

# Board Investor Workshop

## November 24, 2009

“Challenges and opportunities in the UK market”  
Volker Beckers, Chief Financial Officer RWE npower

“Current trends in the German transmission grid”  
Klaus Kleinekorte, Member of the Board, Amprion

“RWE Supply & Trading as commercial hub for managing asset optionalities in power generation and midstream gas”  
Frank van Doorn, Vice President Commercial Asset Optimisation - Gas (MD)



# PLAYING OUR ROLE IN A SUCCESSFUL RWE

Challenges and Opportunities in the UK Market

Volker Beckers, CFO RWE npower



# Forward looking statement

**This presentation contains certain forward-looking statements within the meaning of the US federal securities laws. Especially all of the following statements:**

- > Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- > Statements of plans or objectives for future operations or of future competitive position;
- > Expectations of future economic performance; and

Statements of assumptions underlying several of the foregoing types of statements are forward-looking statements. Also words such as 'anticipate', 'believe', 'estimate', 'intend', 'may', 'will', 'expect', 'plan', 'project', 'should' and similar expressions are intended to identify forward-looking statements. The forward-looking statements reflect the judgment of RWE's management based on factors currently known to it. No assurances can be given that these forward-looking statements will prove accurate and correct, or that anticipated, projected future results will be achieved. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Such risks and uncertainties include, but are not limited to, changes in general economic and social environment, business, political and legal conditions, fluctuating currency exchange rates and interest rates, price and sales risks associated with a market environment in the throes of deregulation and subject to intense competition, changes in the price and availability of raw materials, risks associated with energy trading (e.g. risks of loss in the case of unexpected, extreme market price fluctuations and credit risks resulting in the event that trading partners do not meet their contractual obligations), actions by competitors, application of new or changed accounting standards or other government agency regulations, changes in, or the failure to comply with, laws or regulations, particularly those affecting the environment and water quality (e.g. introduction of a price regulation system for the use of power grid, creating a regulation agency for electricity and gas or introduction of trading in greenhouse gas emissions), changing governmental policies and regulatory actions with respect to the acquisition, disposal, depreciation and amortization of assets and facilities, operation and construction of plant facilities, production disruption or interruption due to accidents or other unforeseen events, delays in the construction of facilities, the inability to obtain or to obtain on acceptable terms necessary regulatory approvals regarding future transactions, the inability to integrate successfully new companies within the RWE Group to realize synergies from such integration and finally potential liability for remedial actions under existing or future environmental regulations and potential liability resulting from pending or future litigation. Any forward-looking statement speaks only as of the date on which it is made. RWE neither intends to nor assumes any obligation to update these forward-looking statements. For additional information regarding risks, investors are referred to RWE's latest annual report and to other most recent reports filed with Frankfurt Stock Exchange or SWX Swiss Exchange and to the material furnished to the US Securities and Exchange Commission by RWE.

# Market – key issues

RWEnpower is well placed to compete effectively and capture opportunities in UK Generation and Retail

## Investment, financing, margins

- > The market requires a further 20-30GW of new build over the next 10 years
- > Credit markets still tight
- > Margins very tight in Retail business, but RWEnpower managing well through recession

## Economy, wholesale prices

- > The UK economy is expected to record 1.2% growth in 2010
- > UK electricity usage was down 6% compared to the first 3 quarters of 2008
- > The economic downturn has depressed commodity prices during 2009



## Competition

- > Retail market remains highly competitive
- > Possible new retail entrants with implementation of SMART<sup>1</sup> in the future
- > RWEnpower well placed to capture value

## Politics and regulation

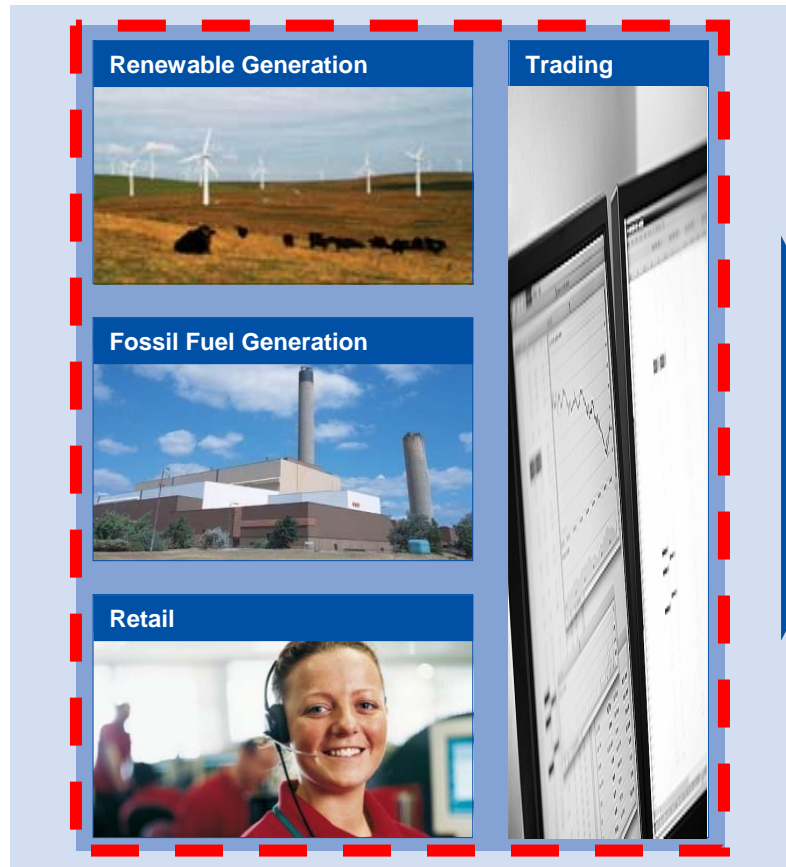
- > UK elections in 2010
- > RWEnpower well prepared for possible change of Government
- > Regulatory environment is uncertain but RWEnpower robust against changes

<sup>1</sup> Government mandate of roll-out of SMART meters to all residential customers by 2020

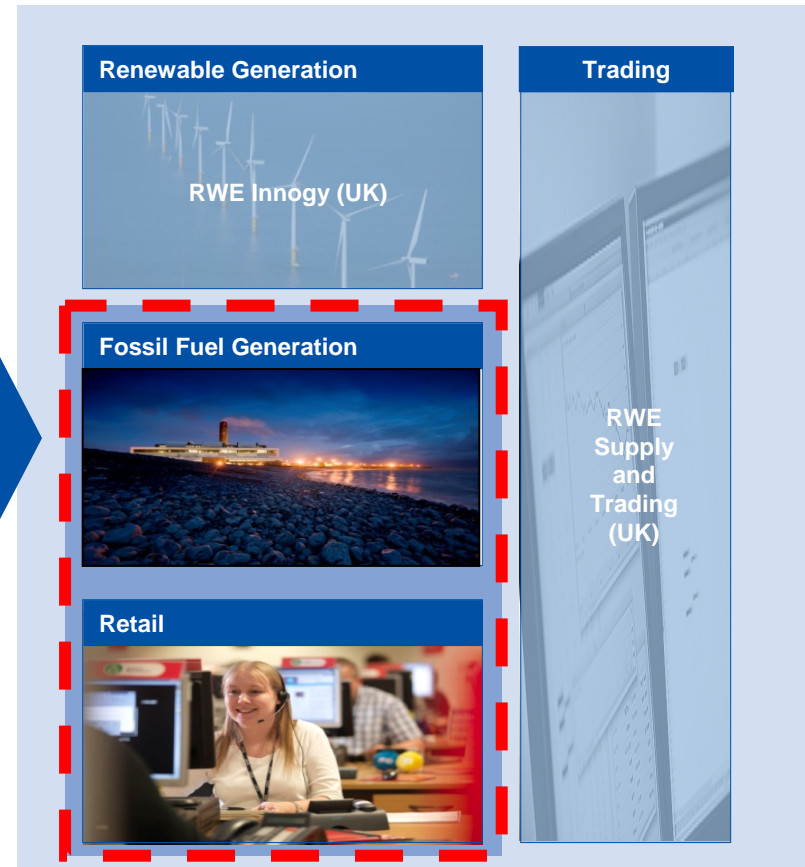
# RWEnpower – company structure

RWEnpower now comprises Generation and Retail with Renewables and Trading held in separate companies within the RWE Group

RWEnpower (Innogy 2002)

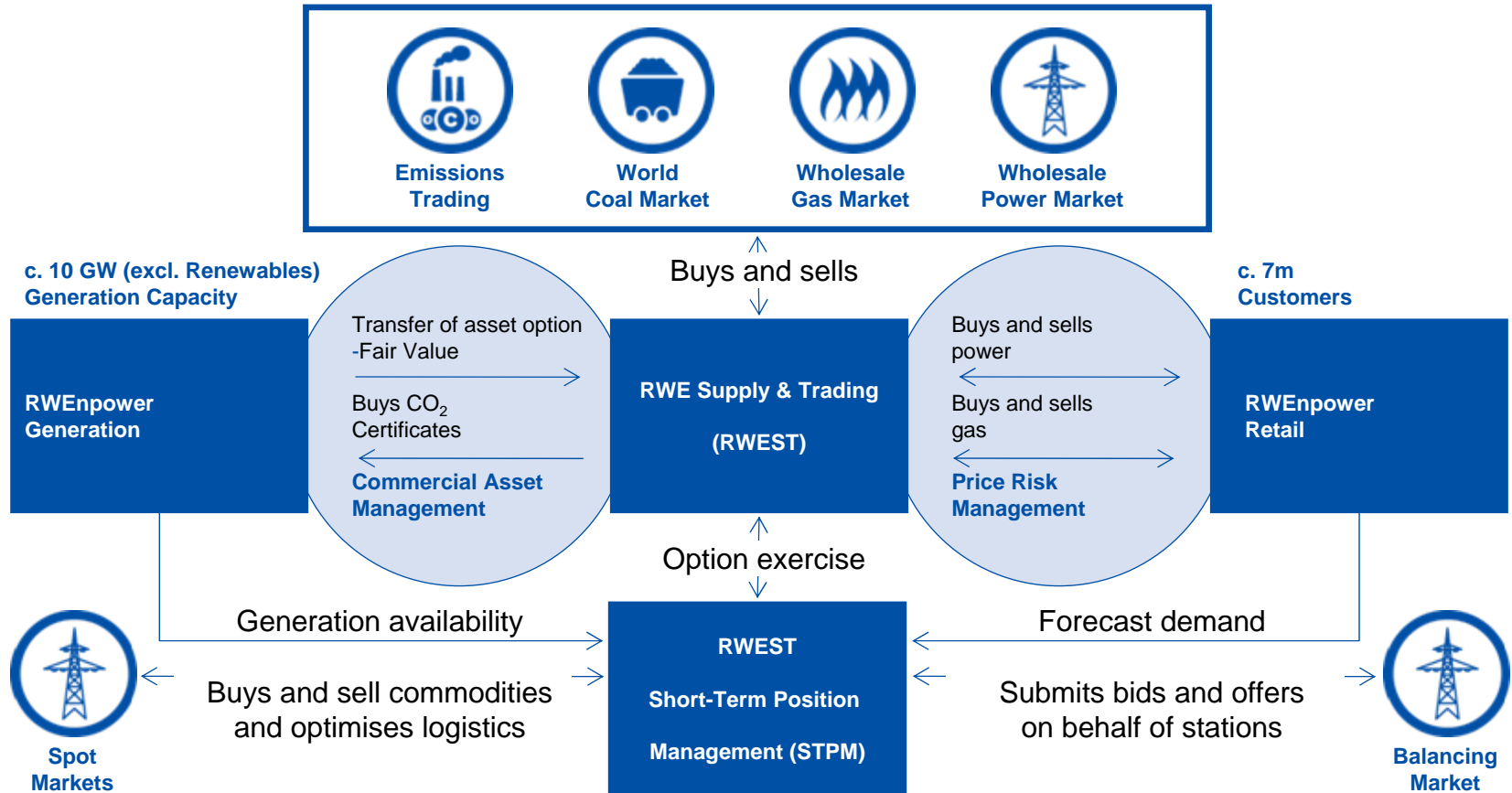


RWEnpower (2009)



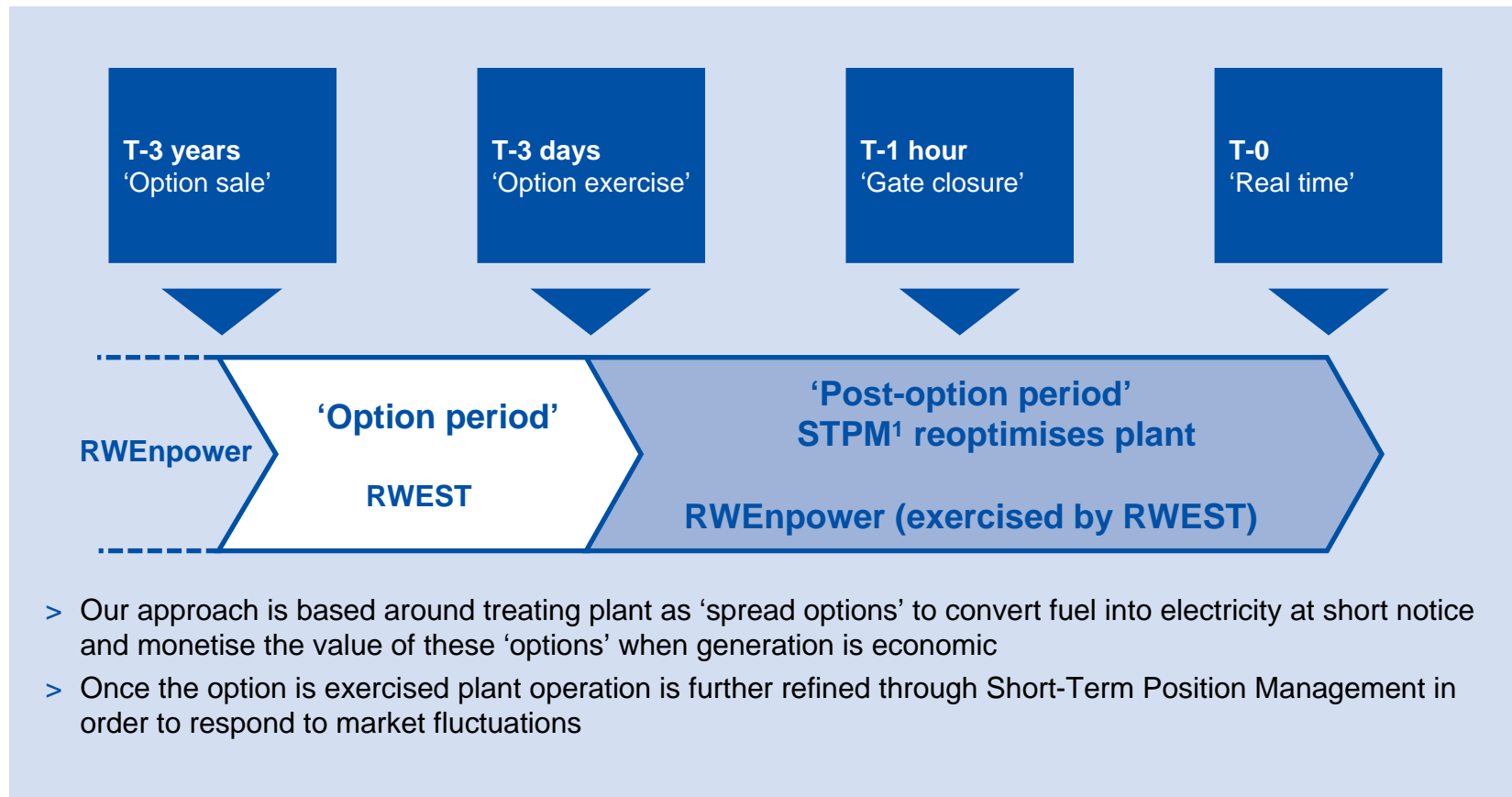
# Business Model – commercial excellence

