



**TXU Analyst Conference
Fort Worth, Texas
May 21, 2001**

Welcome

David Anderson

Safe Harbor Statement



This presentation contains forward looking statements, which are subject to various risks and uncertainties. Discussion of factors that could cause actual results to differ materially from management's current projections, forecasts, estimates and expectations is contained in the company's SEC filings. In addition to the factors set forth in the company's SEC filings, other factors which could affect the forward looking statements contained in this presentation include prevailing government policies on environmental, tax or accounting matters, regulatory actions, weather conditions, unanticipated population growth or decline and changes in market demand and demographic patterns, changing competition for customers including the deregulation of the U.S. electric utility industry and the entry of new competitors, pricing and transportation of crude oil, natural gas and other commodities, financial market conditions including unanticipated changes in interest rates, rates of inflation, or foreign exchange rates, unanticipated changes in operating expenses and capital expenditures, legal and administrative proceedings and settlements, inability of the various counterparties to meet their obligations with respect to financial instruments, and changes in technology used and services offered by TXU Corp.

Introduction and Strategy

Erle Nye

Agenda



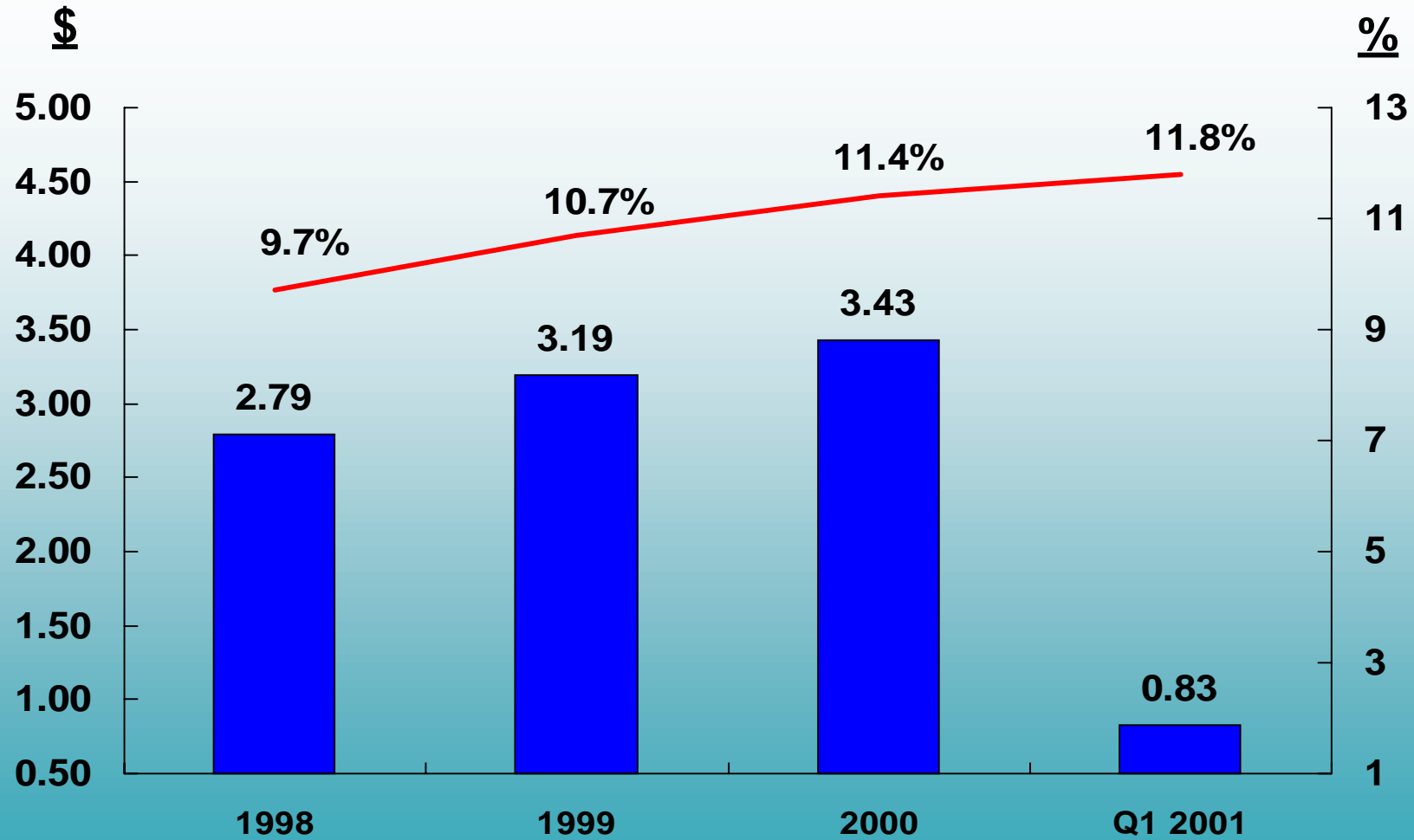
MONDAY, MAY 21

- **TXU Global Merchant Energy**
 - International
 - North America
 - Growth & Financial Overview

