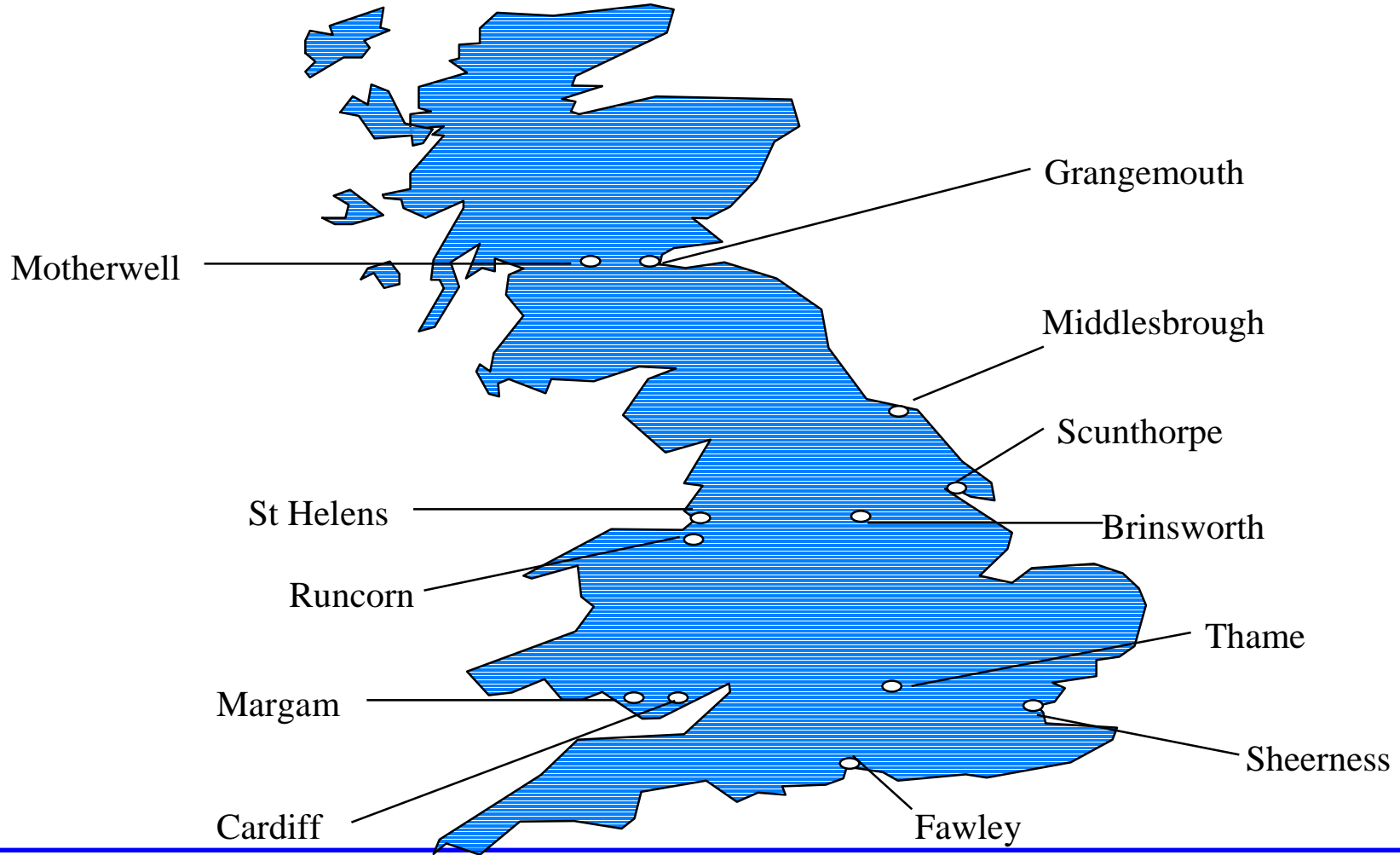


PGS UK - PRODUCTION FACILITIES



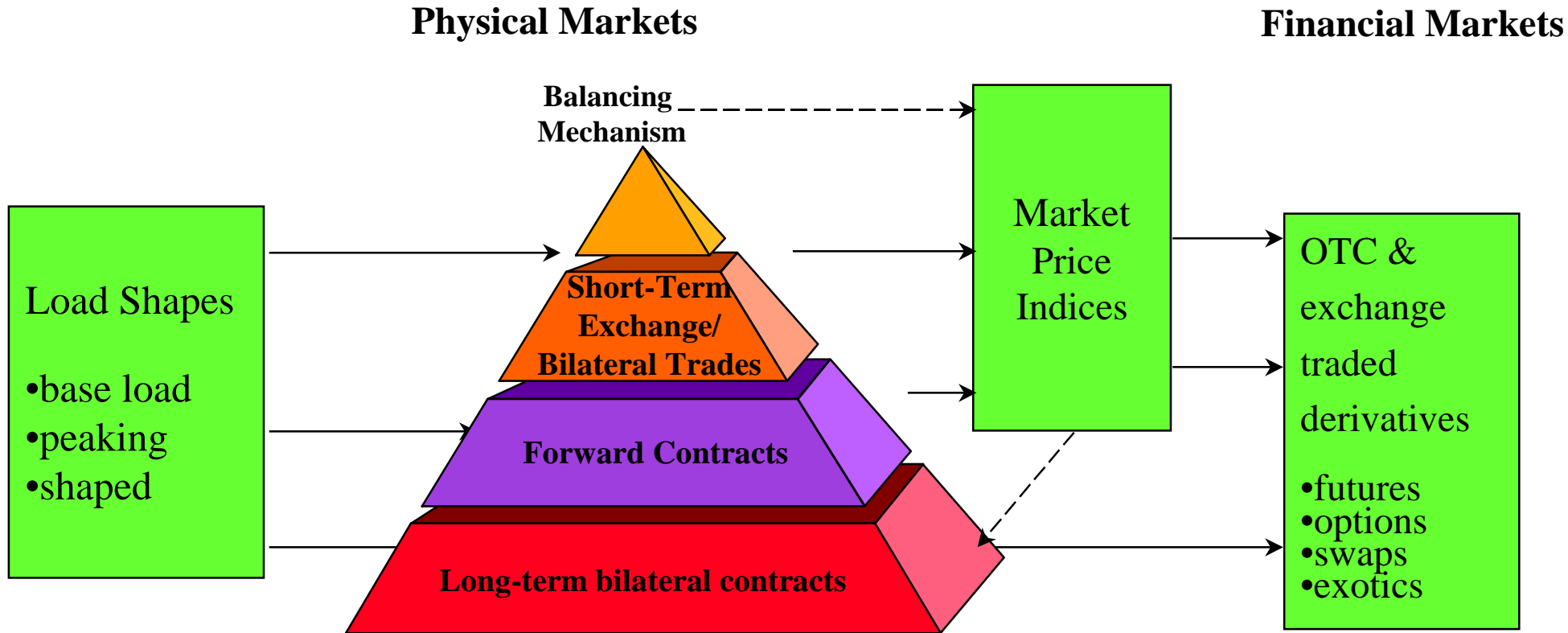
SOME FEATURES OF THE MARKET - ENGLAND AND WALES UNDER THE POOL

- **ELECTRICITY CONTRACT PRICES WERE DRIVEN BY POOL PRICES**
- **DOMINANT GENERATORS HAVE EXPLOITED THEIR MARKET POSITIONS**
- **LARGE FUEL AND EFFICIENCY SAVINGS MADE BY GENERATORS WERE NOT REFLECTED IN REDUCED PRICES**
- **PRICES TO LARGE AND INTENSIVE CUSTOMERS WERE NOT INTERNATIONALLY COMPETITIVE**
- **CUSTOMERS FORCED THE GOVERNMENT TO REVIEW TRADING ARRANGEMENTS**
- **BOC WAS VERY INFLUENTIAL IN THIS**

NEW ELECTRICITY TRADING ARRANGEMENTS (NETA)