We benefit from a unique internal market, delivering sustainable competitive advantage to RWE npower



# Example transaction

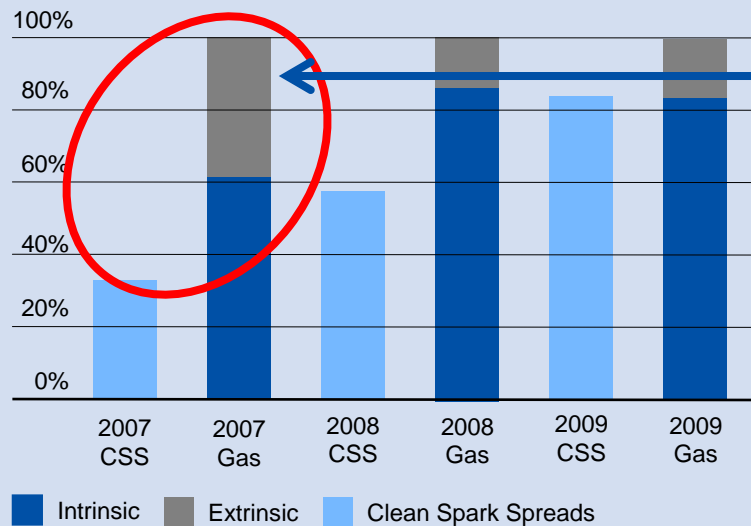
## UK power market timeline



<sup>1</sup> Short-Term Position Management

# Generation – beyond intrinsic value

With low forward spreads and volatile markets, extrinsic value will grow in importance; we have the skills to capture this value



In periods of low forward spreads, extrinsic value can represent as much as 40% of total asset returns

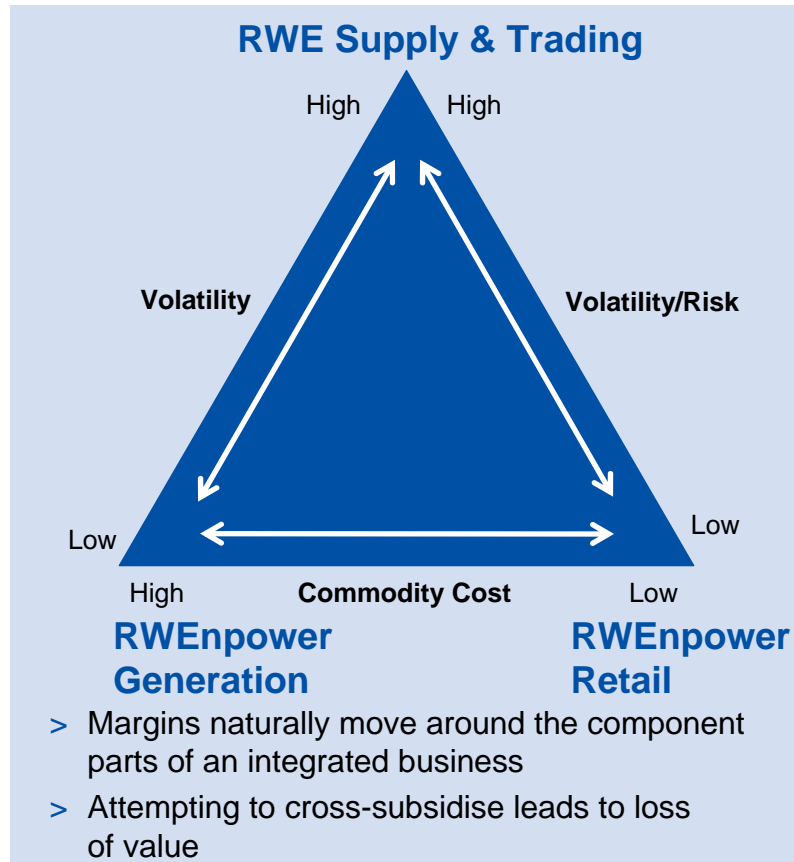
> With low forward spreads but significant volatility expected, extrinsic value capture will have increasing importance for profitability going forward

> RWE's mature internal market leverages the expertise of a world class trading operation to focus on exploiting opportunities and minimising market risks

# Business Model – vertical integration

Margins move around the value chain; we optimise strategically across the RWE Group and operationally within RWEpower

## Market cycles across the value chain



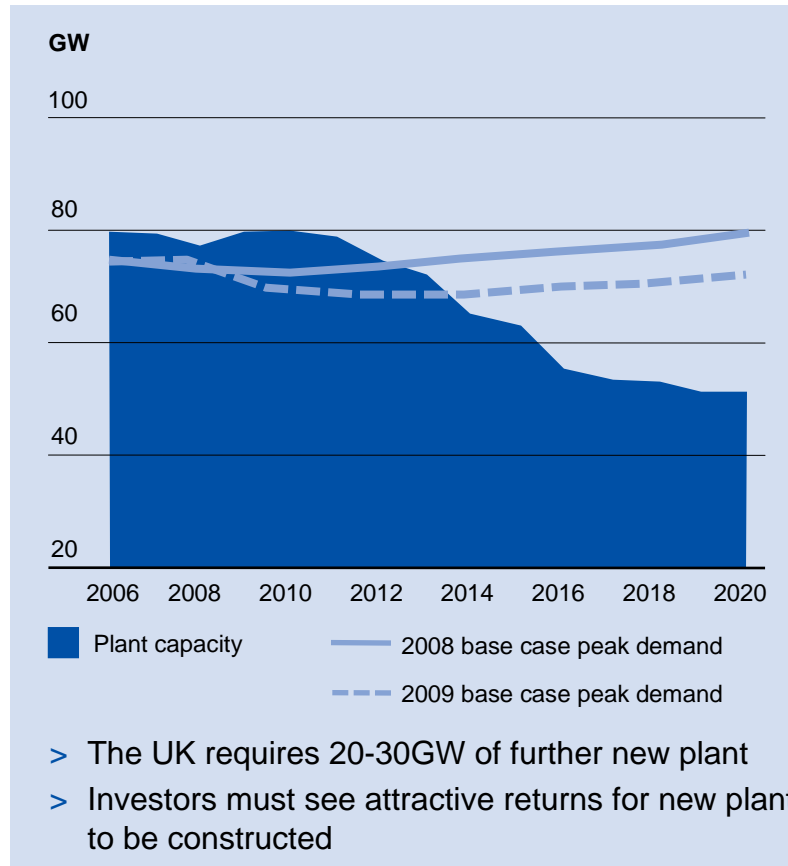
## Through-cycle earnings

- > History has taught us that these cycles will partly offset each other
- > Margins change in response to commodity volatility and competitor behavior
- > Retail and Generation are optimised separately
- > Offsetting across Retail and Generation in short-term balancing is an added benefit
- > Retail Domestic cycle c.5 years

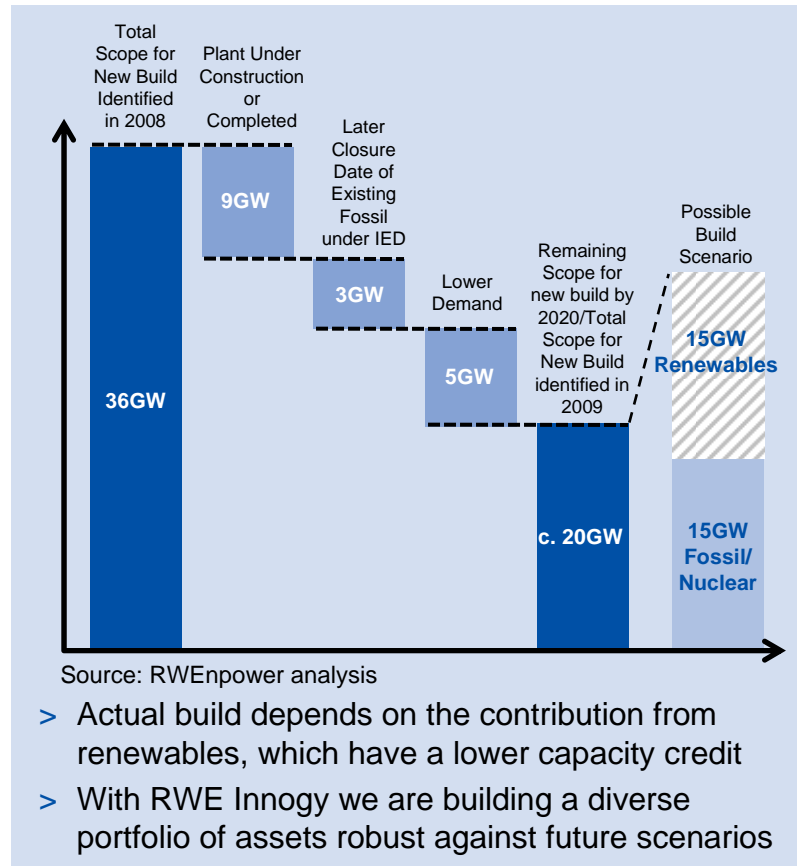
# Generation – growth opportunity

The UK requires 20-30GW of further new plant by 2020 which gives us the opportunity to expand profitably our generation capacity

## UK generation capacity development 2006-20



## Lower estimate than 2008 but opportunity remains



# Generation – investment

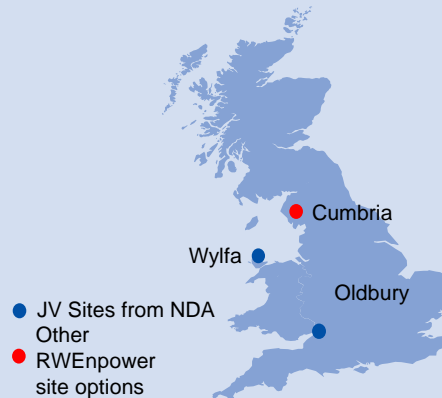
RWEnpower is investing in new generation plant with low capital costs, good sites and high efficiencies; we will deliver returns above cost of capital

## Gas



- > Pembroke and Staythorpe plants under construction
- > Combined approaching 4GW capacity
- > Staythorpe full commercial operation in 2010 and Pembroke in 2012

## Nuclear



- > Will be an early developer of new Nuclear build
- > Develop options that give RWE ~ 3 GW of Nuclear generation
- > Joint Venture with E.ON aiming for a total of 6 GW built

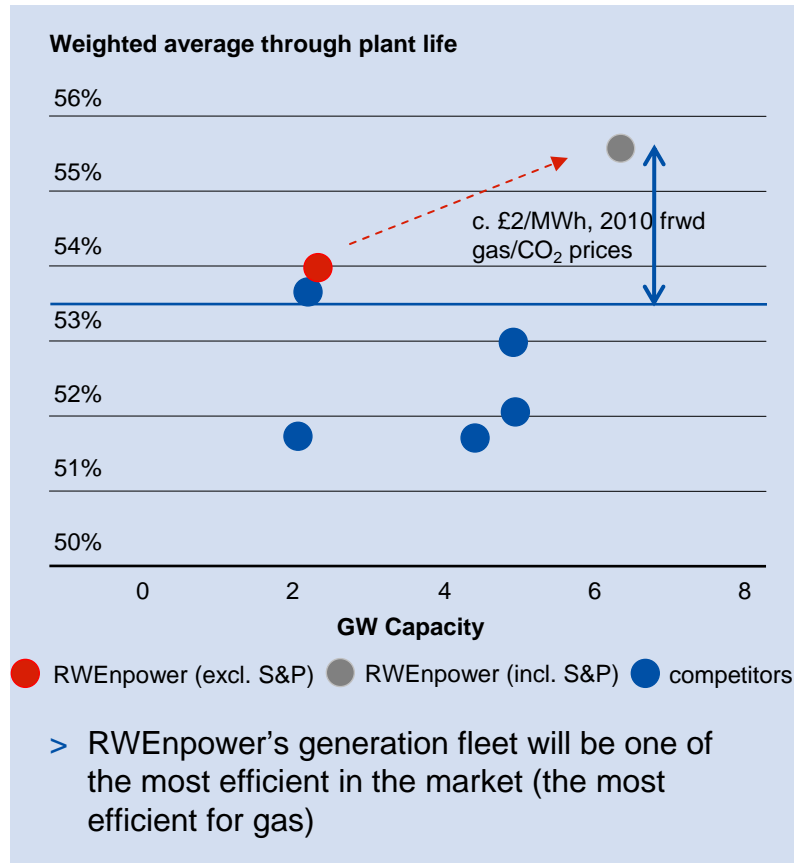
## Coal

- > From 2015 Aberthaw will be the only coal fired plant in our UK portfolio
- > Beyond 2015 the station will have to be compliant with Industrial Emissions Directive (IED) and will require the installation of selective catalytic reduction (SCR)
- > Plan to construct a 3MWe post combustion CO<sub>2</sub> capture pilot plant at Aberthaw. Operational for 18-24 months from January 2011

