

Direct Energy

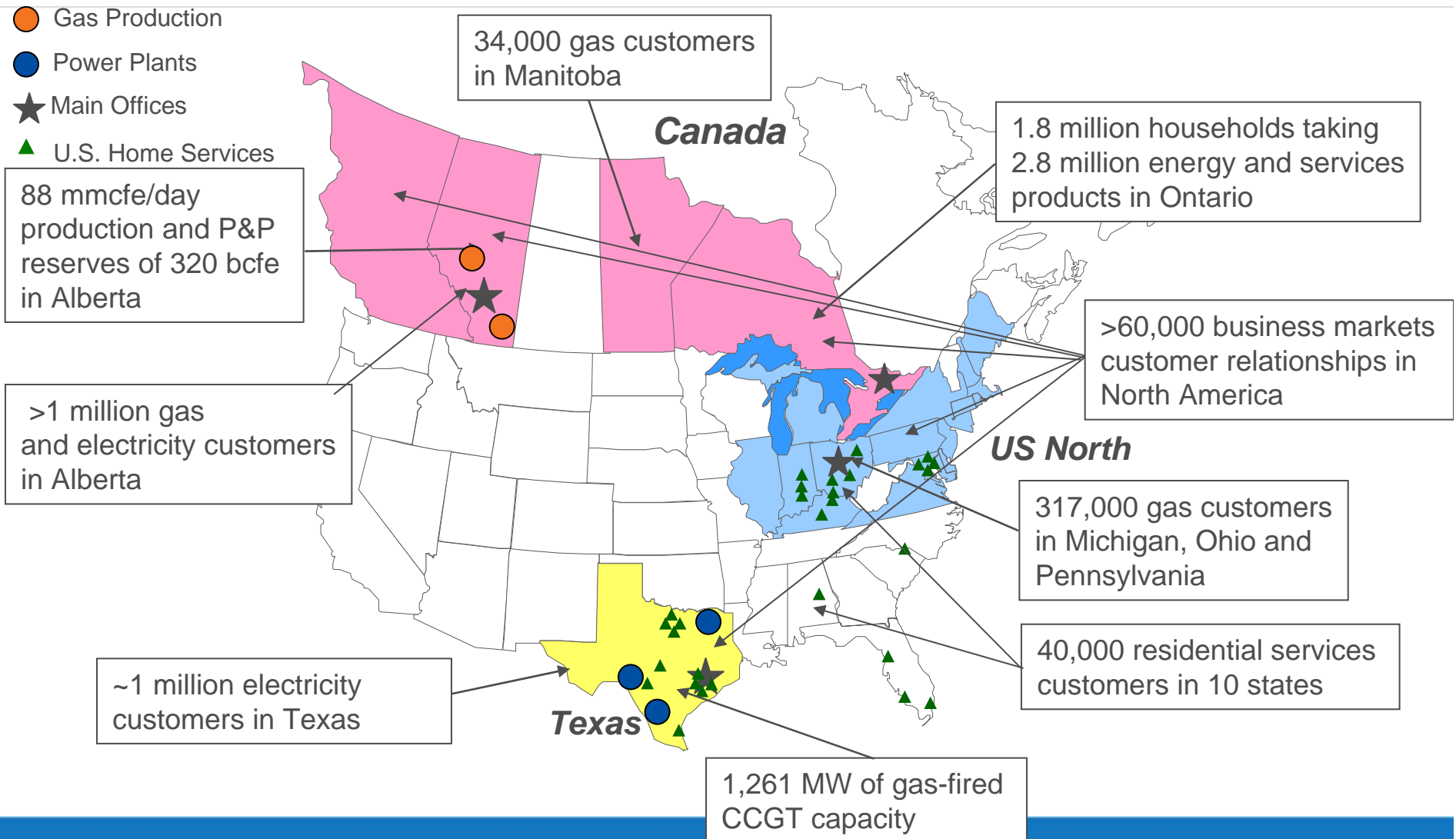
New York PSC

David Dollihite – July 20, 2007

Vice President, US Home Services



North American Footprint



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Digital Kitchen – Consumer Wish-List



- 1) Digital Calendar
- 2) Recipe Projection
- 3) Energy Usage Monitoring and Control**
- 4) Universal Charging Station
- 5) Wireless Internet
- 6) Home Control Station



Microsoft



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A Marketing Problem

The Good News! - Over 85% of residential consumers believe they should be doing something about climate change through more efficiency use of energy.

The Bad News! - Less than 15% are engaging in activities that reduce their energy consumption.

The Worse News! - Less than 5% spent incremental dollars on products or services that reduced their energy consumption

The threshold of inconvenience!



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Direct Energy – Energy Efficiency Initiatives

There are three key areas of focus for energy efficiency initiatives that provide a supporting and reinforcing effect on each other.