TUESDAY, MAY 22

- Risk Management
- Energy Delivery
- Financial Overview

Financial Performance



* Excludes non recurring items

■ EPS* — ROE

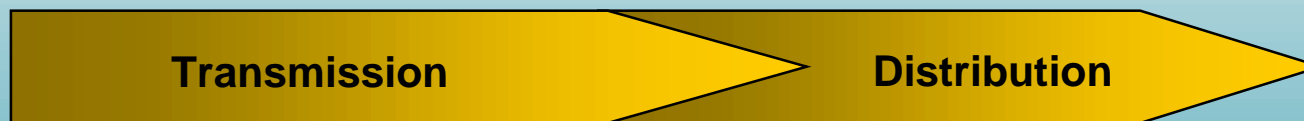
Business Model & Strategy



MERCHANT ENERGY



ENERGY DELIVERY

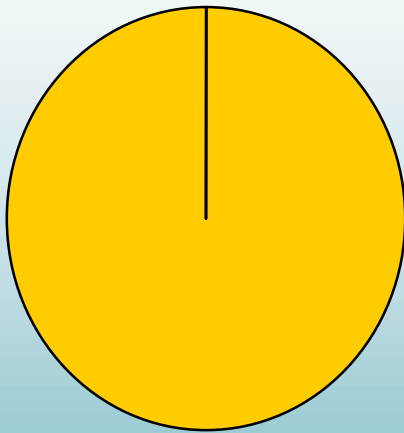


Strategy: TXU will achieve **excellent** operations of **significant** scale in **selected** regions, which **optimize a portfolio** of assets, capabilities and customer relationships across **multiple** products and services.

Two Distinctive Businesses

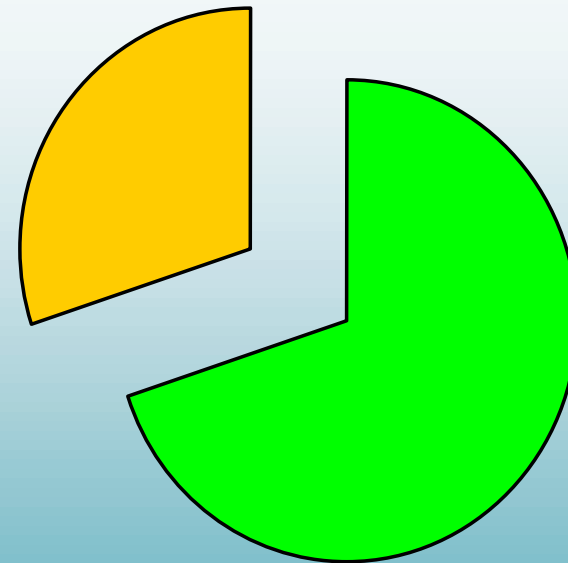




EBIT - 1994



“Regulated”

EBIT - 2002



-  **Energy Delivery**
-  **Merchant Energy**

Enhancing Shareholder Value



- **Deliver growth from existing businesses**
- **Create opportunity with Texas restructuring**
- **Diversify US assets outside of Texas**
- **Structurally separate merchant energy and network business**
- **Capture substantial value from global merchant energy business**
- **Strengthen credit**

Global Merchant Energy Business

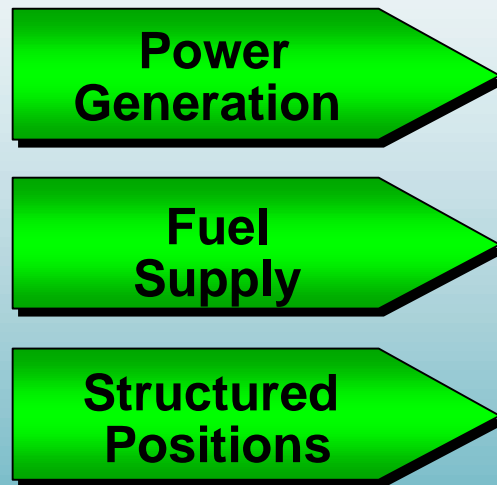
Brian Dickie
North America

Phil Turberville
International

Distinctive Global Merchant Model



Upstream



Portfolio Optimization



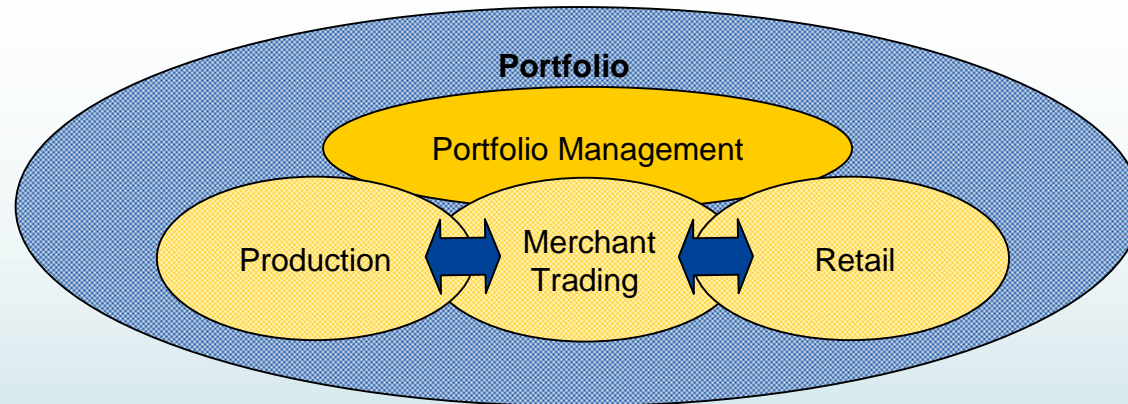
Downstream



TXU Merchant Energy will be the leader in the global competitive energy services business.

We will create value through our in-depth understanding of customers and markets and through superbly managing the interdependencies among production, trading and retailing.