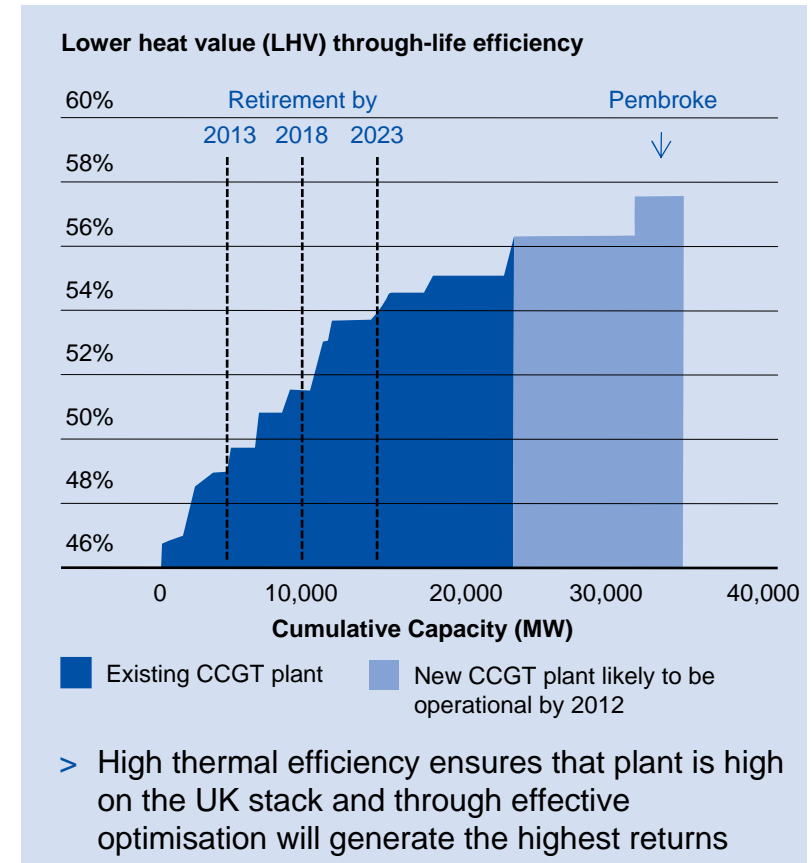
# Generation – plant efficiency

Our fossil fuel generation fleet will have the most efficient gas plant in the UK

## Gas plant capacity vs. weighted average efficiency



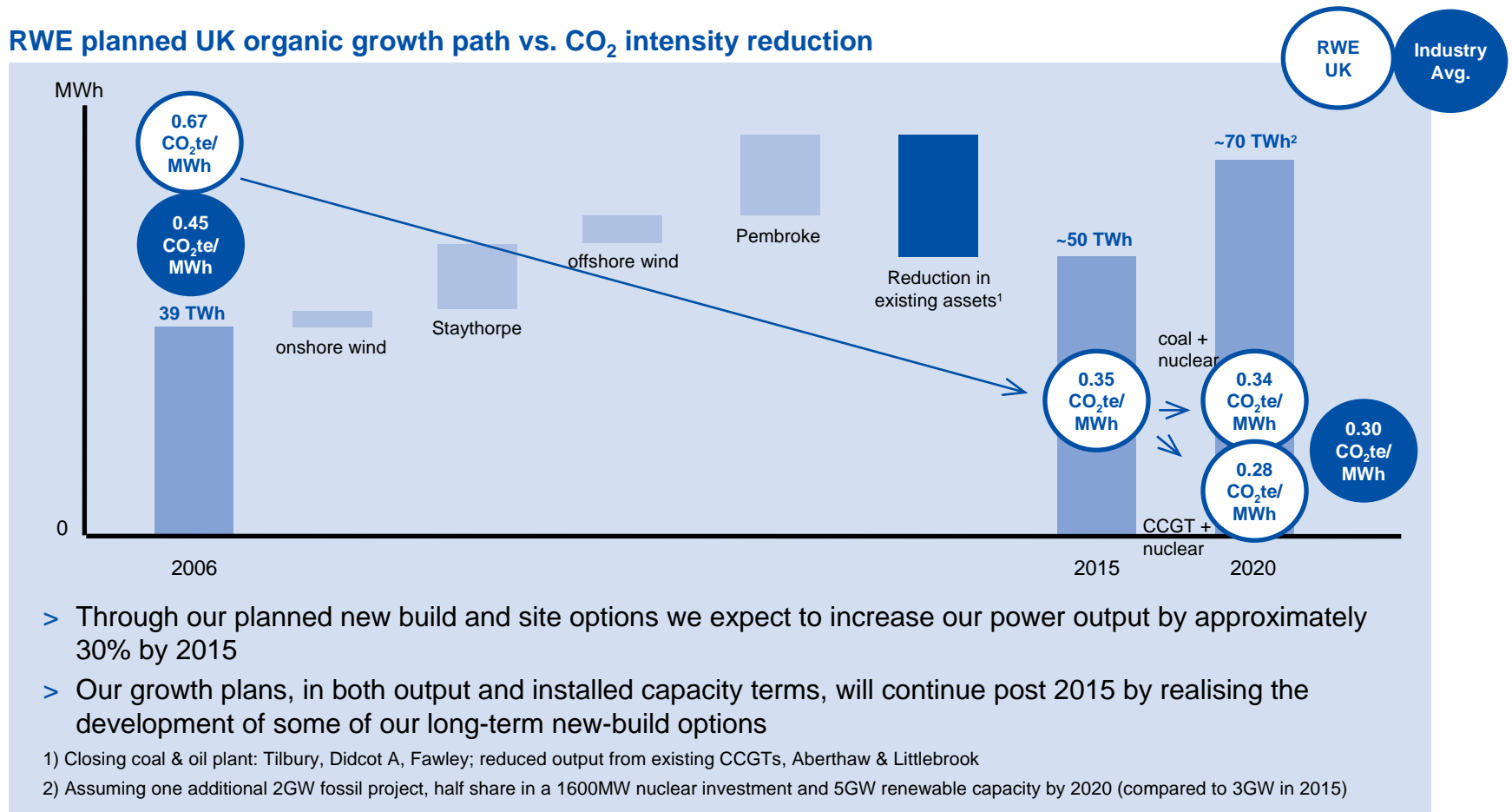
## Existing GB CCGT plant portfolio



# Organic Growth – CO<sub>2</sub> intensity

Our new-build plans in the UK with RWE Innogy will deliver organic growth whilst halving our CO<sub>2</sub> intensity by 2015

RWE planned UK organic growth path vs. CO<sub>2</sub> intensity reduction



- > Through our planned new build and site options we expect to increase our power output by approximately 30% by 2015
- > Our growth plans, in both output and installed capacity terms, will continue post 2015 by realising the development of some of our long-term new-build options

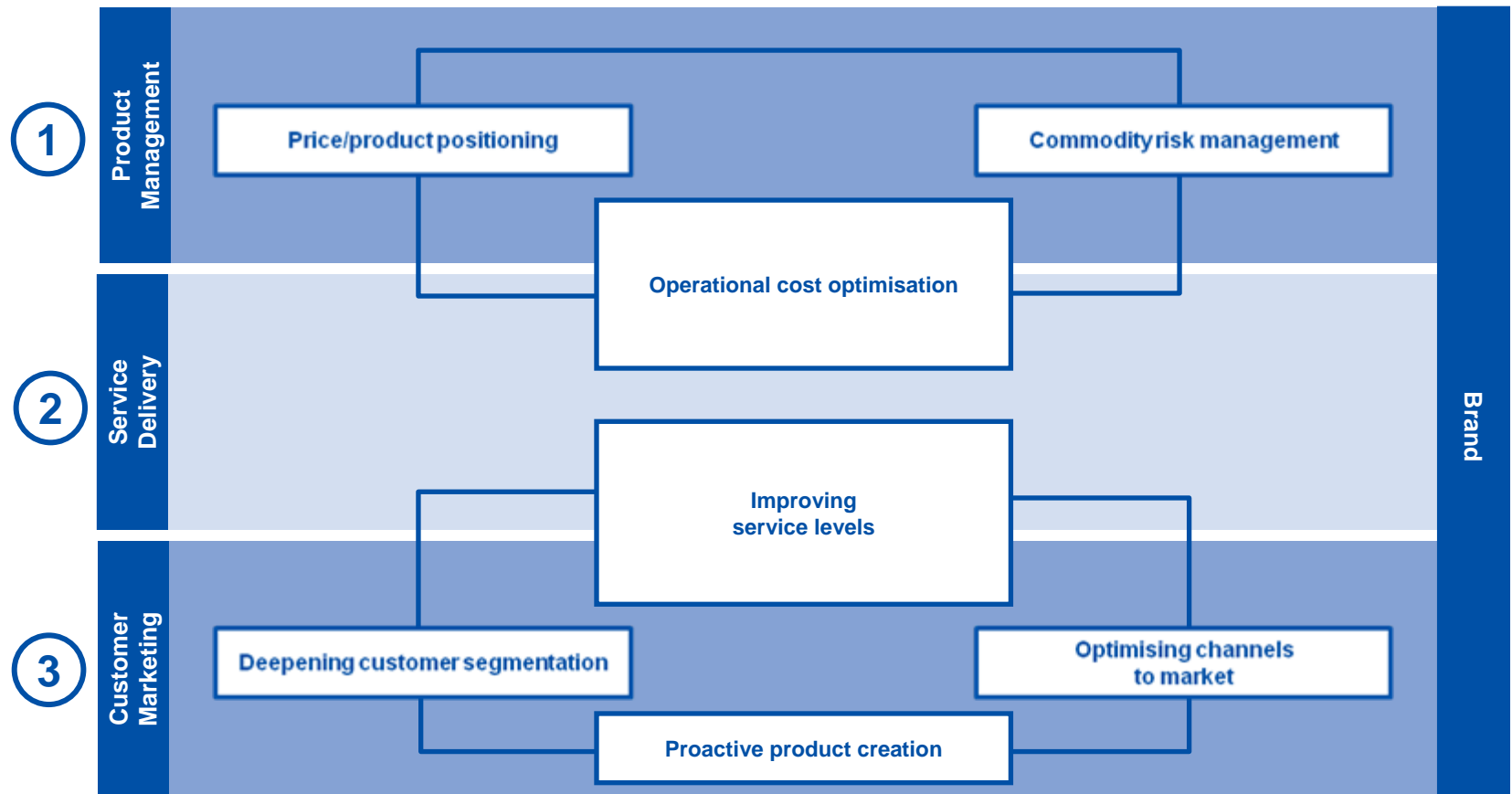
1) Closing coal & oil plant: Tilbury, Didcot A, Fawley; reduced output from existing CCGTs, Aberthaw & Littlebrook

2) Assuming one additional 2GW fossil project, half share in a 1600MW nuclear investment and 5GW renewable capacity by 2020 (compared to 3GW in 2015)

# Retail – the retail levers

The UK market requires the co-ordinated management of product, service and marketing

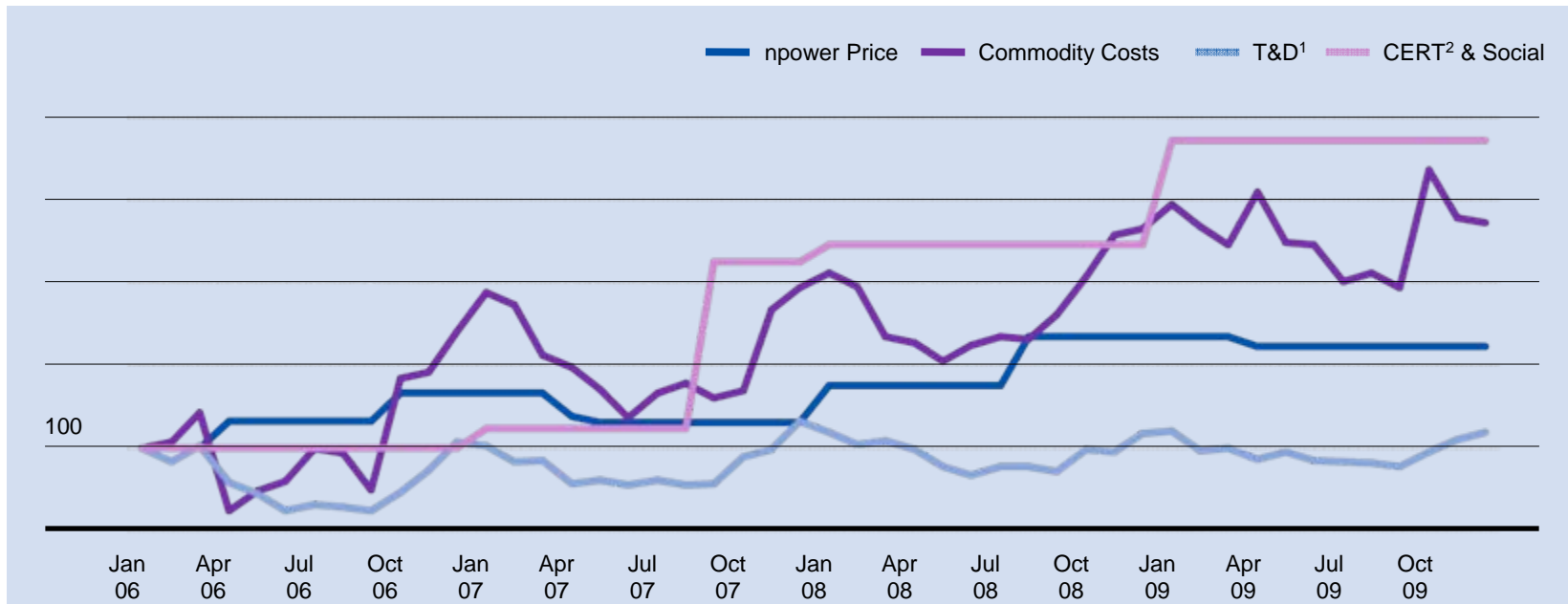
## The retail levers



# ① Retail – managing our pricing position

As costs have trended upwards, the market's ability to manage these within retail pricing is impacted

Monthly direct debit dual fuel price & cost index (2006=100)



> While commodity costs have continued to be volatile, but generally trending upwards, retail prices have not risen by the same proportion

