

Haven Power

Capital Markets Day

17 October 2013



Agenda

Peter Bennell – CEO Haven Power

Background and History

Management Team

The Electricity Market

Role of Haven

Delivering Growth

Credit Management



Background and History

Haven founded in 2006

- Strong management team, 140+ years energy experience
- Initial shareholding 76:24 Carron Energy / Welsh Power: management
- Initial focus was SME⁽¹⁾ electricity – traditionally not well served by the Big Six
- Space in the market for a good service, competitively priced offering – Haven supported with a named account manager

Drax acquired 100% of Haven in 2009

- Rationale – credit-efficient route to market
- Opportunity to expand into I&C⁽²⁾ market

Haven entered I&C market in 2010

Systems investment to support I&C sales

- Major project commenced 2009 – delivered on a phased basis through 2013
- Currently completing migration of SME customers from older platforms

People

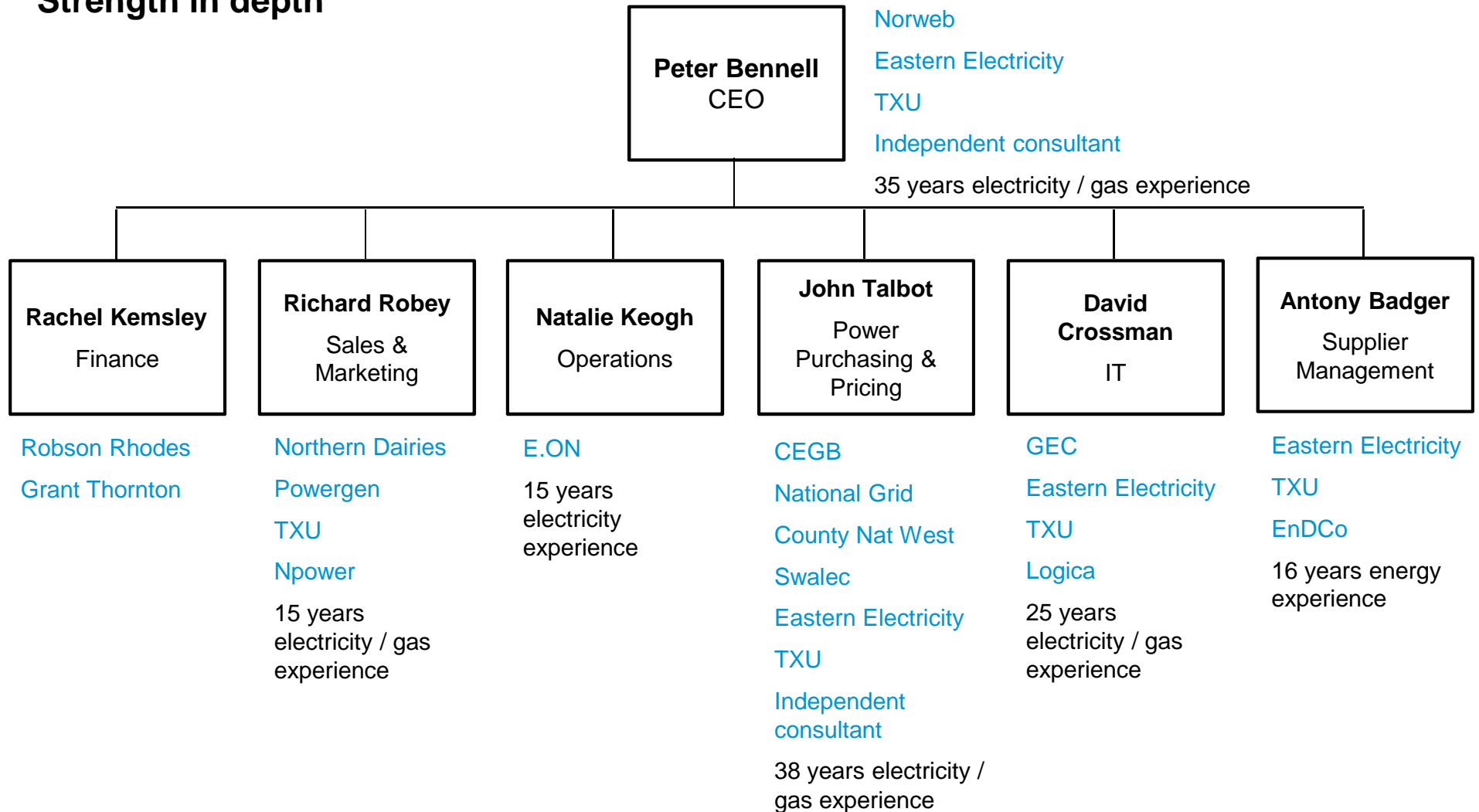
Power

Systems

Cash

Management Team

Strength in depth

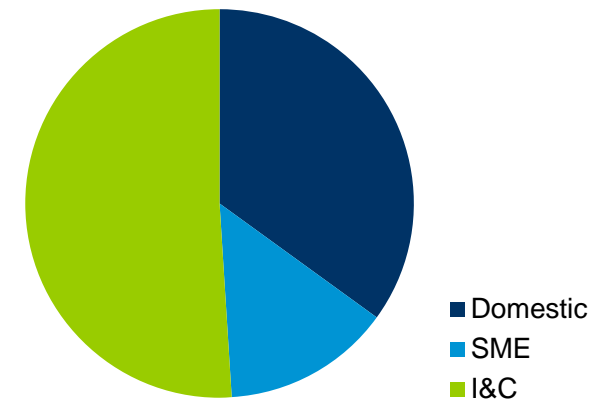


The Electricity Market