Portfolio Value - Greater Than Sum of the Parts



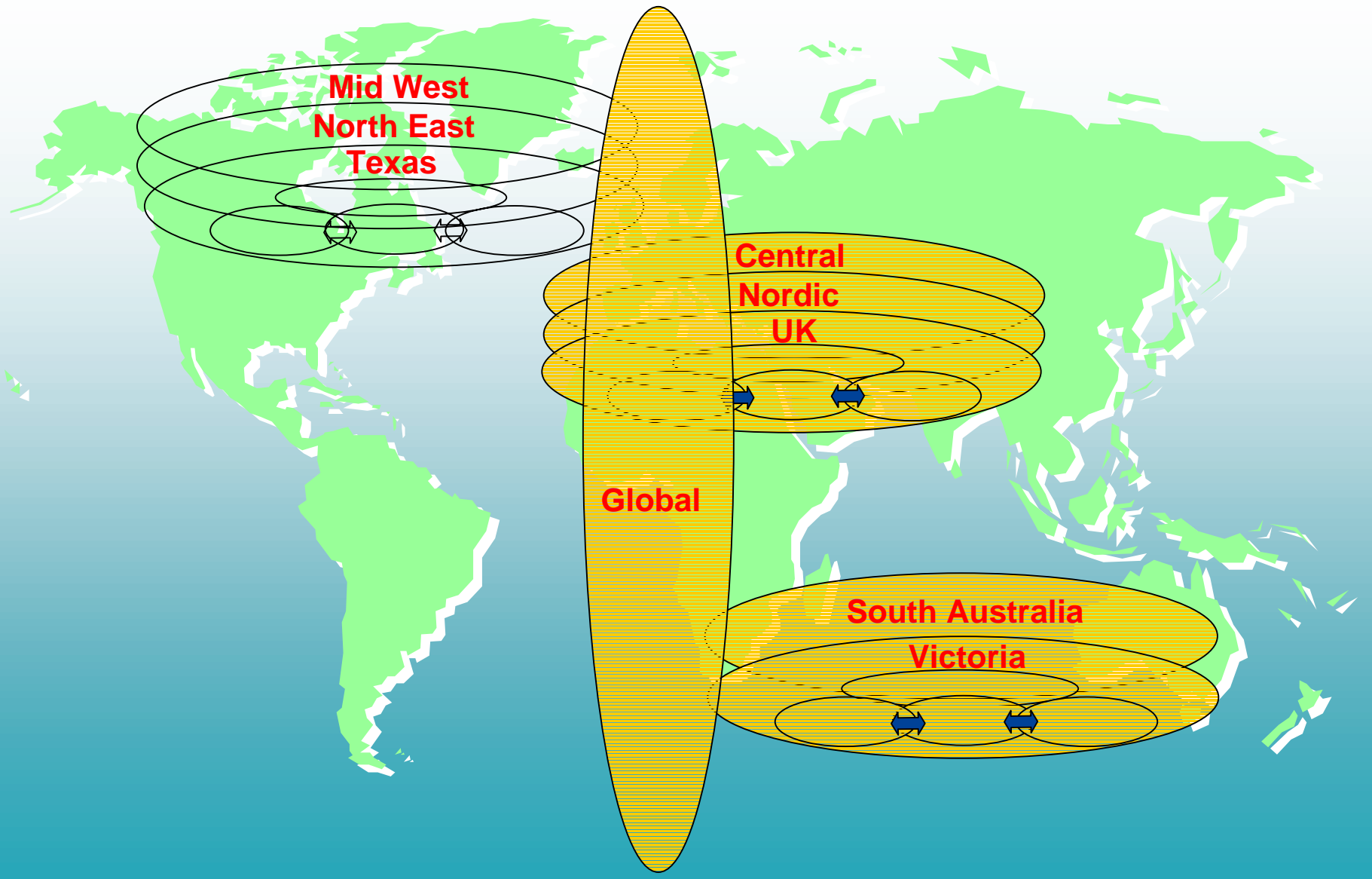
More than “Sum of the Parts”

- Value capture
- Creates optionality
- Capital recycling
- Natural hedge element

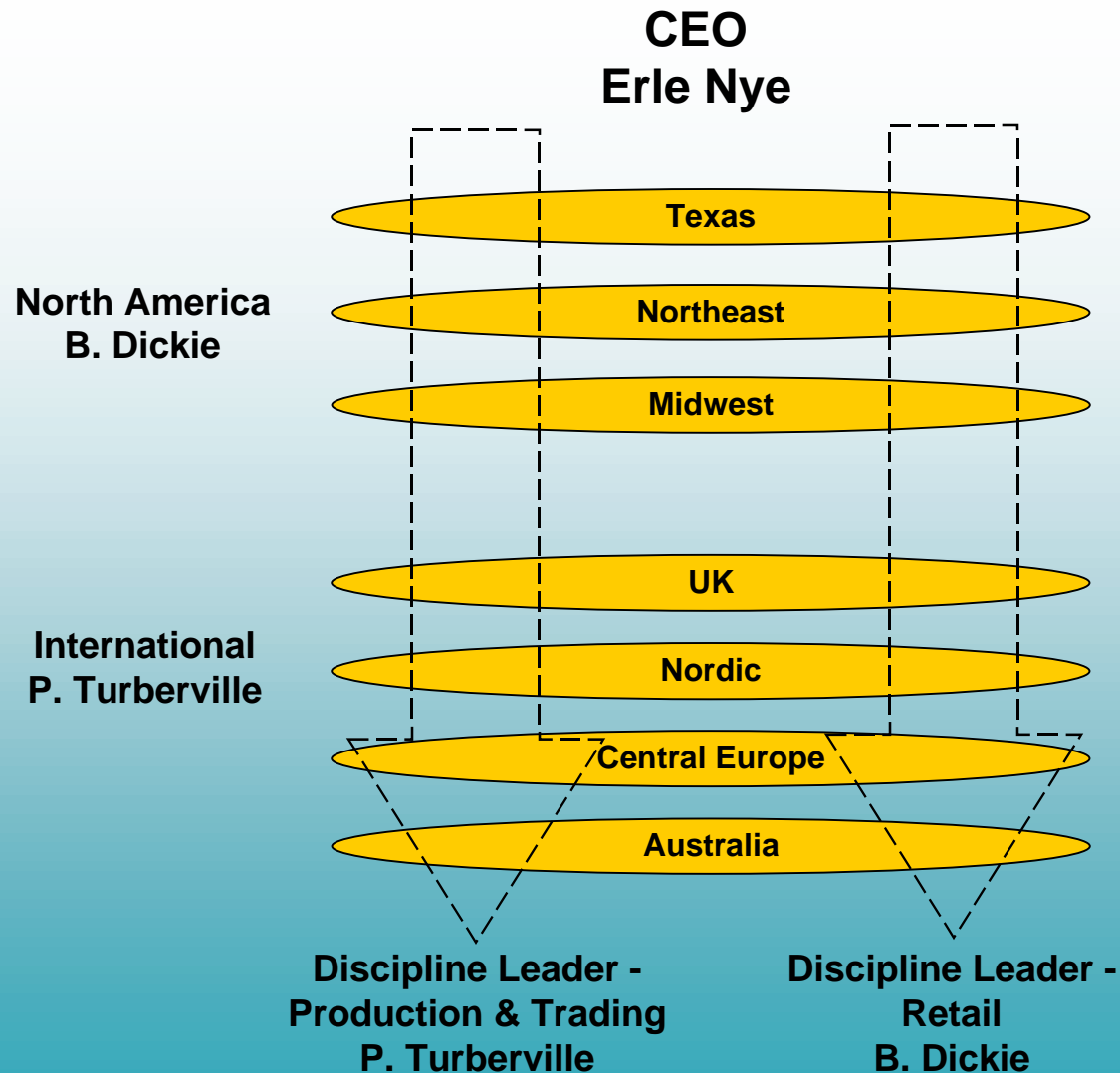
Driven by talented people working together