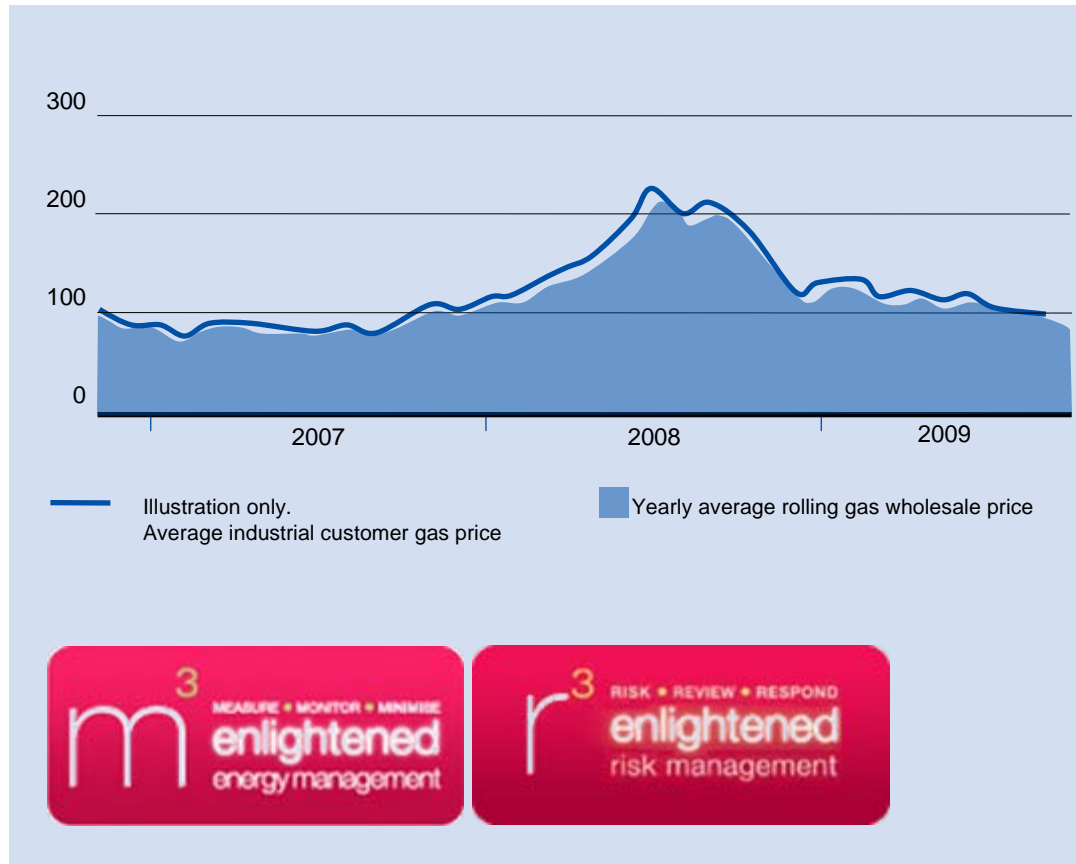
> We continue to work with government and regulators to address the high cost of energy, but this clearly has impacts within the Retail business

<sup>1</sup> Transmission & Distribution, <sup>2</sup> Carbon Emissions Reduction Target

# ① Retail – managing our commodity risk

We are less exposed to commodity risk in our B2B business leading to shorter cycles and sustainable earnings

## B2B market power price and wholesale costs

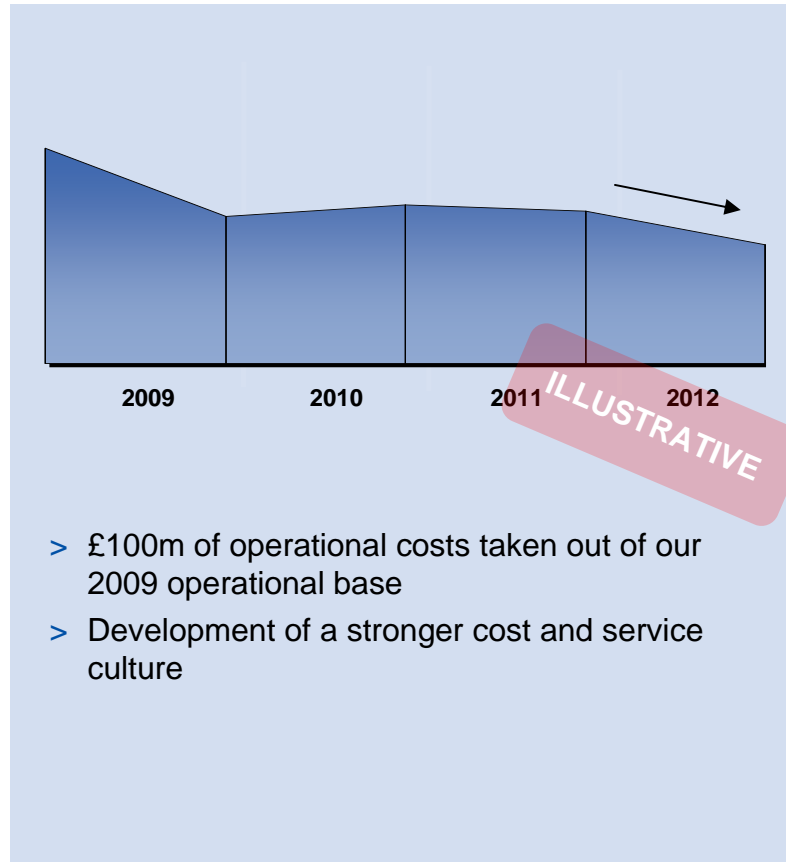


- > Business market model reduces exposure to longer term market price change
- > Key success factors are: strong customer relationship, leading energy risk management and disciplined operational execution
- > Leading management of risk exposure for business customers through product and service:
  - > Bespoke supply contract offering flexible purchasing
  - > Load and Carbon Management
  - > Within-day market commentary, analysis and customer specific research

# ①② Retail – managing our business cost base

We are managing a sustainable cost reduction to achieve a 'benchmark' cost in our Retail business

## Reducing operational cost base<sup>1</sup>



- > £100m of operational costs taken out of our 2009 operational base
- > Development of a stronger cost and service culture

## Details on initiatives

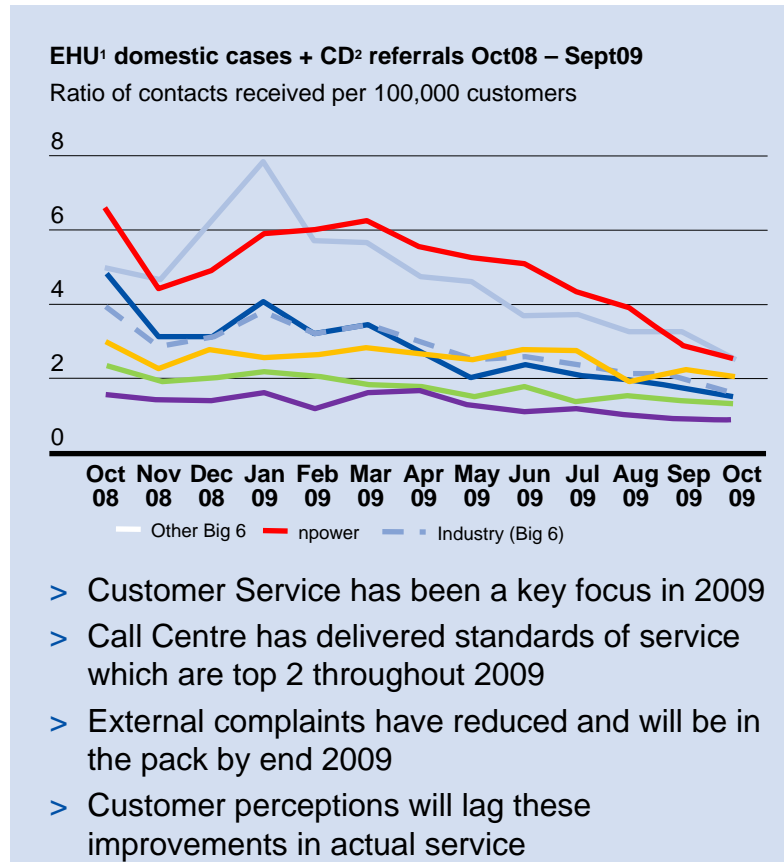
- > Higher operational costs in 2008 due largely to market position and response to service issues
- > Costs reduced by £100m to mitigate profit squeeze caused by competitive price reductions in 2009
- > 2009 savings cannot be sustained through 2010 and therefore RWE npower has already built in longer-term sustainable savings
- > Expected savings to be delivered by reducing the underlying cost base through areas such as corporate overheads, metering products & services, and debt collection processes

1. Cost per account - excl. Exceptionals, CERT, SAP Delivery Costs and regulatory Costs (SMART Meter Development, Ofgem Remedies), other one-off Investments

# ②③ Retail – developing our service provision

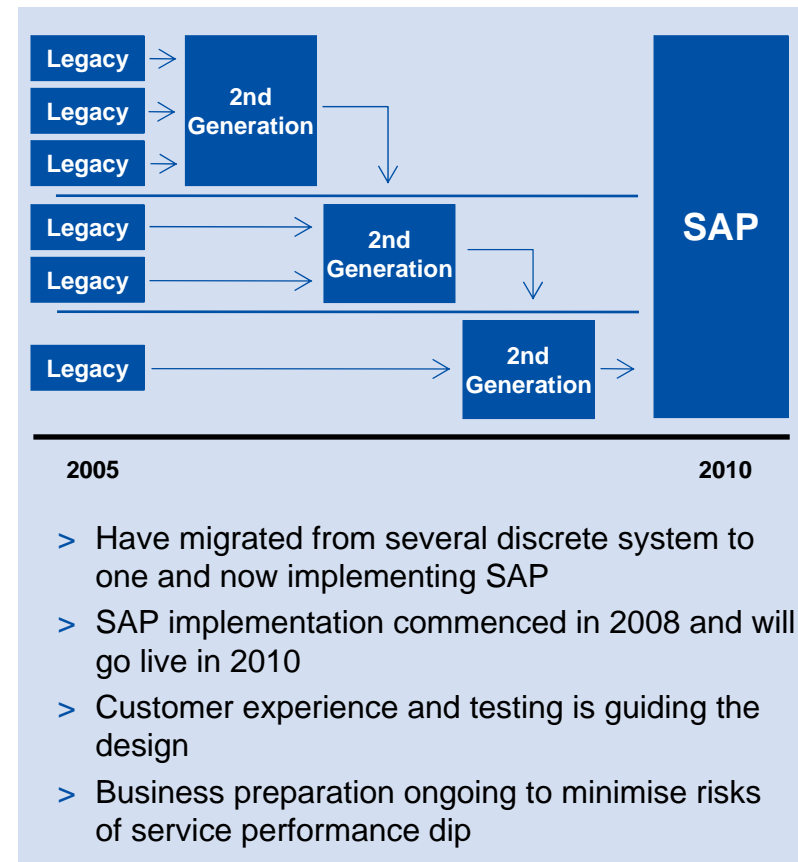
Our service provision is improving; with SAP we will transform our Domestic offering to place us towards the top of UK utilities

## Service improvement



Source: Consumer Direct  
<sup>1</sup> Extra Help Unit, <sup>2</sup> Consumer Direct

## SAP implementation



# ③ Retail – marketing successfully

In addition to managing costs and service we also ‘market’ successfully to drive future margins and customer acquisition

## Marketing Levers – guiding principles

### Brand position



- > Turning Customers into fans
- > Development of strong identity
- > Energy Services as part of our brand differentiation

### Pricing & Products



- > Optimisation of price position to balance growth and margin
- > Customer reflective product range and value-added propositions

### Channels



- > Balancing channels for value and growth
- > Increasing emphasis on telesales, and affinity partner channels

### Segments



- > Dynamic customer segmentation – linked to changing market behaviour and our own internal competencies and capabilities

- > We have a common Brand Position across Domestic that differentiates us from others. For example:
- > Most brands are seen as ‘traditional’ whereas npower has a ‘fresher’ brand
- > This differentiation is extended across all Retail levers to optimise customer growth, margin and product mix

# ③ Retail – adding value

We are adding value to our Retail business and taking advantage of opportunities created through the changing market environment

	<b>B2B success</b> <ul style="list-style-type: none"><li>&gt; Leading energy supplier in corporate market space</li><li>&gt; Market-leading product development in partnership with customers</li></ul>	<b>Continuing improvement in process discipline &amp; risk management</b>	<ul style="list-style-type: none"><li>&gt; Lowering exposure to wholesale volatility in retail market</li><li>&gt; Sustainable earnings contribution from business market is increasing</li></ul>
	<b>Energy Services Development</b> <ul style="list-style-type: none"><li>&gt; Supplying Domestic and Business customers with new products &amp; services</li><li>&gt; Delivering environmental programmes for RWE npower</li></ul>	<b>Acquired SPI in 2009 - integrating operational and marketing teams</b>	<ul style="list-style-type: none"><li>&gt; Positive impact on customer retention across Domestic and Business market segments</li><li>&gt; Effective delivery of CERT<sup>1</sup> and CESP<sup>2</sup></li></ul>
	<b>Metering - SMART/AMR roll-out</b> <ul style="list-style-type: none"><li>&gt; Rolling-out Automatic Meter Reading to Business customers across the UK</li><li>&gt; Trialing SMART meters in Domestic market ready for full implementation</li></ul>	<b>Transforming our metering business (MeterPlus) to deliver SMART</b>	<ul style="list-style-type: none"><li>&gt; Delivering customers' needs in line with technology, regulatory and competitive developments</li><li>&gt; Ensuring that a full long-term SMART &amp; SAP solution is created</li></ul>

1. CERT – Carbon Emissions Reduction Target, 2. CESP – Community Energy Savings Programme

# Summary

- > RWE npower has a profitable Retail business which despite difficult economic circumstances is continuing to deliver
- > We are implementing efficiency programmes throughout our business which are streamlining our processes and delivering sustainable costs savings
- > We are capturing value in our Generation business through profitable investments and are uniquely placed to add further value as we leverage our land bank, engineering skills and project management expertise

