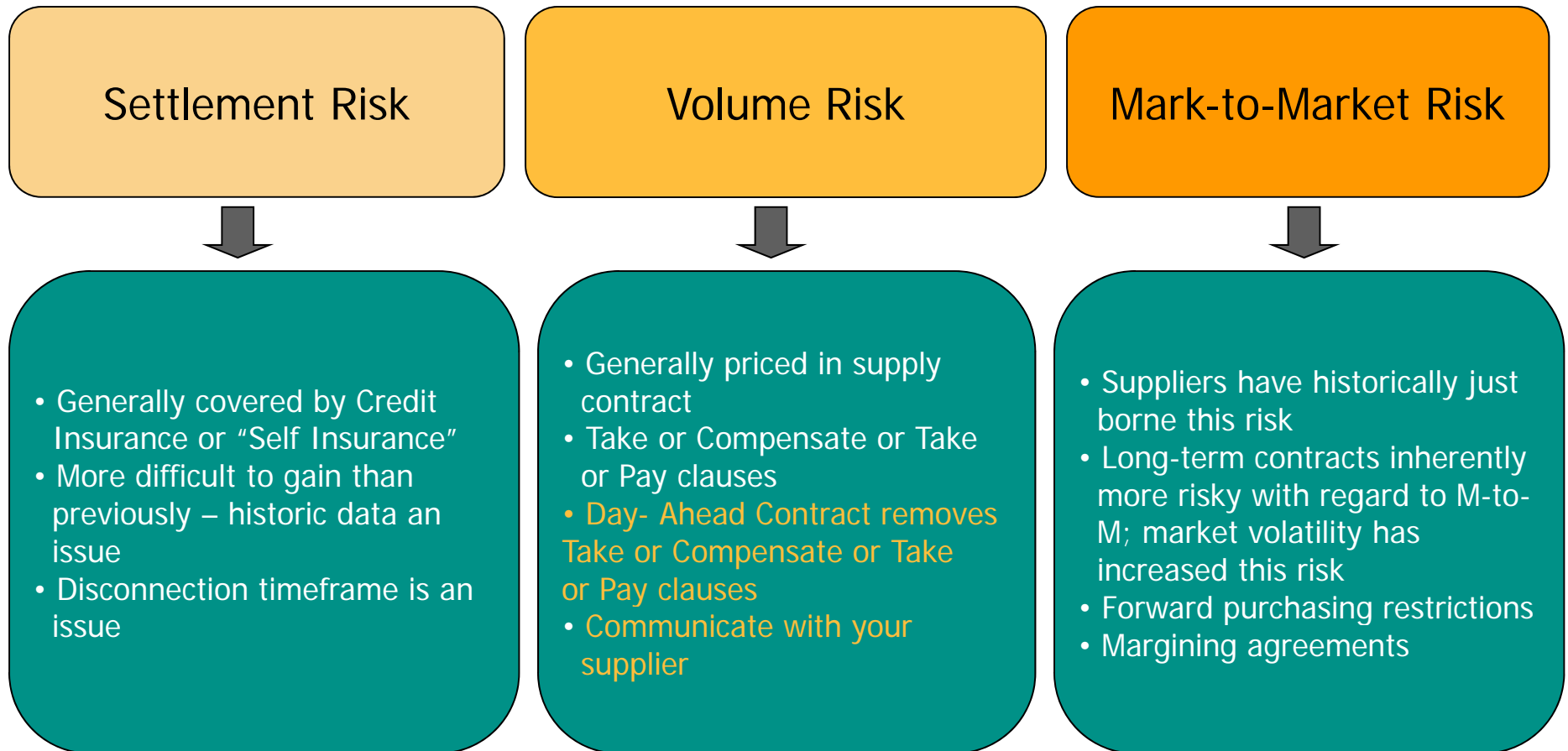


Filling the 'STOR Gap' with GDF SUEZ

The team at GDF SUEZ Energy UK has been the market leader in Demand Side services for over a decade

- Receive an Availability and a Delivery Fee
- Applies to most types of on-site generation as well as load reduction
- We can aggregate different customers to meet minimum scheme requirements (minimum size considered around 100kW)
- Income in the region of £35k-£40k per MW per annum

Credit Cover – a new world



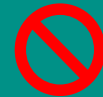
Credit Cover – options for customers

Settlement Risk

Volume Risk

Mark-to-Market Risk

- Credit Insurance or “Self insurance” not available from supplier



- Security Deposit (LoC, BG, cash) ✓

- Parent Company Guarantee ✓

- Increased payment frequency ✓

- Margining Agreement ✓

- Advanced Purchasing Restrictions ✓

- Shorter Contracts ✓

- Pre-payments ✓

- Payment terms ✓

- Alternative insurance... ✓

- Management Info... ✓

The UK Low Carbon Transition Plan

Objective: Reduce emissions level by 50% below 1990 level by 2050.