Capturing Global Synergies

Three Continents - One Global Portfolio



Global Merchant Energy: Business Leadership Matrix

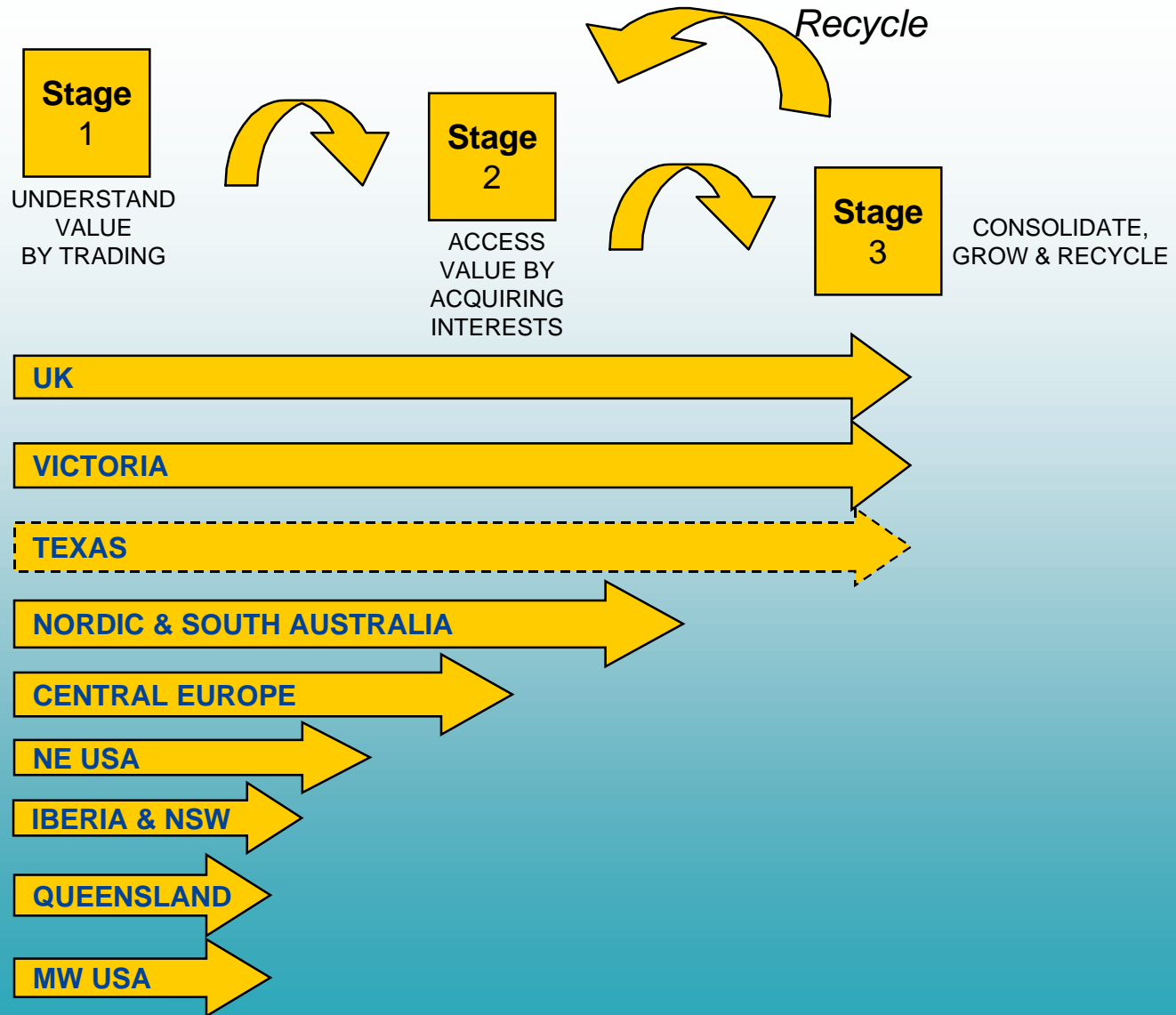


Global Merchant Energy: Business Leadership Matrix



- **Clear Regional Accountability (P&L)**
- **Functional teams focused on knowledge, capabilities & platforms**
- **Plus strong global processes for**
 - **Risk Management**
 - **Portfolio Planning & Resource allocation**
 - **Talent Management**
 - **Brand Management**