# Current Trends in the German Transmission Market

Klaus Kleinekorte

Essen, 24. November 2009



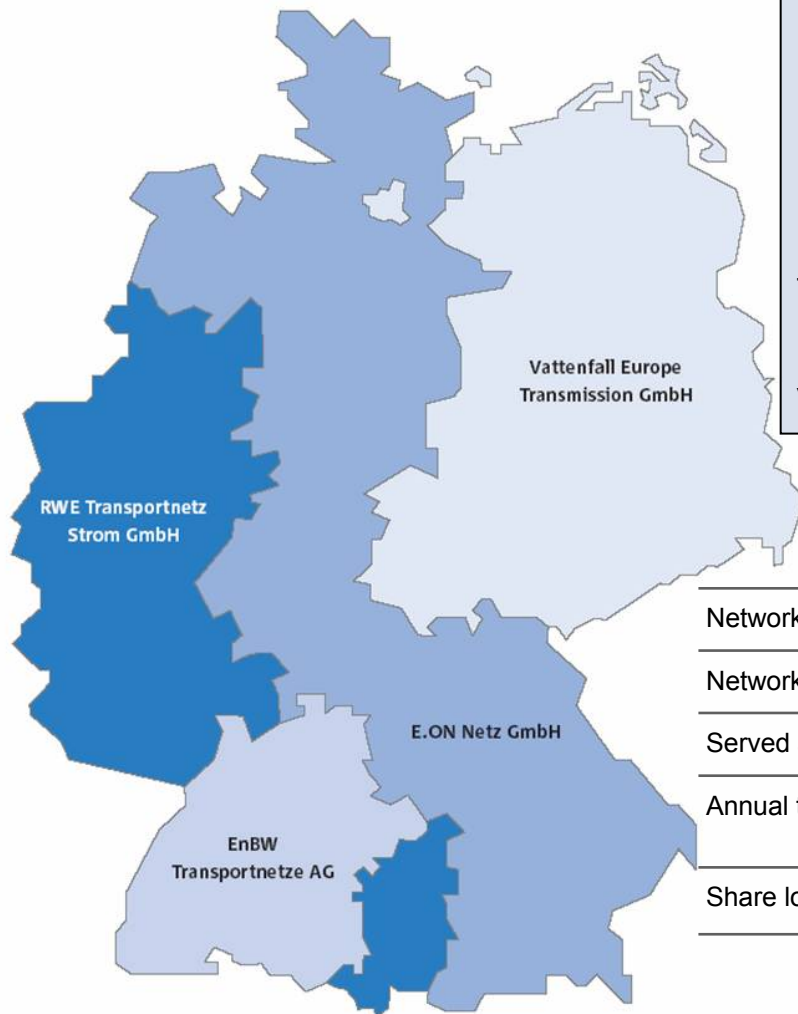
# Content

- 1 Recent Developments – Change of Names and Change of Ownership
- 2 New Renewable Energy Regime starting from 01.10.2010

# 1 Recent Developments



# TSO Areas and recent developments in Germany



E.ON Netz GmbH	transpower stromübertragungs GmbH	
	E.ON Netz GmbH	(01.05.2009)
RWE TSO GmbH	Amprion GmbH	(01.09.2009)
transpower	takeover by TenneT, NL	(10.11.2009)
VET GmbH	50Hz transmission GmbH	(01.01.2010)

	Amprion	tps	VET	EnBW
Network length [km] (380 kV)	5,200	5,400	6,700	1,936
Network length [km] (220 kV)	6,100	5,300	2,865	1,721
Served area [km <sup>2</sup> ]*	73,100	139,400	109,000	34,600
Annual transmission [TWh]	175	138	85	76
Share load [%]**	38	30	19	13

\* in Germany

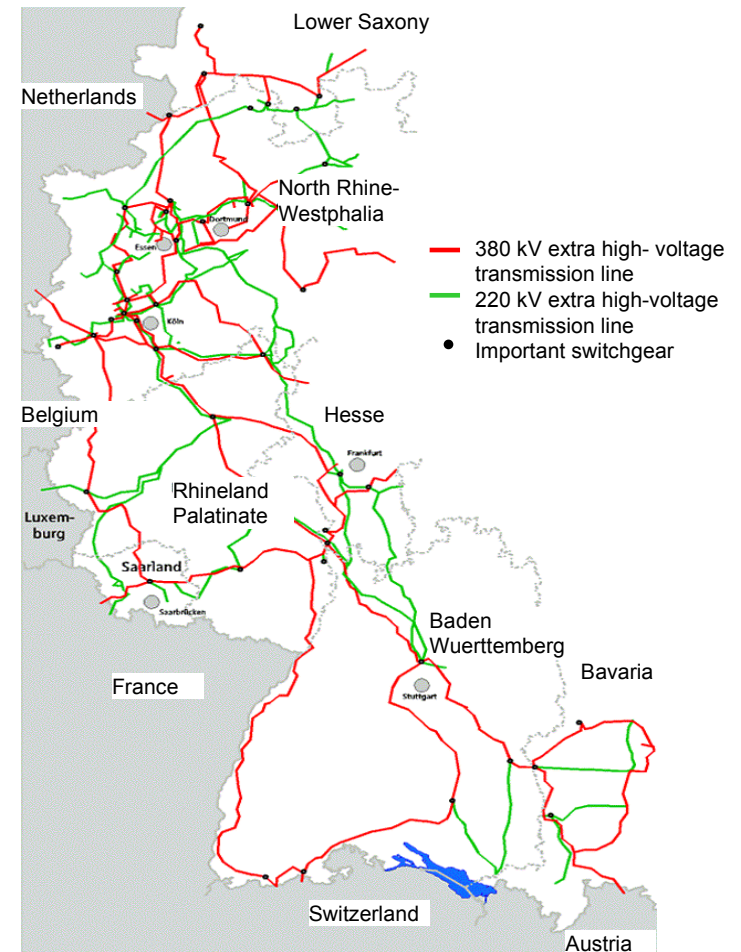
\*\* Renewable Energy Act load compensation 2005



# Backbone of Electricity Supply

- Largest transmission system in Germany with a circuit length of approx. **12,000 km** at the 380/220 kV level and **160** substations
- Connects the generation units of the lignite-fired power plants on the lower Rhine with the hydroelectric stations in the Alps: installed capacity of power plants approx. **39 GW**
- Through its central position in Europe, Amprion's transmission system is an important hub for electricity trading between north and south as well as east and west: approx. **6.000 schedule** nominations per day
- Interconnectors to eight foreign transmission system operators in five countries (NL, L, F, CH, A) enables Amprion to meet the specific transmission requirements of European power traders at an utmost level of transmission reliability
- Amprion's electricity network is part of the European interconnected UCTE system

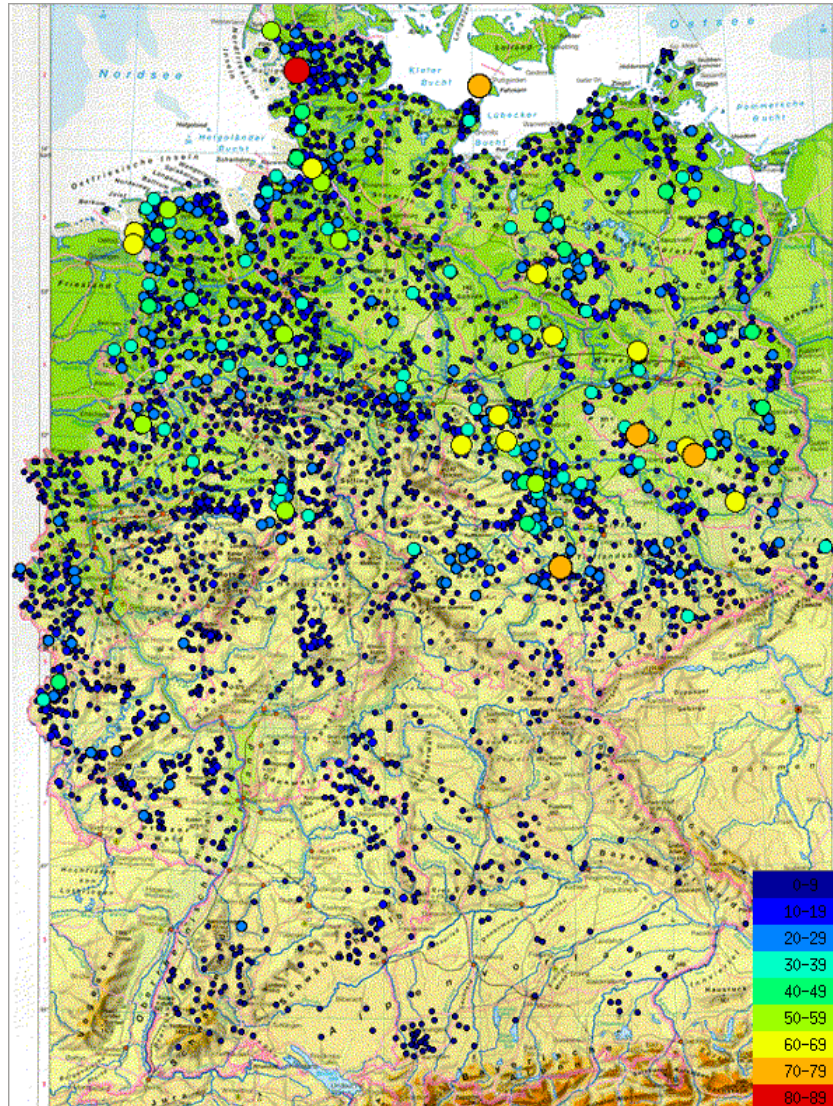
380/220 kV Network of Amprion



# 2 Renewables Regime “renewed”



# Wind Power Integration in Germany



# General Information

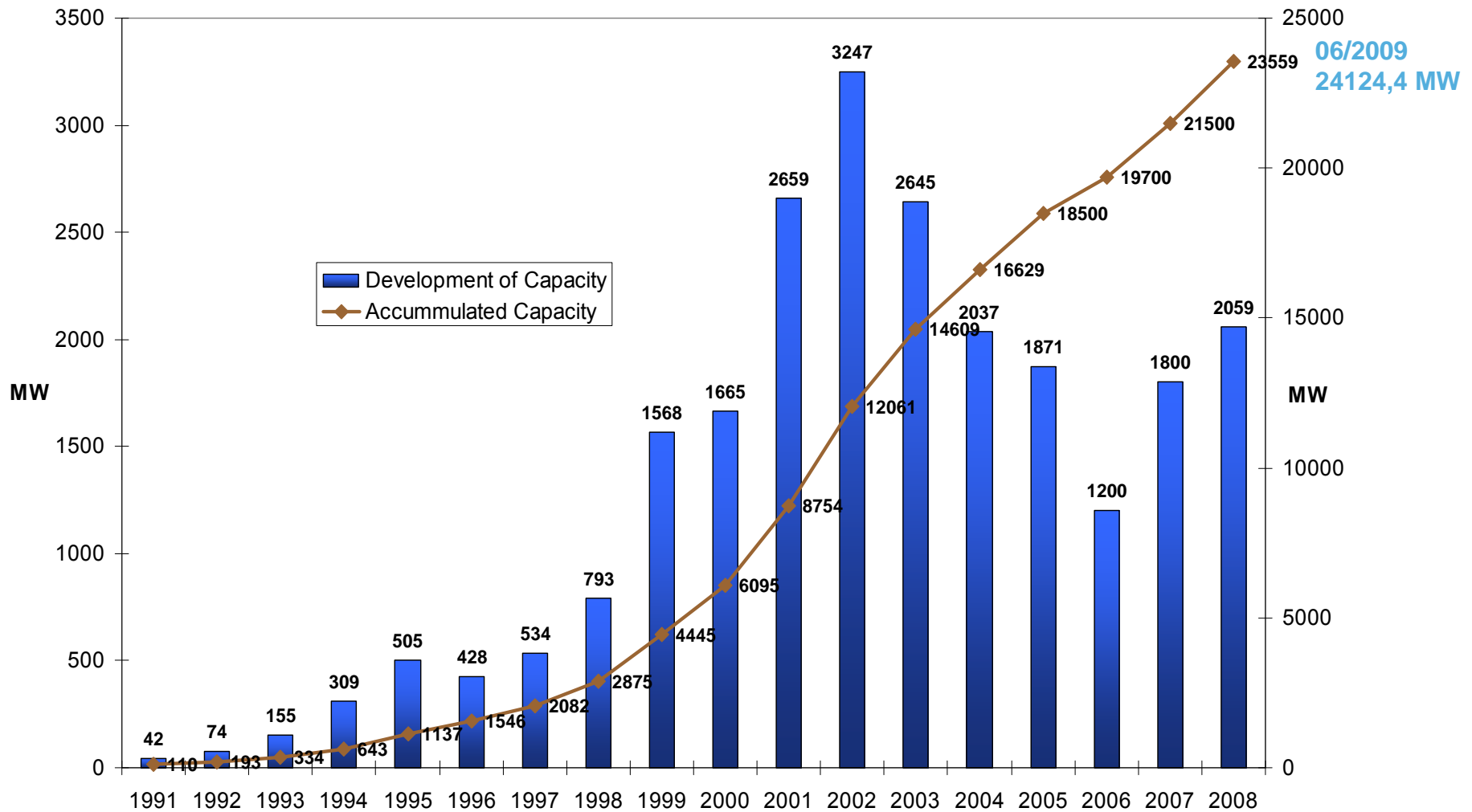
## Installed Capacity and Number of Turbines



Control Area	Capacity [MW]	Number	Share
transpower GmbH	9438,2	8662	39,1 %
Vattenfall Europe Transmission	9966,6	7458	41,3 %
Amprion GmbH	4265,4	3735	17,7 %
EnBW	454,2	374	1,9 %
<b>Total</b>	<b>24124,4</b>	<b>20229</b>	<b>100 %</b>