- Public Policy
- Legislative/Regulatory
- New Product Introductions



Direct Energy – Energy Efficiency Initiatives

Public Policy

- To operate properly a retail market must act to make the costs of the wholesale market transparent to the retail customer.
- This requires infrastructure capable of providing real-time consumption and pricing information.
- The provision of the infrastructure is best performed by capturing economies of scale through mass deployment of advanced metering.



Direct Energy – Energy Efficiency Initiatives

Legislative/Regulatory

- Appropriate incentives must be in place to drive the desired behavior of retail consumers.
- The majority of incentives should involve competitive retailers.
- Why?
 - Each incentive dollar that flows through competitive retailers receives a multiplier effect through additional spend on advertising, market education and leveraging a competitive retailers cost to acquire.
 - LSE has access to the option value of savings.
 - A competitive retailer has an economic interest in promoting energy efficiency and load management every hour of every day.



Direct Energy – Energy Efficiency Initiatives

- **New Product Introductions**

- In maturing retail markets the average price differential among competitors is less than 4% yet there is a value proposition of 10-40% in energy savings through energy efficiency measures and load management.
- Back to the “threshold of inconvenience” that will not be crossed by your average retail consumer.
- The retail consumer will embrace energy efficiency initiatives and load management if we make it easy for them.
- Example:
 - In Texas we offer the Prevention Plus Plan – for a fixed cents/KWH rate our service technicians perform twice yearly maintenance on the consumers HVAC system.

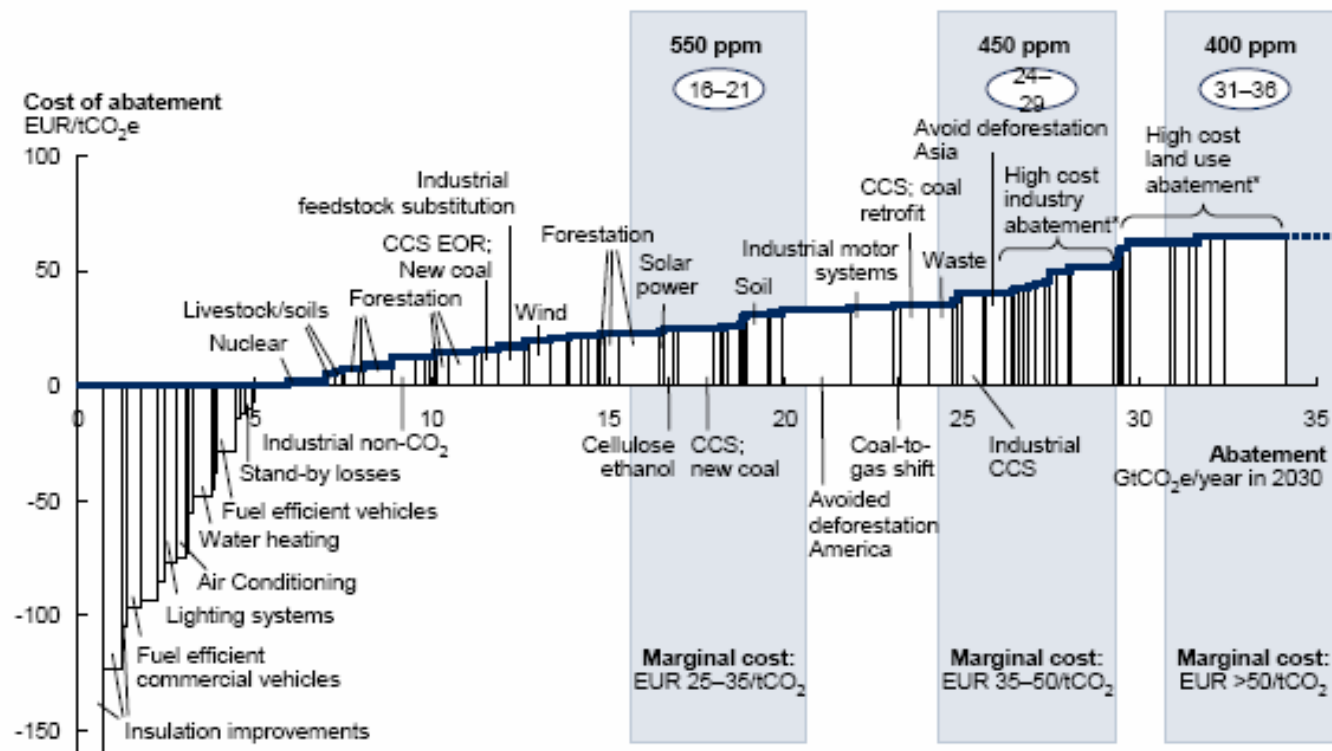


CO₂ Abatement – Source McKinsey & Co.

Marginal abatement supply and cost in the different scenarios*

X-Y Abatement required beyond business as usual 2030, Gton

2030



- Technically possible to achieve 400-550 ppm stabilization paths only addressing measures below EUR 40-50/tCO₂e
- However, politically very challenging, due to fragmentation of opportunities across sectors and regions



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