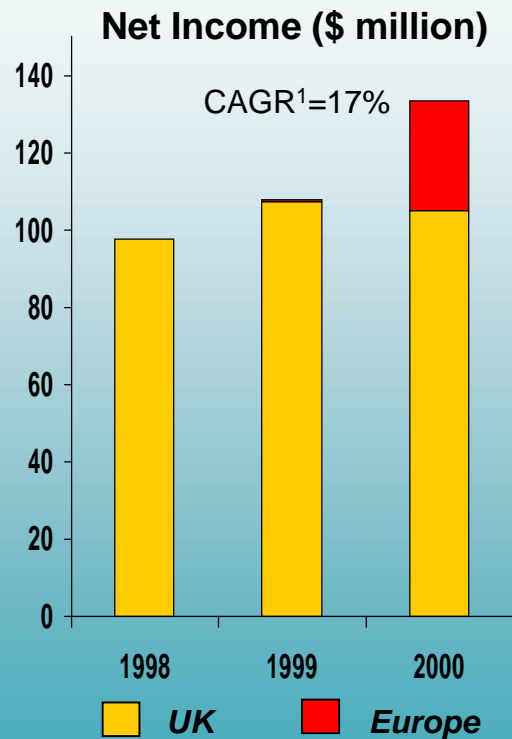
Growth Strategy



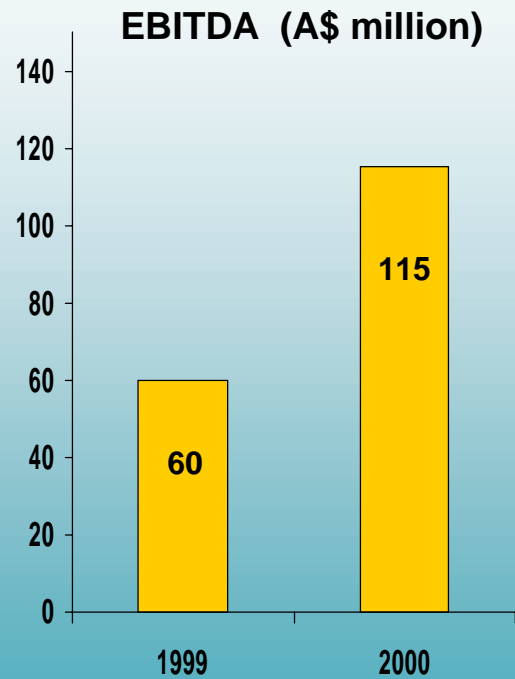
Track Record as a Global Merchant Energy Business



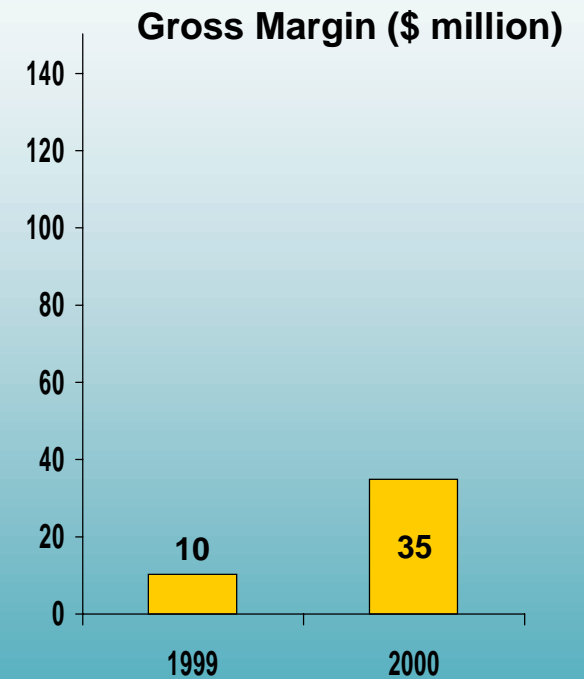
Europe



Australia



U.S. Northeast



¹CAGR= Compound Annual Growth Rate

With Texas Deregulation, TXU Will Have ...



- **2nd largest Merchant generation fleet in the USA**
- **Largest competitive Retail business in the USA**
- **Top Three position in power trading and marketing**
- **Unique portfolio management skills and opportunities**

Powering Ahead In The US



- **World class capabilities now in place**
- **Knowledge transfer**
- **Rich legacy portfolio in Texas**
- **Momentum in Northeast and Midwest**