June 2009; Source: ISET

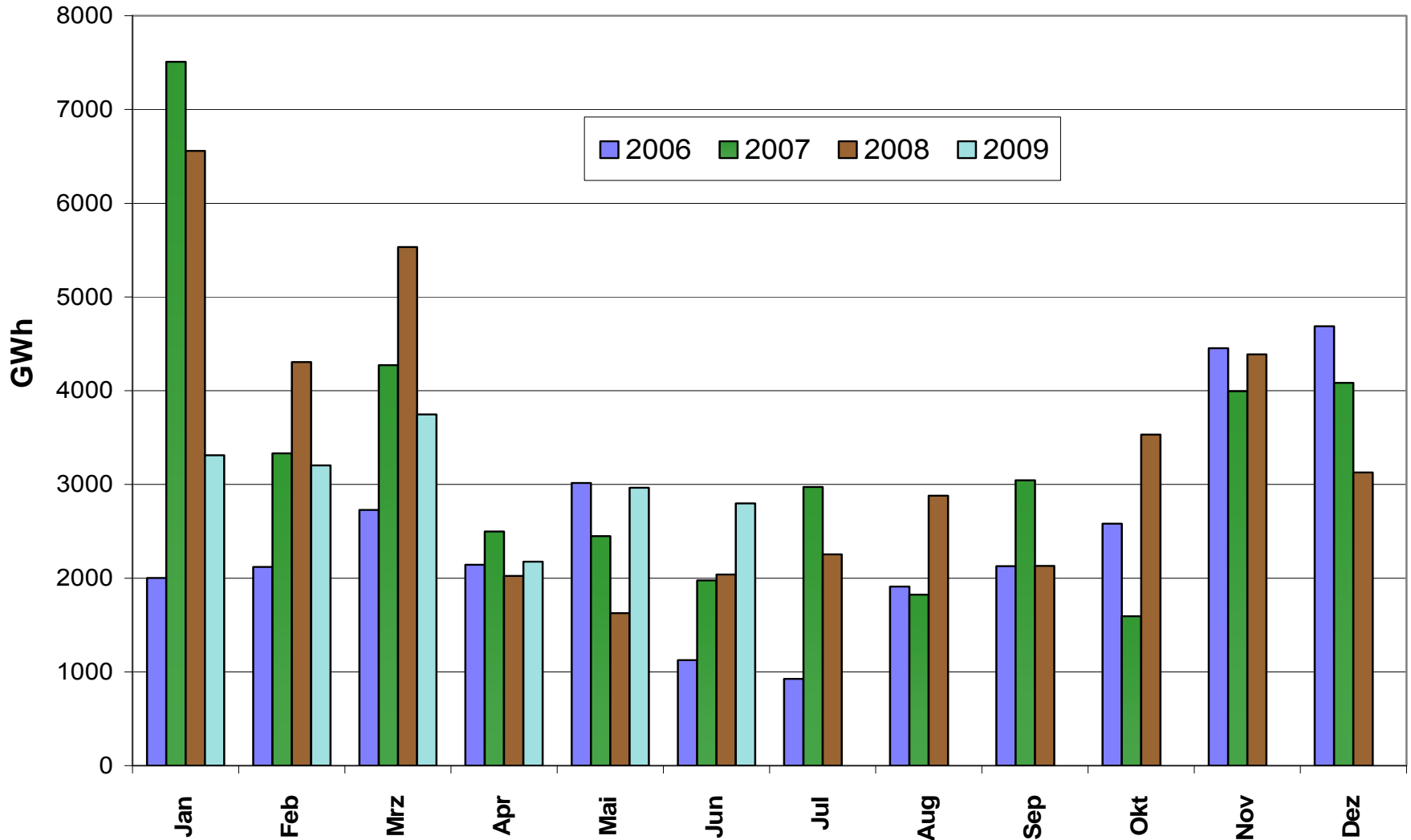
# Wind Power Development in Germany



June 2009; Source: ISET



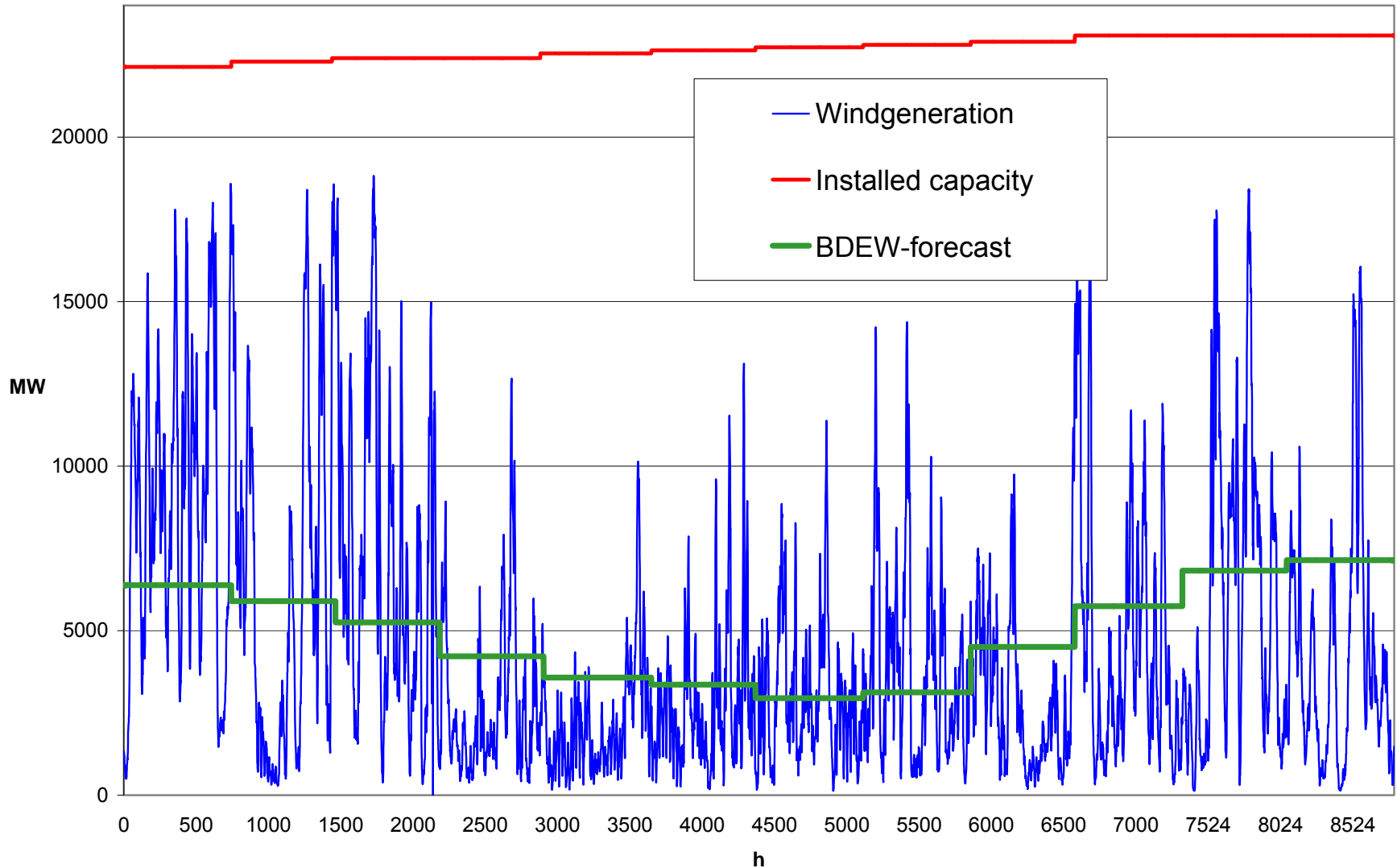
# Monthly Production of Wind Energy in Germany – January 2006 to June 2009



Source: Online Extrapolation German TSO



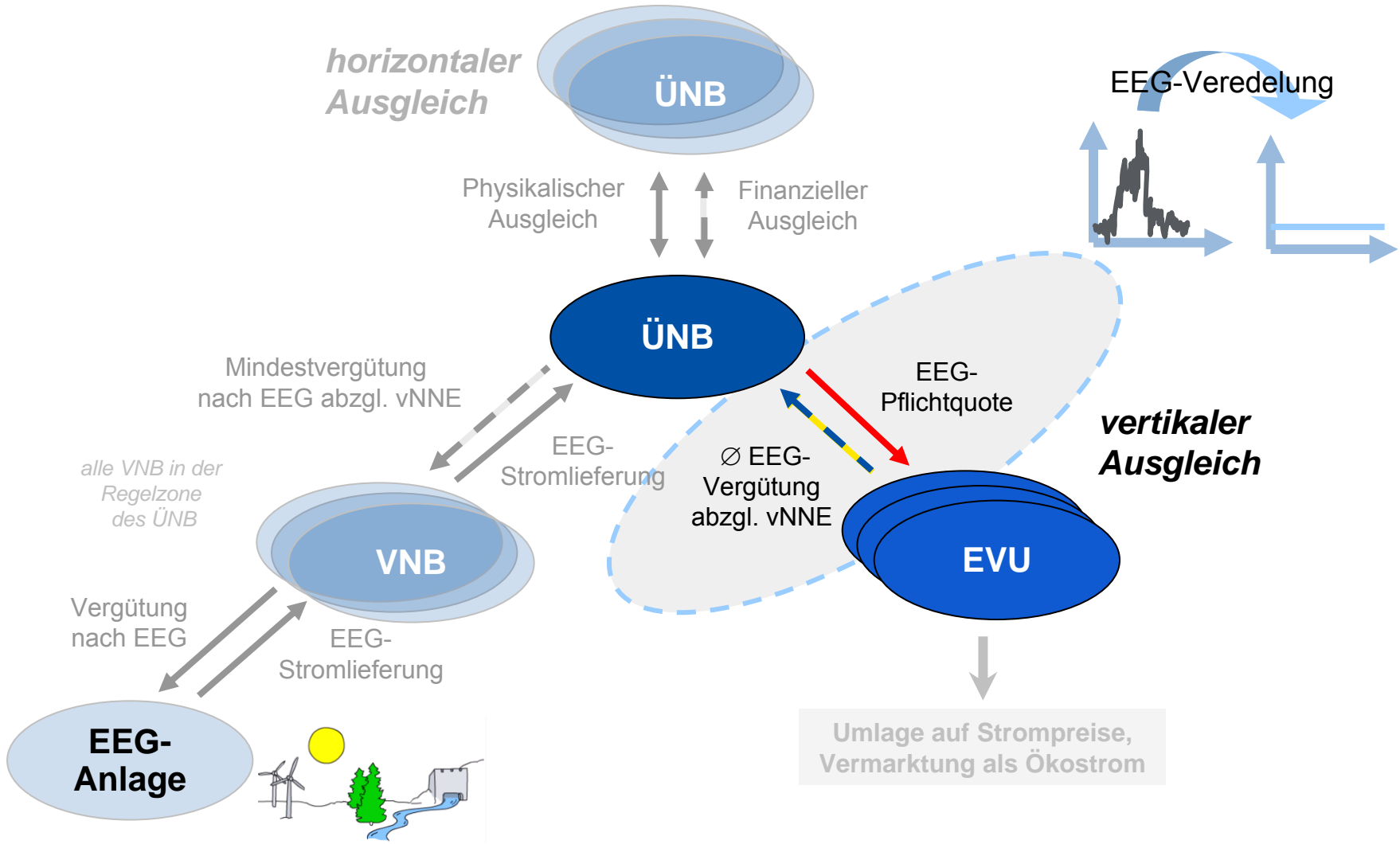
# Installed Capacity and Production (2008)



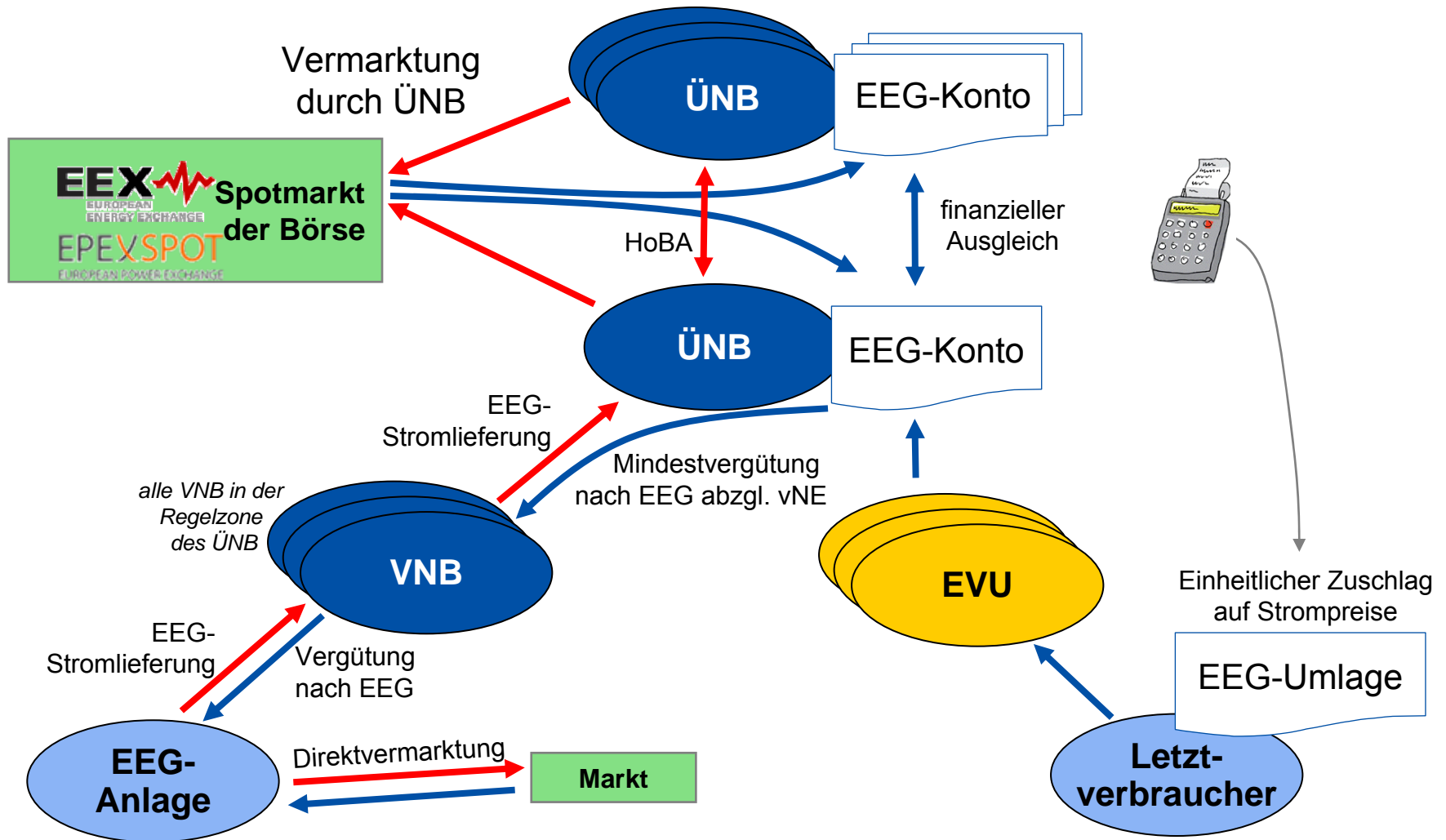
aktuell:

