

Dynamic Pricing Residential Mass Markets

May 7, 2013



Direct Energy

50 states and 10 provinces

Upstream

Upstream Power

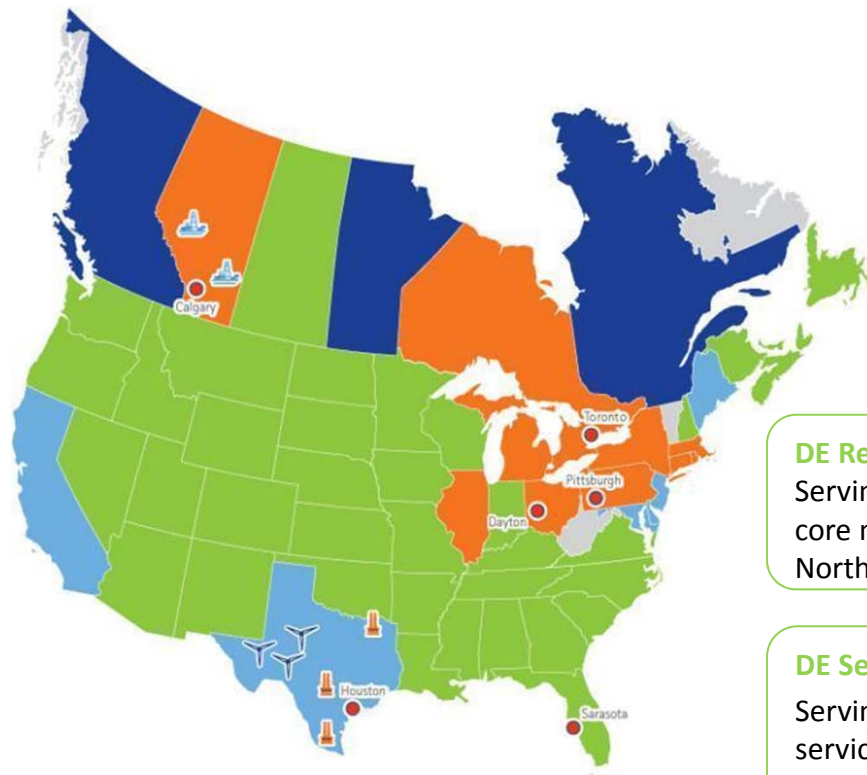
Three gas-fired power stations 1260MW in Texas

Upstream Gas

4,647 natural gas wells in Alberta

Renewable Energy

813MW of Texas wind power contracts



Downstream

DE Business

Providing gas and electricity to C&I customers in Canada, CA, TX, US North

DE Residential

Serving gas and electricity customers in core markets in Canada, Texas, US North

DE Services

Serving residential and business services customers across North America



Direct Energy

One of North America's largest competitive suppliers of electricity, natural gas and home services

Owned by Centrica

Affiliate of British Gas

<http://www.youtube.com/watch?v=hd4oaSigBuc&list=SP2D29B169F87A9CF7&index=2>

60,000+ customers on dynamic pricing products



Significance of dynamic pricing

Creates opportunities for customers, utilities and retail suppliers

- ❖ Increases customer awareness of energy demand, timing of usage and associated costs
- ❖ Empowers customers to shift energy usage, reduce overall consumption and energy costs
- ❖ Enables differentiated products in the market to address energy demand
- ❖ Shares ownership of energy demand

Customer Interest Dynamic Pricing in Texas



Power-To-Go, Direct Energy's prepaid product has been active in Texas since July 2010

Direct Energy sends approximately 60k sms text messages per day with usage and bill amount

Power-To-Go offers the option of "Free Power Saturdays"



Customer Interest

Dynamic Pricing in Pennsylvania

Products

Free Power Saturdays

Free Power Day

Best Hourly Rate

Half Off Weekends

Free Power Nights

Launched in PP&L

September 2011

March 2012

March 2012

October 2012

October 2012

Free Power products deliver innovation and offer a value proposition that is unique to other dynamic pricing products.

Free Power products have positively impacted churn and customer feedback.