The Global Portfolio - Capacity, Customers, Trading & Talented People



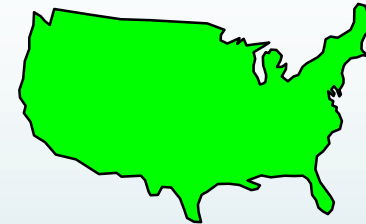
30 GW installed capacity

11 million customer accounts

Top 3 Trader on 3 Continents

10,000 talented people

\$900 million/annum net income



21 GW plant
4m accounts



8 GW plant
6m accounts



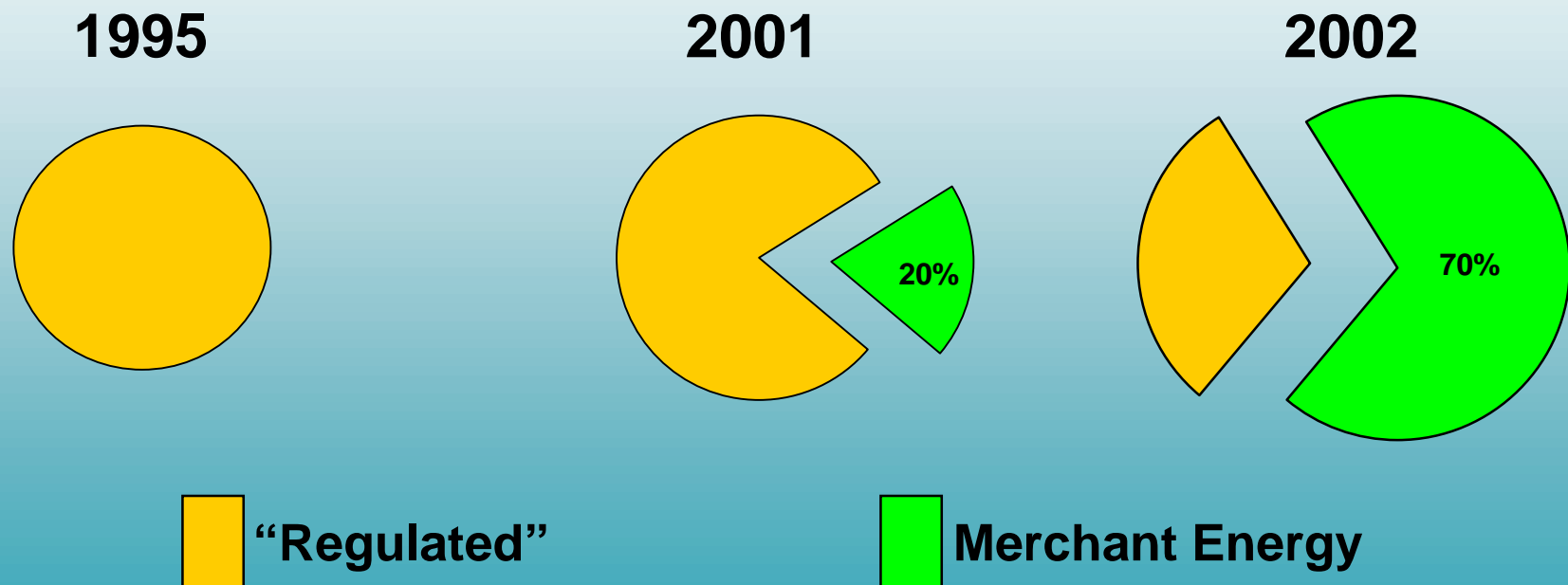
1 GW plant
1m accounts

Global Merchant Energy Business

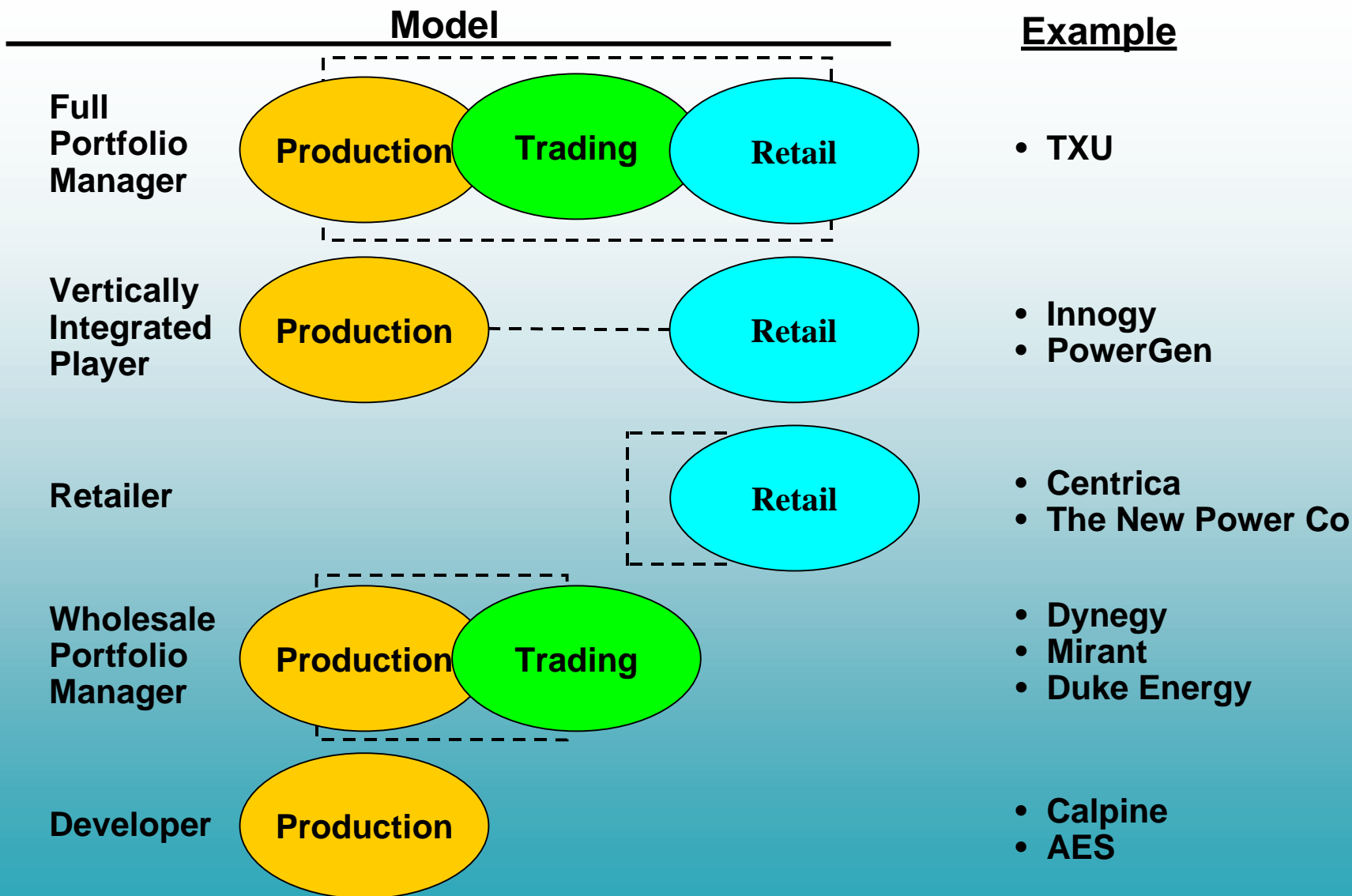


TXU Is Predominately A Global Merchant Energy Company

TXU Corp: Net Income Distribution

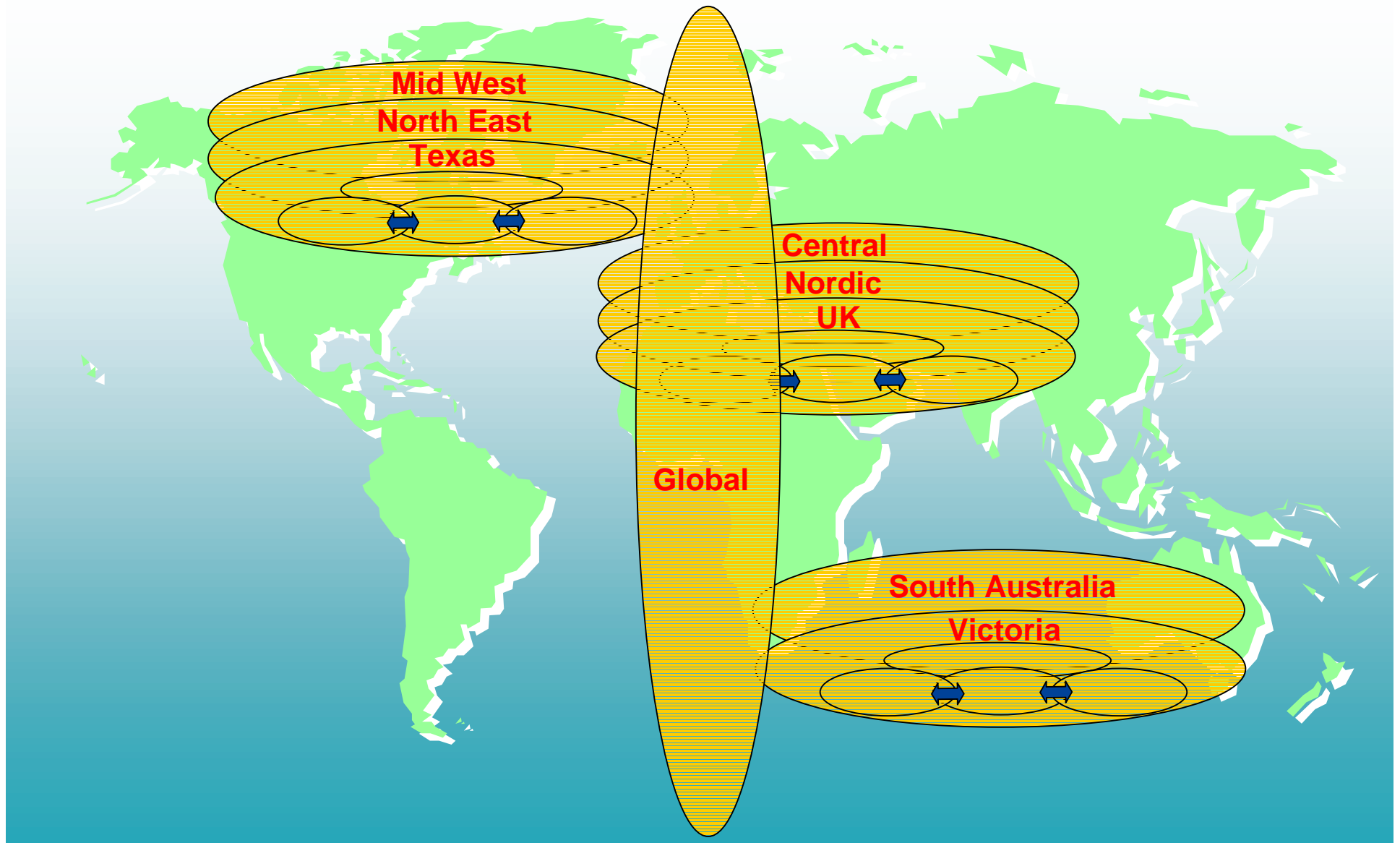


Distinctive Global Model