# Eckpunkte zum Wälzungsmechanismus

## Vertikale Wälzung auf Lieferanten in der Diskussion

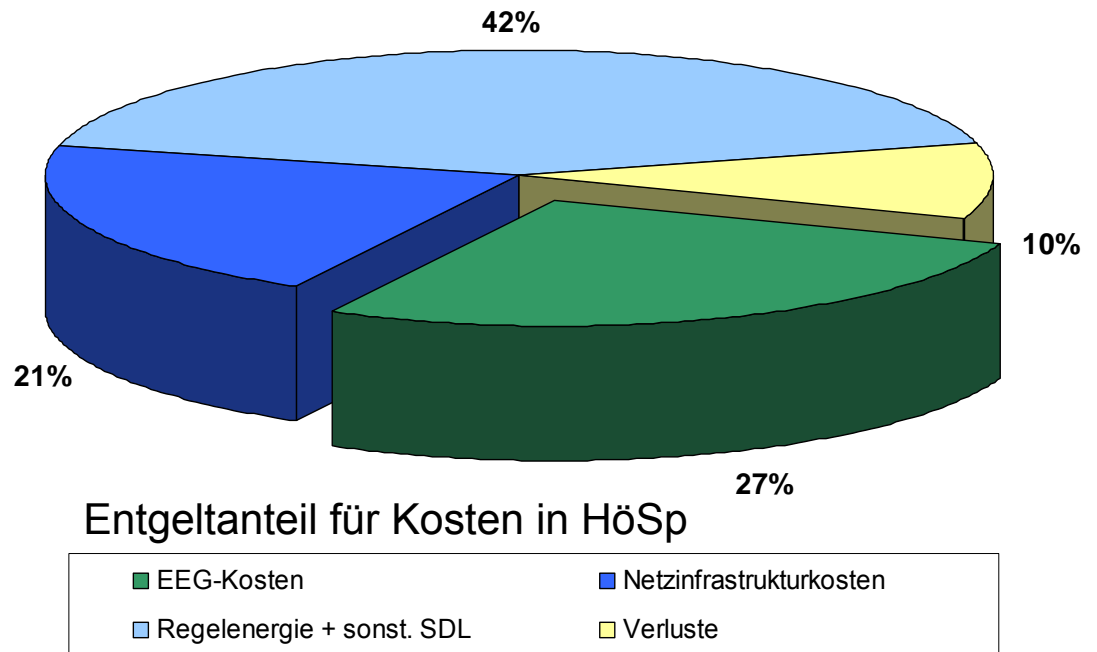


# Neuer Wälzungsmechanismus ab 1.1.2010



# Entlastung der Netzentgelte

- Kosten für EEG-Ausgleich in der Umlage
  - Day-ahead-Vermarktung
  - Intraday-Vermarktung
  - Windreserve
  - Ausgleichsenergie
  - Prognosesysteme
- Verrechnung der EEG-Umlage über Stromlieferanten
- Entlastung der Netzentgelte um EEG-Ausgleichskosten



# EEG-Konto schafft Transparenz

## → Einnahmen (§ 3 Abs. 3):

- + **Verkaufserlöse**, die im Zuge des Verkaufs von EE-Strom an der Börse erzielt werden (Day-ahead und Intra-day)
- + **prognostizierte EEG-Umlage**, die bundeseinheitlich durch alle EVU von Letztverbrauchern erhoben wird
- + Zinserträge aus positivem Kontostand
- + Erlöse aus Bilanzabweichungen (Ausgleichsenergie)
- + Einnahmen entsprechend § 37 Abs. 4 EEG (Jahresendabrechnung)



## Ausgaben (§ 3 Abs. 4):

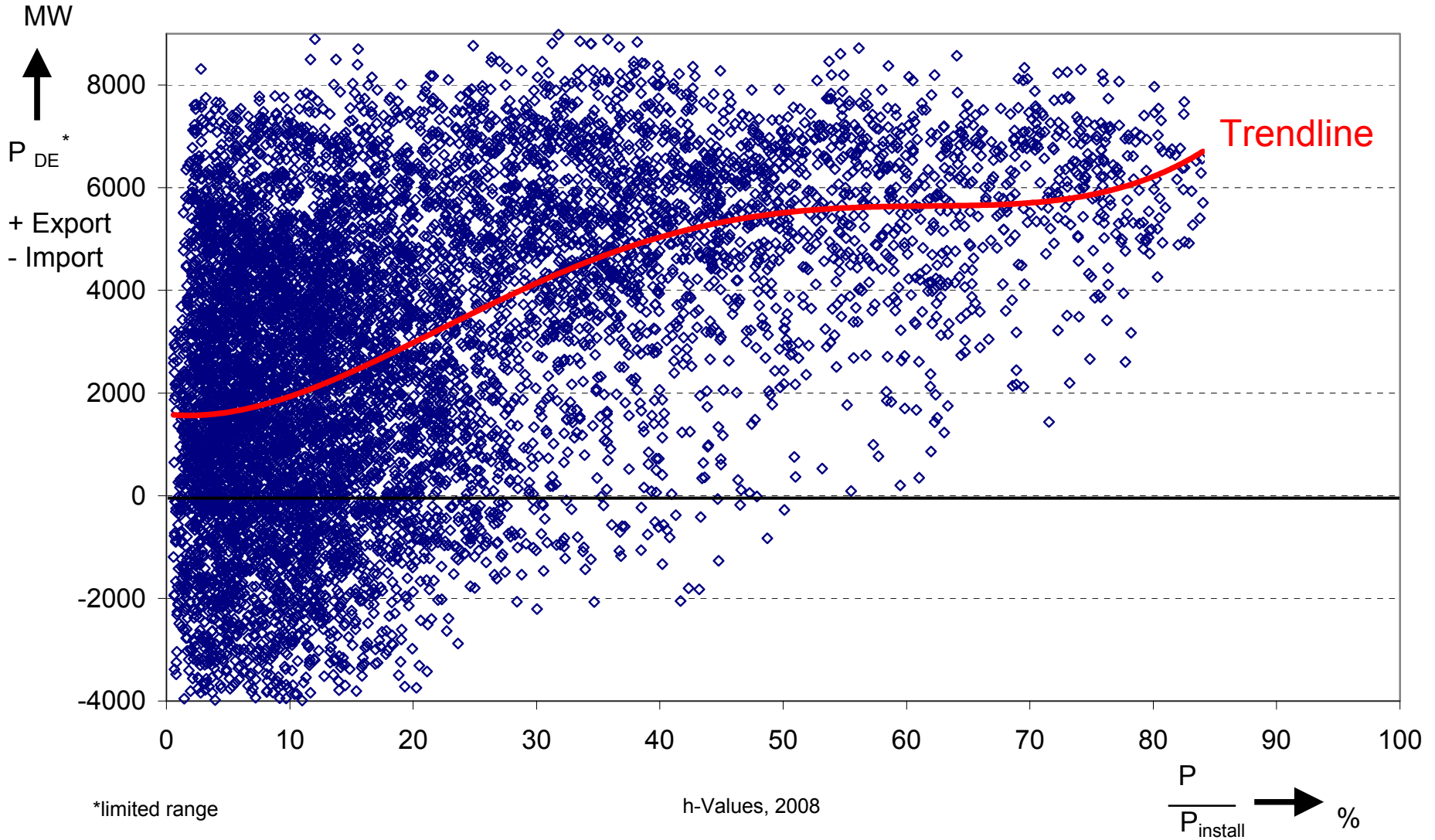
- **Vergütungszahlungen** an Anlagenbetreiber abzüglich vermiedener Netzentgelte nach § 35 Abs. 2 EEG 2009
- Rückzahlungen entsprechend § 37 Abs. 4 EEG
- Zinsaufwendungen aus negativem Kontostand
- Kosten für den untertägigen Ausgleich
- Kosten aus Abrechnung der Ausgleichsenergie
- Kosten für die Erstellung der Prognosen (Day-ahead und Intra-day)



**Ausgleich über  
EEG-Umlage des  
Folgejahres**  
für Letztverbraucher (ct/kWh)

# Correlation

## Wind Energy Production ↔ Control Program DE



Source: Amprion GmbH

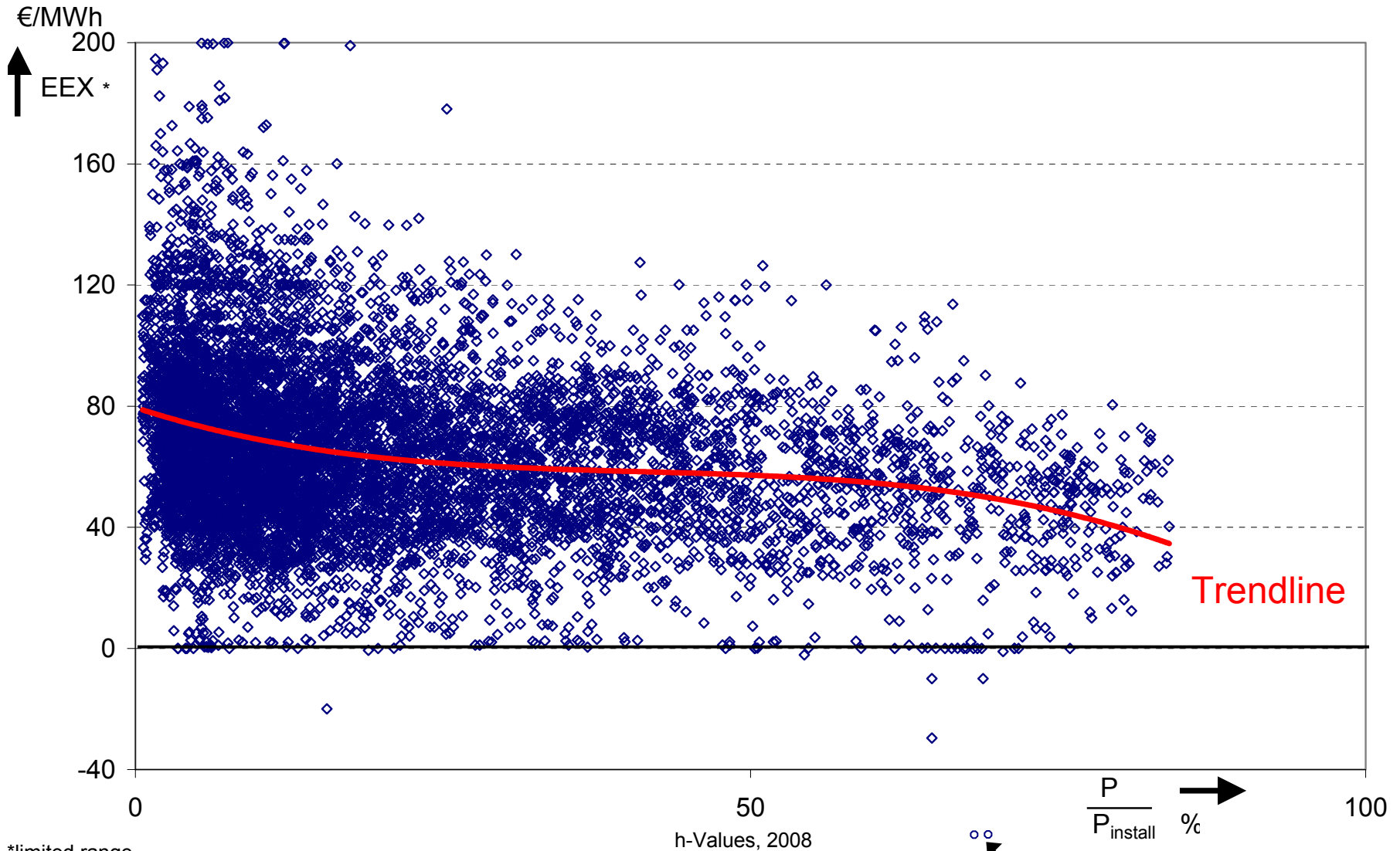
\*limited range

h-Values, 2008

$\frac{P}{P_{\text{install}}}$  → %

# Correlation

Wind Energy Production ↔ Day-ahead Price EEX



\*limited range

17

Klaus Kleinekorte | 24. Novem

**October 2009: -1.500 €/MWh !!!**

-101 Euro/MWh

# Gas market uncertainties: not a threat but a chance!

Frank van Doorn

Vice President Commercial Asset Optimisation - Gas (MD)  
RWE Supply & Trading GmbH



# Common practice in power: daily make or buy decision to earn additional margin

- > Forward hedging ensures the required return of our generation fleet.
- > On this basis, we can decide every day if we produce the contracted power at the locked in clean dark spread or buy the power in the market instead.