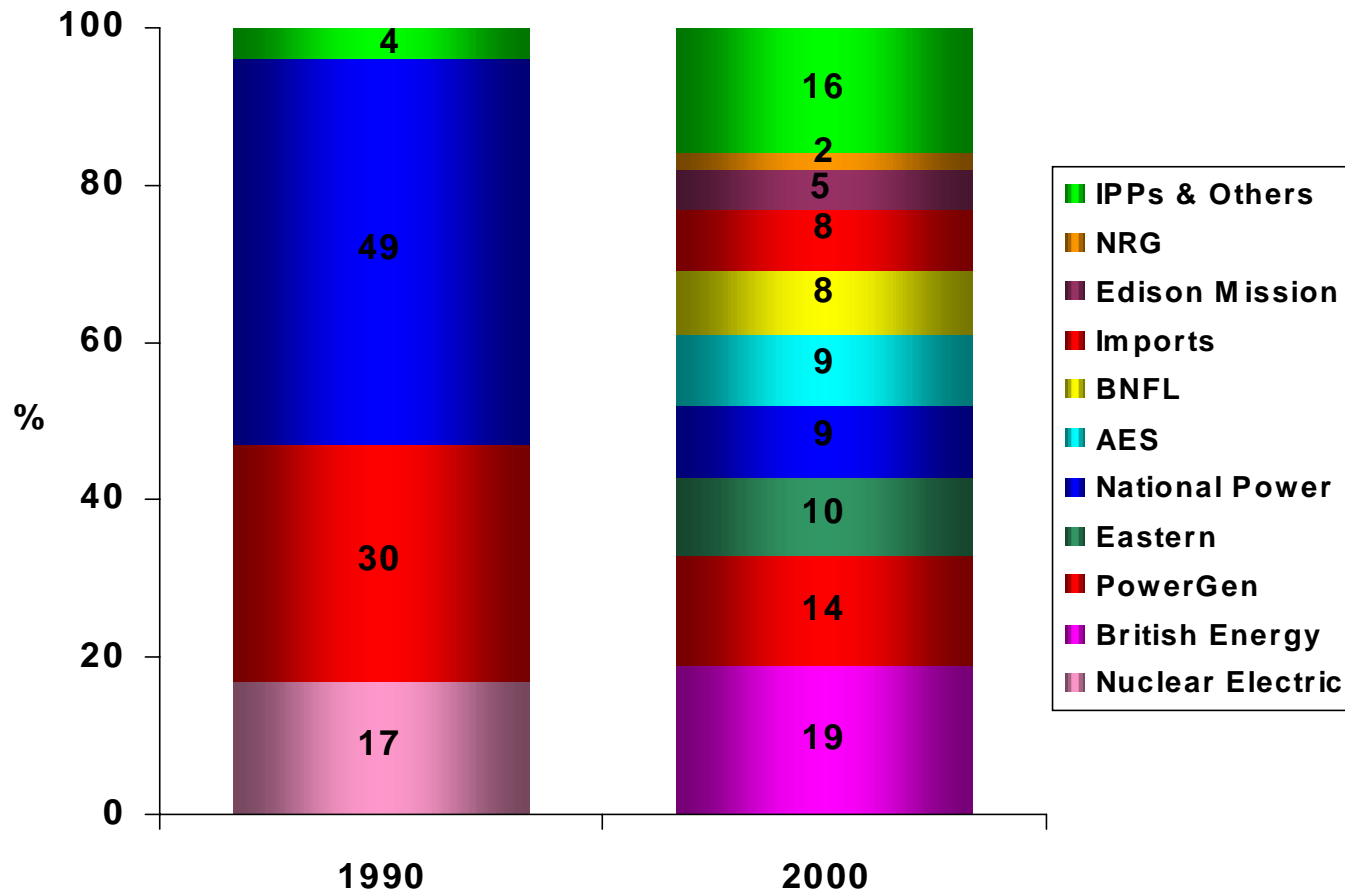
- **REFORMED TRADING ARRANGEMENTS ABOLISHED ELECTRICITY POOL AND INTRODUCED COMMODITY MARKETS**
- **FEATURES INCLUDE:-**
 - **FORWARDS AND FUTURES MARKETS**
 - **SHORT TERM BILATERAL MARKET OR EXCHANGE**
 - **BALANCING MECHANISM**
 - **SETTLEMENT PROCESS**

Overview



Competition in Generation

Market shares in England and Wales



SOME FEATURES OF THE PRESENT ENGLAND AND WALES POWER MARKET

- **NEW TRADING ARRANGEMENTS (NETA) MEANS THE ENGLAND AND WALES POWER MARKET NOW RESEMBLES A COMMODITY MARKET**
- **THE POWER TRADERS HOLD SWAY WITHIN ELECTRICITY COMPANIES**
- **PRICES HAVE BEEN DRIVEN DOWN AS NETA ALLOWS OVER CAPACITY IN GENERATION TO SHOW THROUGH**
- **CONSOLIDATION AND PLANT CLOSURES WOULD MEAN A RAPID INCREASE IN POWER PRICES**
- **STRUCTURED DEALS MAY BE A USEFUL APPROACH FOR THE FUTURE**