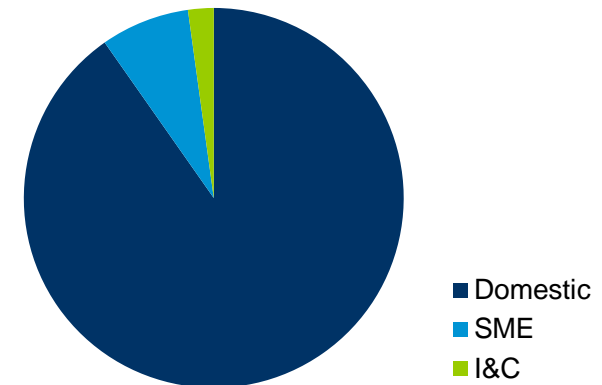
c.£30bn market; c.300TWh

	Domestic	SME	I&C
Margins	~ 5%	~1%	~0.25%
Products	Simple Evergreen Some fixed-term	Simple Fixed-term Some evergreen	Complex Fixed-term Some rolling
Sales channels	Online Telesales In-store	Brokers Telesales Face to Face	Consultants Brokers Direct Consortia
Regulatory environment	Strong	Being strengthened	Basic
Political	Very	Some	Intensive users lobby strongly
Renewable power potential	Little	Majority	About half
Haven presence	-	Most subject to credit	

Electricity Market by Volume



Electricity Market by Sites / Meters



Role of Haven

Haven's value to Drax

Access to the business electricity market

- I&C customers
- SME customers
- c.190TWh market

Credit-efficient route to market

- No collateral support required for retail contracts
- Customer credit risk more controllable than collateral risk

Efficient route to market for Drax's renewable power

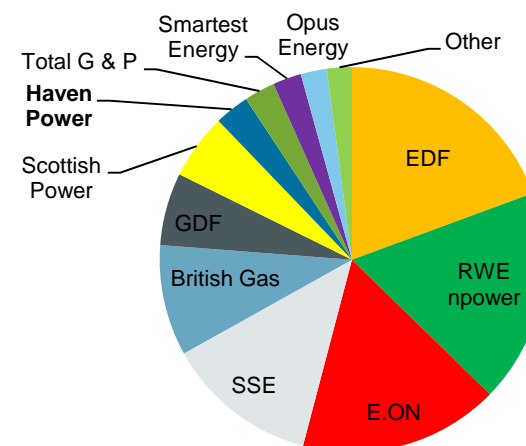
But, highly competitive

- Thin margins
- Flexible contracts rather than fixed price contracts predominate for larger deals