Three Great Disciplines - One Distinctive Business

Three Continents - One Global Portfolio



International Merchant Energy Business

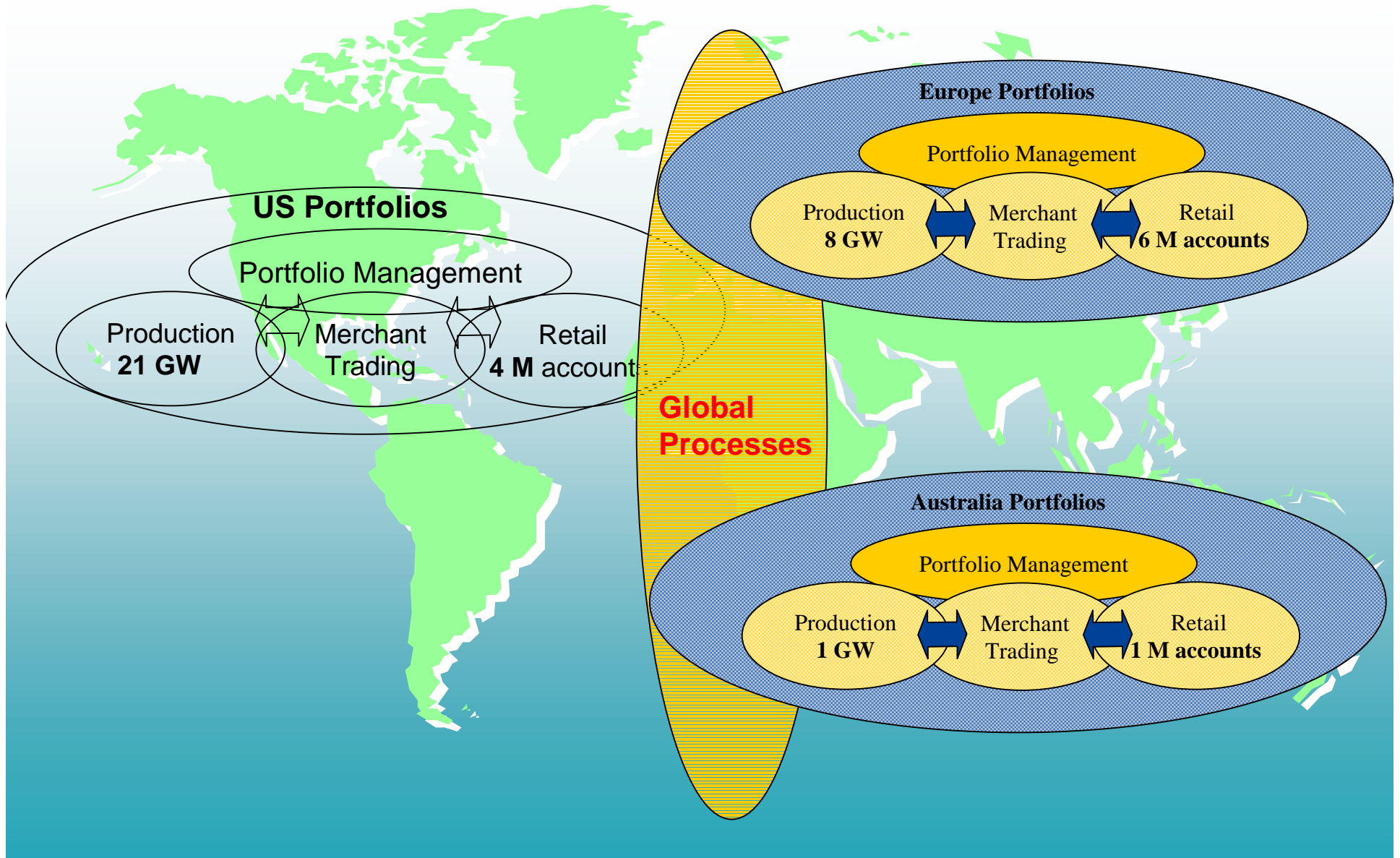
Phil Turberville

Agenda



- **Introduction** **Phil Turberville**
- **UK** **Roger Partington**
- **Continental Europe** **Martin Stanley**
- **Australia** **Steve Philley/Len Gill**
- **Q&A** **Phil Turberville**

International Merchant Energy



Europe Highlights 2000/2001



- **Very strong earnings & cash flow growth**
- **Top UK trader**
- **Norweb Energi / Vertex**
- **Top 3 position in Central European & Nordic trading**