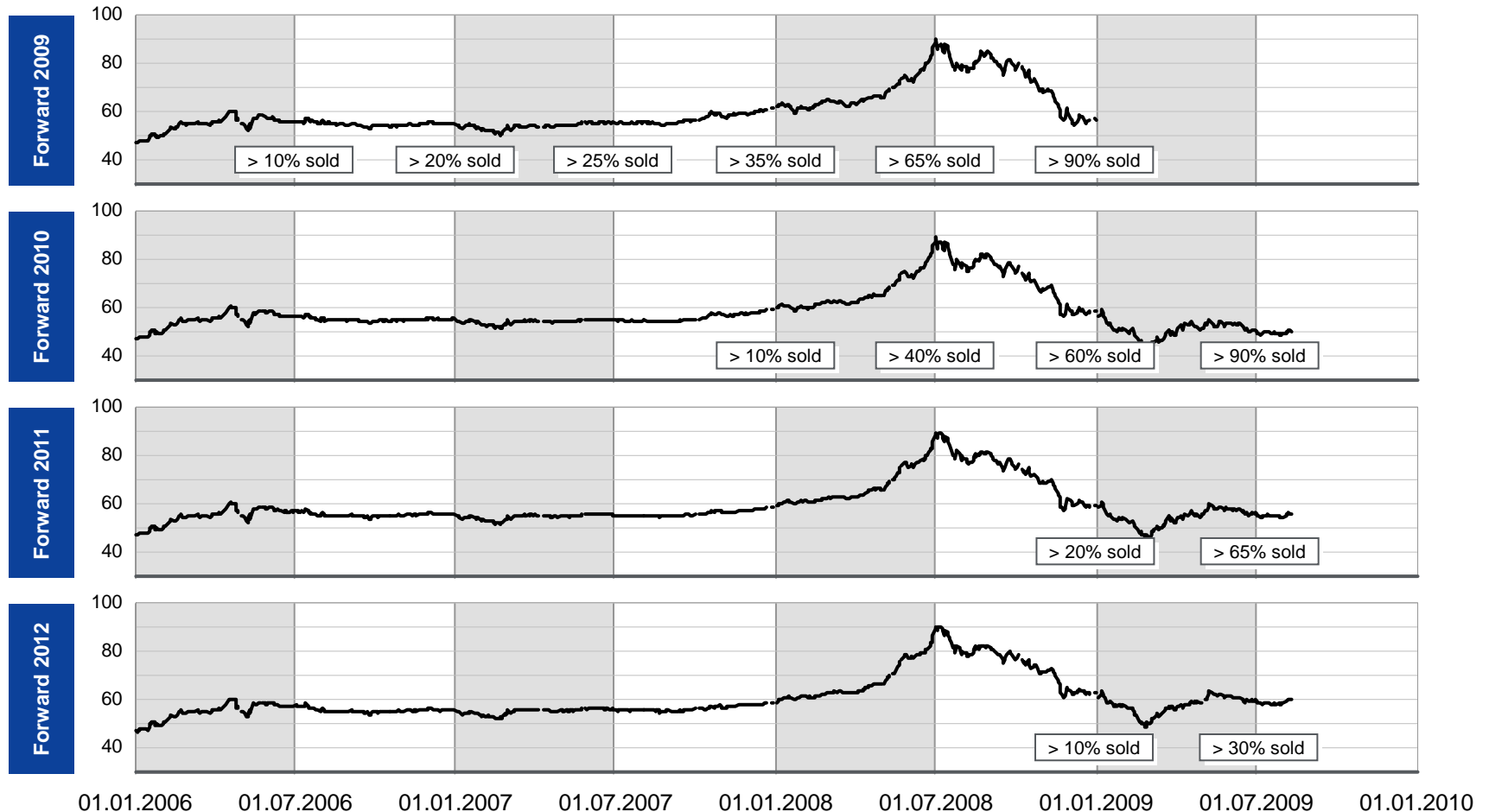
## An illustrative example

RWE sold forward Q1 2009 power generation from hard coal units in Q2 2008		Now, in Q1 2009 the prices of power and fuels have changed	
Power sold forward at	70€/MWh	Power price	40€/MWh
Hard coal costs locked in at	40€/MWh	Hard coal costs	30€/MWh
CO <sub>2</sub> costs locked in at	20€/MWh	CO <sub>2</sub> costs	15€/MWh
<b>Locked in Clean Dark Spread</b>	<b>+10€/MWh</b>	<b>Possible Clean Dark Spread</b> (power plant is out of the money)	<b>-5€/MWh</b>

In this example RWE would opt for “buying instead of making”	
Power sold forward at 70€/MWh is covered by power bought today at 40€/MWh	+30€/MWh profit
Hard Coal bought at 40€/MWh is sold at 30€/MWh	-10€/MWh loss
CO <sub>2</sub> bought at 20€/MWh is sold at 15€/MWh	-5€/MWh loss
<b>Total effect</b>	<b>+15€/MWh</b>

# Common practice in power: Locking in the spreads early and optimising on this basis

Forward selling of RWE Power in the German market (base load forwards in €/MWh)



<sup>1</sup> Forward selling as of July 31, 2009; price data as of August 10, 2009

# Making use of options is also key for our Gas Portfolio Management

Gas Purchase Contracts

Gas Sales Contracts

## Activities

- > Perform contract optimization (maximize the value against the market)
- > Trade around positions
- > Sales to RWE Vertrieb, RWE Power / STPM, Essent: serve as their sole or main supplier
- > Manage the Gas Operations: handle nominations
- > Trade underlying commodities: oil, coal etc.

### Where:

Germany (all 6 market areas),

Czech Republic

the Netherlands

### but also:

Austria

Slovakia

Gas Storage Contracts

Gas Transport Contracts

# How Gas Portfolio Management changes with the emergence of a Gas Market

## The old days

- > “Distributors” such as Ruhrgas and RWE closed long term purchase contracts:  
Safeguard for seller (= producer of Gas) to cover investment cost
- > Buyer would have gas available to sell
- > Buyer needed flexibility, because of weather dependency
- > “Take-or-Pay” of 80 %

## New market opportunities

- > Separation of supply and demand theoretically possible (like in power generation):
  - > managing the Gas to Oil Spread from the long term supply contracts
  - > buying all the customer demand short-term
- > Hybrid situation:
  - > Before only long term gas supply contracts, oil-indexed
  - > Today also liquid markets, with fixed price gas trading



**All of a sudden, the long term supply contracts and storage contracts have become an asset which can generate money in whole-sale markets and not only in retail markets**

# Our Portfolio of Gas Purchase Contracts...

- > Total gas portfolio approx 50 bcm/yr
  - > approx 50% of this volume covered by long term oil indexed purchase contracts
    - > of which again approx 50% expires within 10 years
    - > Origin: Russia: 1/3, Norway: 1/4, Netherlands: 1/5, rest German domestic incl E.on Ruhrgas, Wingas, RWE Dea
  - > On about 1/3 of this portfolio, we carry a “gas-to-oil” exposure, since we buy oil indexed and we sell “fixed price” at the traded market
    - > We apply a similar strategy as in power: locking in this gas-to-oil spread by forward selling the gas and buying the oil



**We do have a gas-to-oil exposure, but its size is not excessive and we focus on managing it as actively as possible**

## This means...

- > Continuous **monitoring** of spreads  
(fixed price gas vs. oil-indexed gas)
- > “**locking in**” **spreads** by selling gas & buying an oil swap
  - > Trading gas and oil products at the same time
- > **Liquidity is the restriction:**  
most of the time market depth doesn't allow to do more. We stimulate the development of liquidity, as we did in the German power market
- > We hedge the total of the portfolio  
= the positions of all flexible contracts (assets)



**We manage our Gas Purchase Contracts independent from Customer demand, but optimize them against the market**

# Managing the oil indexed gas purchase contracts...

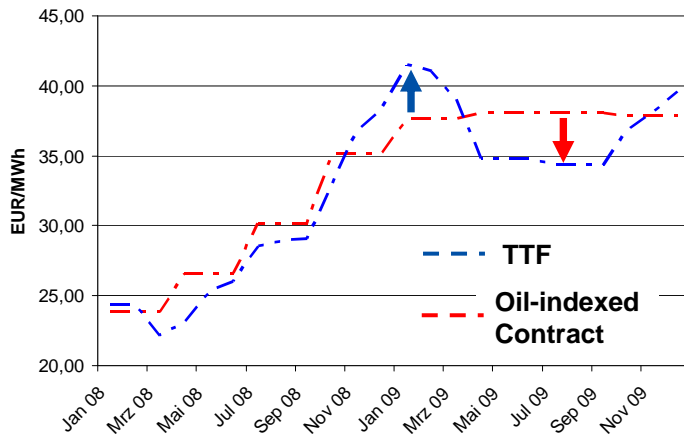
- > The current “Gas-to-Oil” spread is unattractive, but this has only been the case during the last 6 months: historically, this spread has been “mean reverting”
- > A new Ukrainian gas crises would move the spread in the other direction
- > Our strategy: “locking in” Gas-to-Oil spreads forward, similar as for power production
- > Gas producers hang on to oil indexation for existing contracts
- > Price Revision procedures are likely to bring some financial relief to Mid streamers (and pain to the gas producers)
- > Traditional oil indexed contracts also provide valuable trading tools for buyers like RWE: Make-Up gas, volume flexibility



**Oil indexed gas contracts are here to stay; this type of contract offers upside to its buyers, when they act as traders**

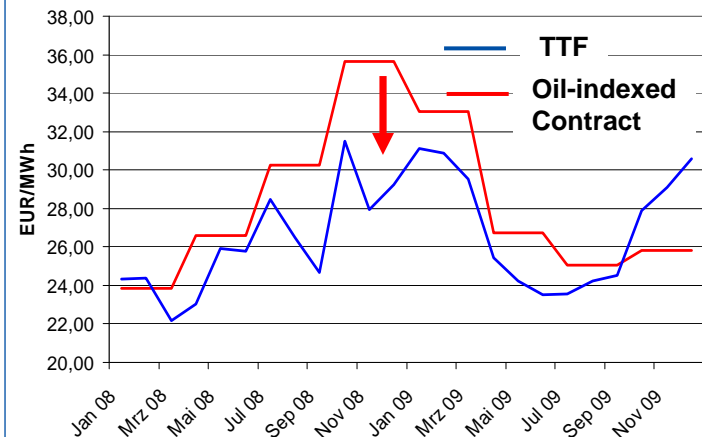
# The additional value of optimizing our Gas Asset Portfolio

## Normal situation



- > Oil-indexed contract is in-the-money in winter
- > And out-of-the-money in summer

## Unusual situation



- > Oil-indexed contract is out-of-the-money in winter: even more than the summer
- > Contract Off-take is modified and subsequently re-hedged

**Changing Gas-to-Oil Spreads allow to re-optimize an already fully hedged gas purchase contract: money can be made without taking on risk**

# What is Make-Up?

- > When in a contract year less gas than the contractual “Take-or-Pay” volume limit is off-taken, then this missing volume is labelled as “Make Up Gas”
- > After the contract year, the Make Up Gas needs to be paid for, usually at 75% of the average contract price during the year in which it is created
  - > This payment is not a penalty, but a pre-payment for the Make Up Gas which can be off-taken at a later stage
- > Buyer (RWE) can decide *when to create* and *when to off-take* Make-Up gas: when created in year 0, it can be off-taken in one of the following years
  - > When Make-up gas is off-taken, it is typically paid for at 25% of the gas price at the moment of off-take
- > Originally, the instrument of Make-Up gas was developed to protect the Buyer against slow sales or warm winters.
- > We use Make-Up gas *purely* as a trading tool (exotic option)
  - > Optimize the option value taking into account spreads, cost of capital and credit exposure

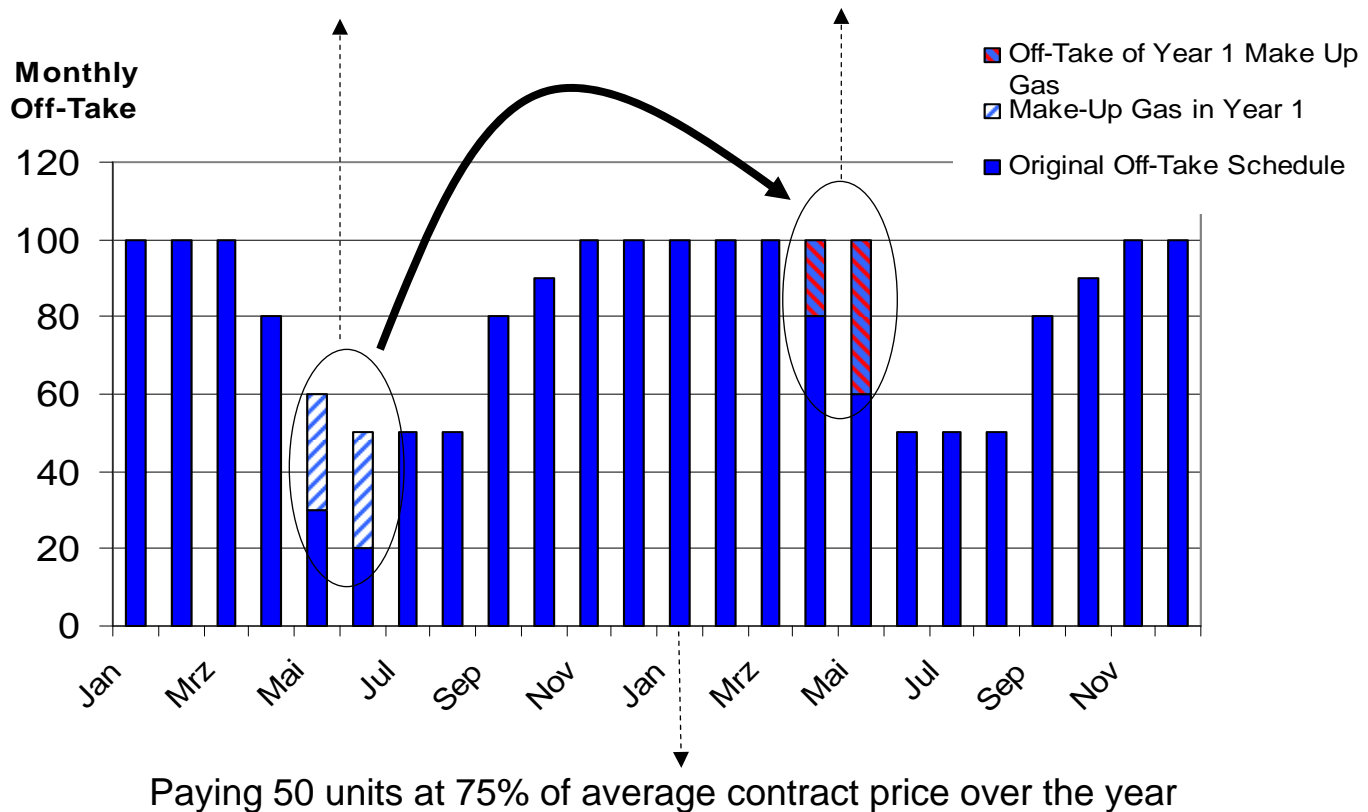


**Make-Up Gas is a complex option in a contract; we use it to extract value, *not* to balance supply / demand**

# Example: creating, pre-paying and off-taking Make-Up Gas

On purpose, the off-take is lowered by 50 units. In the Portfolio, this „hole“ is filled with gas purchased at the spot market

It is optimal to schedule the off-take of the Make Up in the months April and May: it requires the forward sale of gas as well as an oil hedge



# Our newest power station doesn't have a gas purchase contract...

- > Newest power station (Emsland extension, 875 MW generation capacity), now in commissioning phase
- > "Spot Machine" : aim is to capture value in short term price volatility. On site "tube storage"
- > We did not try to secure a long term oil indexed gas purchase contract – this wouldn't be consistent with the aim of the power station
- > Maybe there is a distressed seller who wants to conclude an 'in-the-money' short term ( $\leq 3$  years) supply contract with us...
- > Majority of Essent's generation fleet is gas-fired, so similar situation



**RWE's gas fired power stations form a convenient sink for gas as well as a flexible asset to capture volatility based value**

# Key Messages

- > RWE is exposed to the “Gas-to-Oil Spread” stemming from oil indexed Gas Purchase Contracts, but the size of the exposure is manageable
- > Gas Purchase Contracts are optimized against the market and are managed independently from customer demand
- > Key to an active management of the Gas-to-Oil exposure is the forward sale of gas and associated hedging of oil, similar as happens with locking in generation spreads
- > Volume flexibility (e.g. Make-Up gas) in Gas Purchase Contracts is an embedded option that creates value when it is traded appropriately