Direct Energy customer in PP&L



Colleen Wassell

- Colleen lives in Harrisburg, PA with her husband Brian, their children Tyler (12), Lauren (10) and Kyle (7), and their golden retriever, Romo.
- The Wassells' joined Free Power Saturdays in January and have already seen their electric bill cut in half.
- Colleen takes advantage of Free Power Saturdays by doing 10+ laundry loads over the weekend as well as vacuuming all the rooms.
- She also cooks several meals on Saturday to freeze for the upcoming week, which means running the dishwasher several times too.
- The Wassell's enjoy hosting sleepovers, Girl Scout events, and informal dinner parties during the weekend.
- Colleen feels Free Power Saturdays has helped her to be more organized to save on the bill.

What would you do with a
FREE-POWER DAY PLAN?

This was made for no electricity cost in the home of Colleen Wassell.

Directenergy.com/free



1-888-845-9040

<http://youtu.be/EBGmt6iZnNQ>



Messaging to customers

FREE-Power Nights

Get Free Power Every Night For A Year.

The savings are up to you. When you switch to the 12-Month FREE-Nights Plan, the possibilities for spending less on electricity are endless. Simply switch activities like cooking, laundry and entertainment to your FREE-Power Nights and there's no charge for your electricity supply.¹

- ★ Get **FREE** electricity supply every night from 7:00 p.m. - 10:59 p.m.
- ★ Switch activities to your FREE time for greater potential savings



Sign up for the 12-Month
FREE-Nights Plan and discover
how much you could save.



¹The Free Nights Plan is available for a limited time to residential customers in the PSE service area who have a Smart Meter. Local utility fees and distribution charges based on usage will still apply to the free electricity supply periods. Free electricity supply is offered from 7:00 p.m. - 10:59 p.m. every day of the week. All other supply charges are billed at \$6.00/kWh. No cancellation fees. Savings are not guaranteed.
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FREE ELECTRICITY ON SATURDAY EVERY SATURDAY

If today was Saturday, what would you be doing?

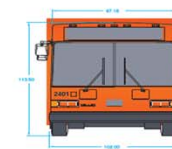
Imagine what you could do with 24 hours of free electricity every Saturday. You'll save every week by switching activities to your prepaid FREE-Power Saturday plan. The savings are up to you and there's no long-term contract.

SIGN UP HERE

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FREE POWER ON SATURDAY



Sample PP&L customer bill

Visit us online at
ppllectric.com

Bill Acct. No.	Due Date	Amount Due
[REDACTED]	Aug 9, 2012	\$132.26

Billing Summary

(Billing details on back)

Balance as of Jul 19, 2012	\$0.00
Charges:	
Total PPL Electric Utilities Charges	\$43.26
Total DIRECT ENERGY SERVICES (2) Charges	\$89.00
Total Charges	\$132.26
Amount Due By Aug 9, 2012	\$132.26
Account Balance	\$132.26

PPL Electric Utilities' price to compare for your rate is 7.993 cents per kWh effective 6/1/2012 to 8/31/2012. For a list of supplier offers, visit papowerswitch.com or www.oca.state.pa.us.

Your Message Center

- Thank you for choosing the **Direct Energy Free Power Saturday Plan**.
- With paperless billing, you can receive and pay your PPL Electric Utilities bills online. The process is free, quick, convenient and secure. To learn more or sign up, visit ppllectric.com.
- Information about appliance energy use and tips on saving energy are available through the Energy Library on our Web site, ppllectric.com.
- Close drapes, blinds and shades on the sunny side of your home during the hottest part of the day. It eases the load on your cooling system and saves energy.

Billing Details

Page 2

Previous Balance	\$205.95
Payment Received - Thank You!	-\$205.95
Balance as of Jul 19, 2012	\$0.00
Charges for - DIRECT ENERGY SERVICES (2)	
Generation & Transmission Charges	
General Service Rate: EAMM for Jun 14 - Jul 16	
Billable Usage 890.8992 KWH @ 0.0999900	\$89.00
Free Usage 141.0048 KWH @ 0.0000000	0.00
Total DIRECT ENERGY SERVICES (2) Charges	\$89.00
Charges for - PPL Electric Utilities	
Residential Rate: RS for Jun 14 - Jul 16	
Distribution Charge:	8.75
Customer Charge	34.66
1,032 kWh at 3.35900000¢ per kWh	-0.15
PA Tax Adj Surcharge at -0.34500000%	
Total PPL Electric Utilities Charges	\$43.26
Amount Due By Aug 9, 2012	\$132.26
Account Balance	\$132.26



Barriers for Retail Suppliers

- Advanced meter deployment
- Receipt of interval usage data
- Billing systems that support dynamic pricing
- Customer awareness