International Power

simply energy™

Retail

Domenic Capomolla

Business today

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- Substantial retailer in Vic and SA
- 370,000 power and gas customer accounts
- Market share in Victoria 7% and SA 11%
- 3.5 TWh per annum and 6 petajoules of gas
- Equates to one third of Hazelwood generation
- Set-up as a 50:50 partnership with Energy Australia in mid 2005
  - balance 50% acquired in August 2007

Rationale

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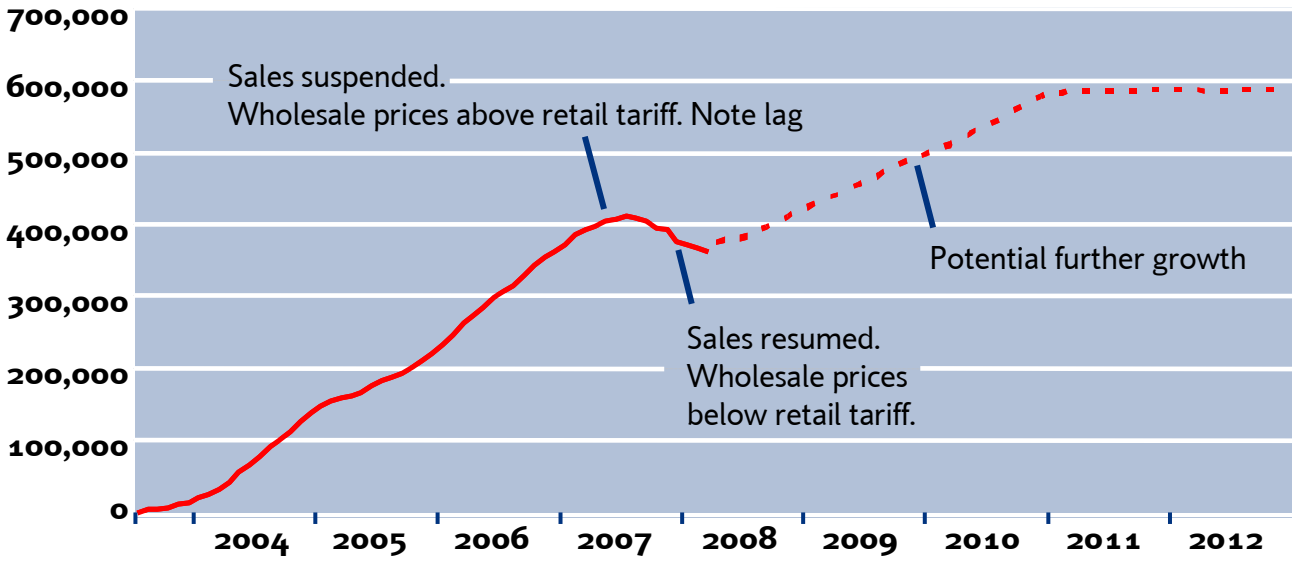
- IPR has large scale generation portfolio exposed to wholesale prices - Vic 39%, SA 26% market shares
- Retail provides an additional route to customers to hedge our generation assets and secure a steady revenue stream
  - diversification, reduce reliance on retailers
- Vertical integration – not unlike Origin, AGL and TRU, albeit smaller
- Extract additional value across the entire energy value chain
- Coal, gas and renewables in the portfolio allow a blend of products to be sold

Strengths

- Ability to set own tariff
  - presently offer discounts to regulated tariffs
  - regulated tariffs increased from 1 Jan 2008 to reflect increased wholesale electricity and gas prices
  - regulated tariffs likely to disappear in Victoria in 2009

Simply Energy Account Numbers



Strengths (cont)

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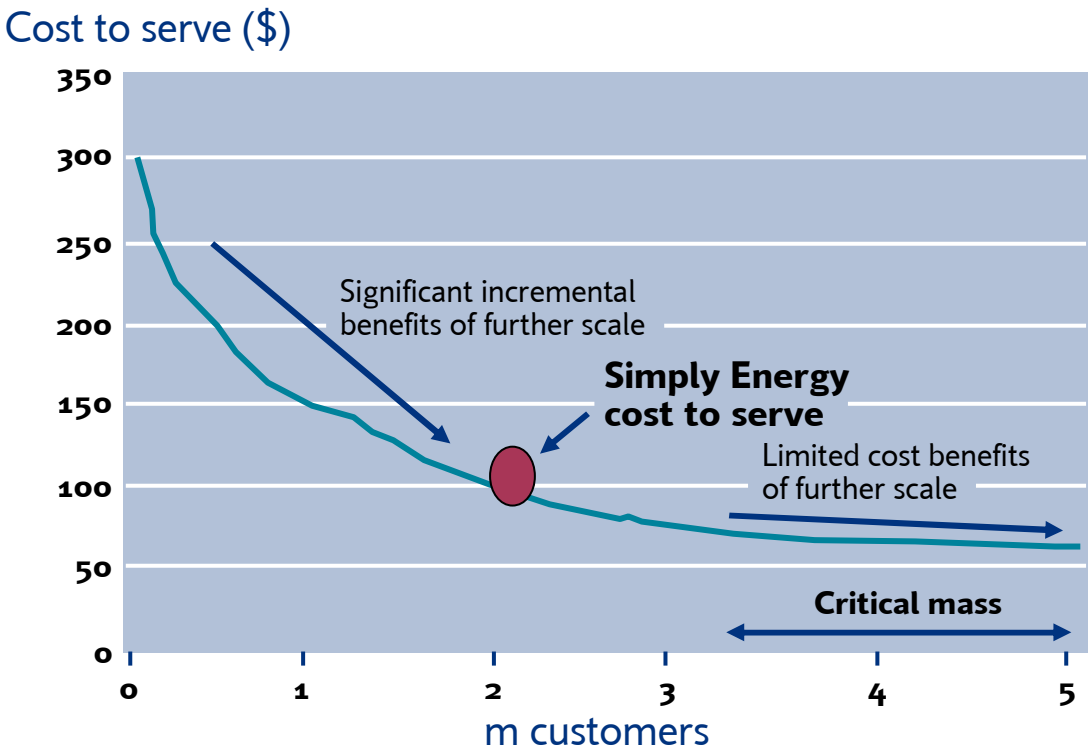
- Scalable – ready to capture profitable customers
  - billing systems scalable
  - data warehouse has been configured to be flexible
  - call centre is located in Melbourne. Responsive and 'in-touch' with Australian topics
- Low fixed cost, largely variable cost
  - outsourced business model
    - call centre, billing and data management, sales activity
  - delivers a lower cost to acquire and cost to serve
  - flexibility for expansion

Strengths (cont)

Competitiveness

- Simply Energy has a competitive cost to serve (CTS) compared to Australian industry average
- Simply Energy's CTS is equivalent to a retailer with circa 2m customers



Initiatives

- Simply Energy the first to offer complete web-based contracting option
  - system is 'live' after extensive testing
  - competitive cost to acquire customers
  - sophisticated interface for customers to manage their accounts
- Loyalty and prompt payment incentives
- Extend alliance partnerships with Banks, Auto Associations in other states for example

Summary

- Substantial – 370,000 customer accounts
- Scalable – ready to capture profitable customers
- Competitive – low cost to serve