The main policies driving emission reductions are the EU Emissions Trading System, energy efficiency policies, and increased use of renewable energy for heat and transport

Impacting the industry and the workplace are :

- Carbon Reduction Commitment (CRC): Energy Efficiency cap and trade scheme
- Energy Performance of Buildings Directive
includes Energy Performance Certificates, Display Energy Certificates for public buildings, inspections for air conditioning systems, and advice and guidance for boiler users
- Interest Free loans from the Carbon Trust
- Renewable Heat Incentive (in preparation for April 2011): communities and businesses could receive payment for getting their heat from renewable sources. The scheme will cover industrial through to domestic scale heat production.
- AMR roll out: New meters to be AMR enabled for premises where the annual consumption is greater than 732,000 kWh

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Competition in the UK market

Gas & Power Market Competitive Intensity

Gas Market Competitive Intensity

On a weighted average basis UK scores 8.8/10 for gas Market Competitive Intensity in 2009, ranking 1/33 of the markets covered.

On a weighted average basis UK scores 9.2/10 for gas Market Competitive Intensity in 2012, ranking 1/33 of the markets covered.

Electricity Market Competitive Intensity

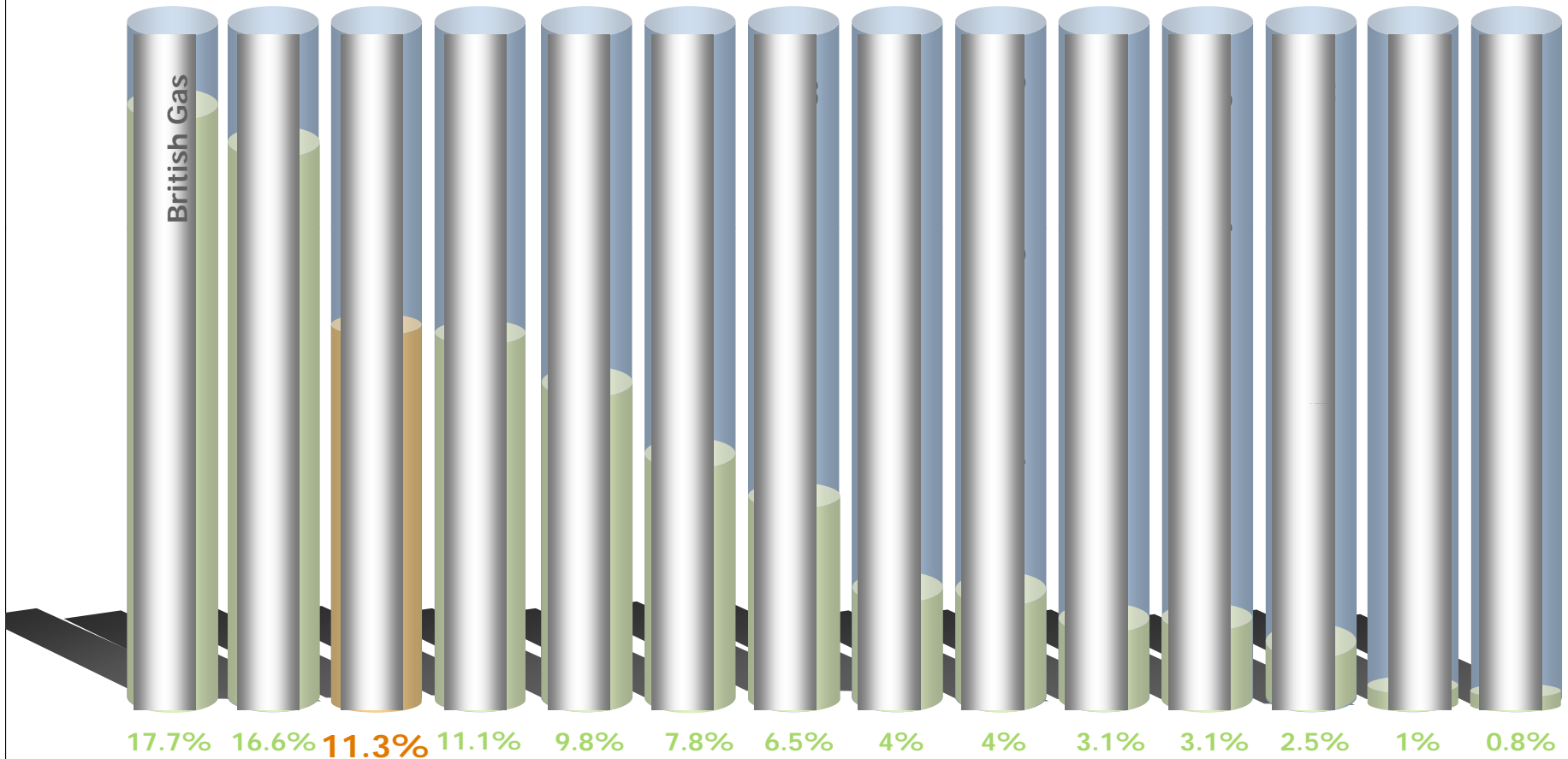
On a weighted average basis UK scores 7.9/10 for power Market Competitive Intensity in 2009, ranking 2/33 of the markets covered.