Committed Book – Historical Growth



Business Electricity Market Share H1 2013



Role of Haven

Scale of operations

Currently targeting 12–15 TWh business

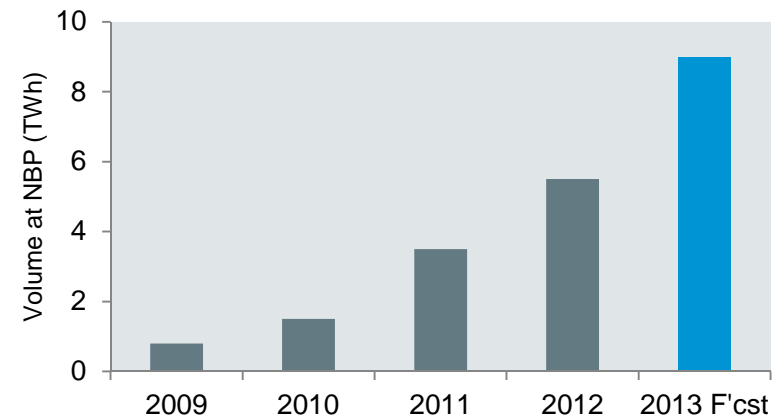
- 2–3 TWh in SME
- 10–12 TWh in I&C

Haven has met its RO⁽¹⁾ entirely through ROCs since Drax acquisition

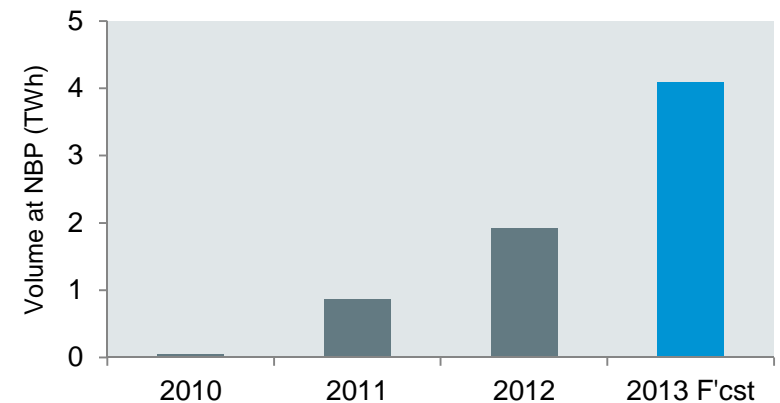
- RO set annually by DECC
- RO is currently c.21% of power supplied by Haven – will utilise c.1.8M ROCs⁽²⁾ in 2013
- At c.14TWh, Haven will utilise all the ROCs from one converted unit

Haven have successfully sold all of the levy exempt power from the first converted unit

Power Sales



Levy Exempt Power Sales



Delivering Growth – Market Presence

Establishing the brand

Primarily to support I&C sales

- ‘No-one ever got fired for buying IBM’
- Competitors very entrenched
- Haven had low recognition amongst target customer groups
- Drax / Haven operate as one business

Targeted low cost marketing

- Lever Drax and especially biomass
- Intensive work with energy consultants
- Strong presence at key energy events
- Major Energy Users Council sponsorship
- Customer testimonials & limited advertising

Increasing recognition

- Initial ‘Haven who?’ no longer an issue
- Doing business with all major consultants
- Receiving many unsolicited tender opportunities
- No issues with tender qualification

Proposition based on excellent service and competitive pricing



Delivering Growth – Products and Sales

Active in both SME and I&C markets

Market-leading product range

- Standard
- Assured
- Pass Through
- Flexible

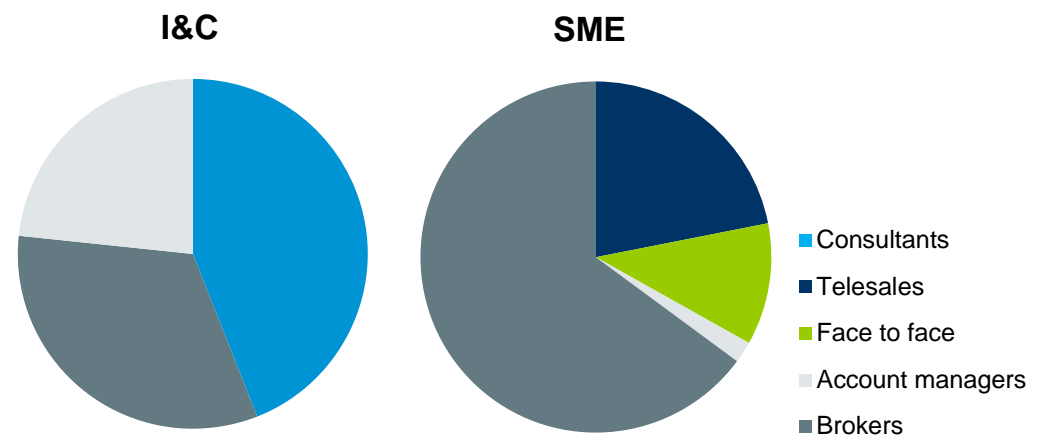
Good range of sales channels

- Direct
 - Account managers
 - Telesales
- Intermediated
 - Brokers (best deal recommendation)
 - Consultants (offer broader advice too)
- Influencers
 - Strong relationships e.g. Major Energy Users Council

Contract Type

Energy	Fixed	Fixed	Fixed	Pass Through
Distribution	Inc from Threshold	Fixed	Pass Through	Pass Through
Transmission	Inc from Threshold	Fixed	Pass Through	Pass Through
RO	Inc from Threshold	Fixed	Inc to Threshold	Pass Through
System Balancing	Inc from Threshold	Fixed	Inc to Threshold	Pass Through
Feed In Tariff	Inc from Threshold	Fixed	Inc to Threshold	Pass Through