On a weighted average basis UK scores 8.6/10 for power Market Competitive Intensity in 2012, ranking 1/33 of the markets covered.

Datamonitor MCI Index

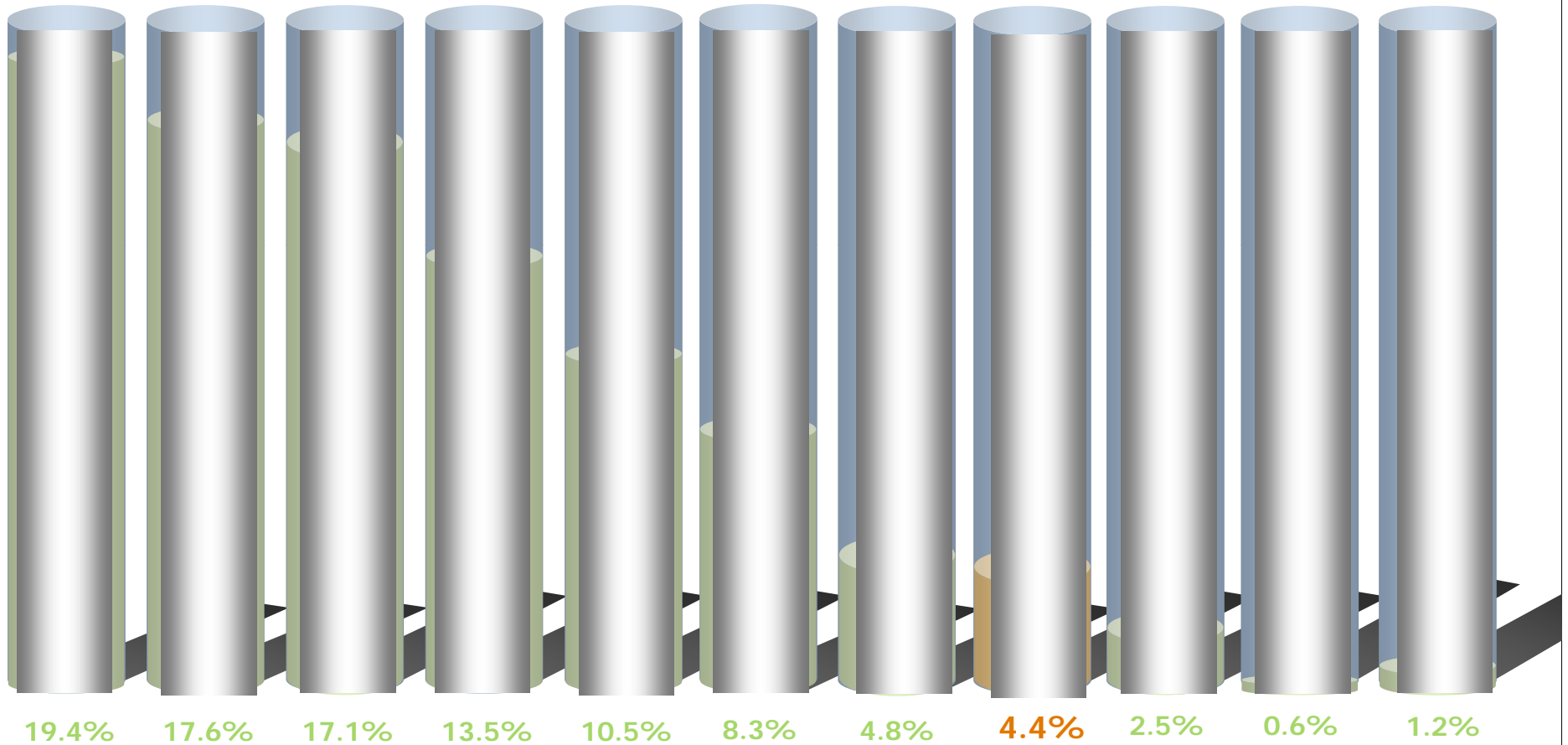
How do we compare?

I&C Gas Market Share – Q2 2009 (Source: Cornwall Energy Associates)



How do we compare?

I&C Electricity Market Share – Q2 2009 (Source: Cornwall Energy Associates)



In summary

- Short term – demand reduction due to current economic conditions
- Medium term – supply & price volatility due to new generation mix
- Long term – bridging the generation gap with major investment required now

Competition

- Competitive market
- Good conditions for prices

Requires energy companies committed to investing in the future of the UK market

GDF SUEZ is here to help and support our customers in these changing times