Sales Channels



Delivering Growth – Serving Customers

All Haven customers have a named account manager

- Direct dial telephone and email address
- Account manager is responsible for the customer
- Combined trading desk for Flex customers

Strong focus on cash

- Daily cash meetings
- Bad debt experience remains low
- I&C debt experience has been very good

Growing a strong service reputation









- Consistent strong performance in Datamonitor Major Energy Users survey
- Renewals:
 - Good record in SME
 - Excellent performance in I&C

Service based growth

- E.g. now supply whole Santander portfolio after initial smaller contract



DATAMONITOR Energy

MEU POWER		H2 2012 & H1 2013 ¹		Change
Rank	Company	Score	Change	
1	 SMAR	8.60	----	
2	 HAVN	7.62	----	
3	 SSE	7.49	↑	
4	 EON	7.10	↑	
5	 RWE	7.10	↓	
6	 SP	7.08	----	
7	 BGB	7.04	----	
8	 EDF	7.03	↓	
Average		7.43		

Credit Management

Big pool of quality customers

- Can deliver required volume without reducing credit thresholds
- Plenty of headroom in current thresholds

Credit management critical

- Strong credit processes, appropriate to customer
- Regular monitoring, risk management oversight
- Independent review of I&C credit processes

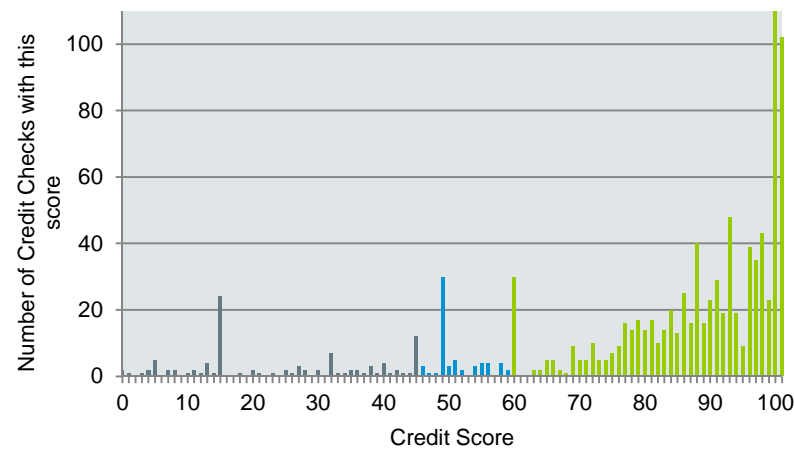
Terms and conditions

- Integral part of our credit processes
- Late payment charges; interest and security all used

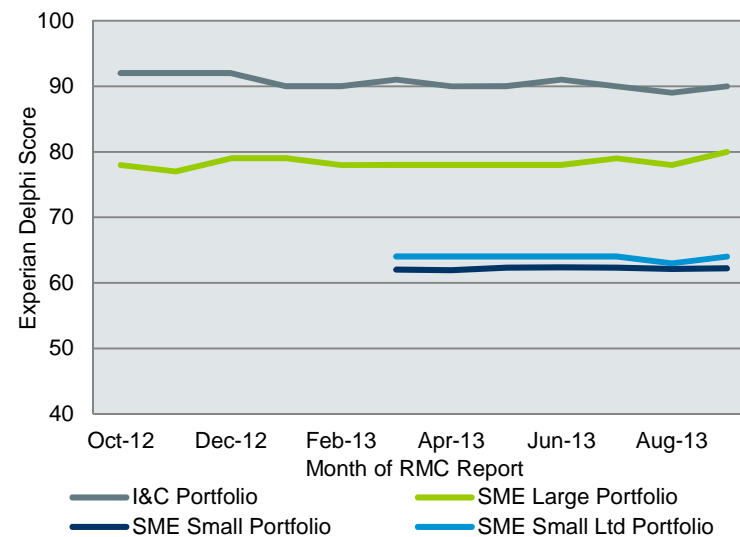
Daily cash and payment monitoring

- Reminder calls in advance of due dates
- Rigorous escalation on non-payment
- Excellent record
- Bad debt experience remains low
- Virtually zero aged debt in I&C

Concentration of Credit Check Outcomes - I&C Prospects



Portfolio Results



Summary

Credit-efficient route to market

Substantial sales growth delivered in a tough market

Capability to flex business model to optimise value to Group

Can deliver against both RO and CfD outcomes

Good track record on systems delivery

Capability to support 12–15TWh business

Efficient route to market for renewable power

Utilise all ROCs on first converted unit

Strong cash focus and collection performance

Credit quality remains good and a low bad debt experience