- **Stadtwerke Kiel & Ares**
- **Direct UK staff reduced from 7,100 (1998) to 2,400 (now)**
- **Divestiture program delivering. . . more to follow**

Europe: Key Aims for 2001



Deliver 2001 earnings & cashflow targets by:

- **Continue high growth from Merchant Energy**
- **Continue operational excellence & cost leadership**
- **Reshape & further develop portfolio**
- **Strengthen balance sheet**
- **Separation of UK delivery business**

United Kingdom

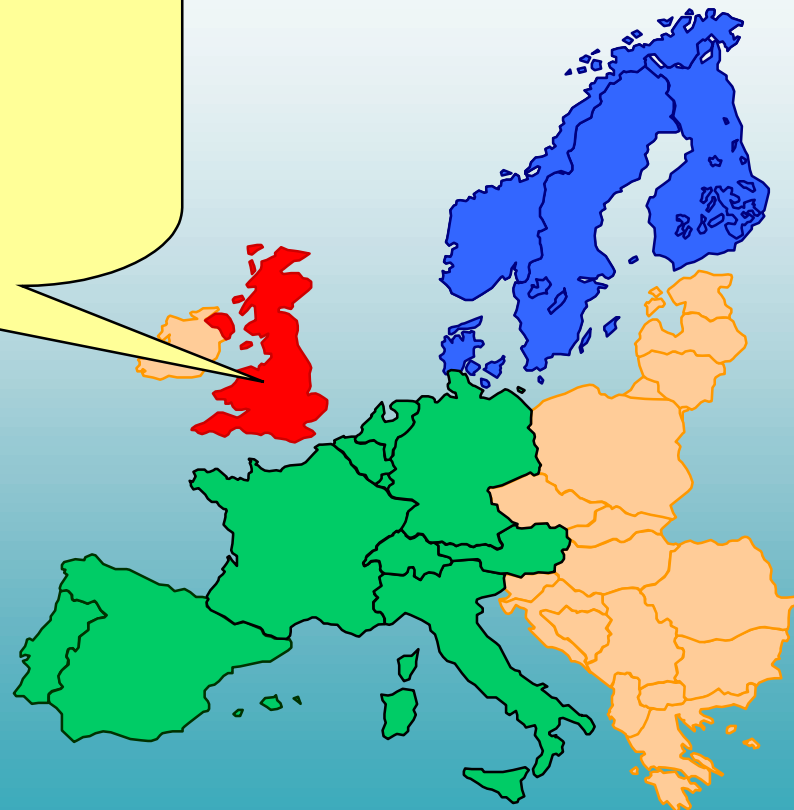
Roger Partington

A Strong UK Position



UK

- **Leading trading & structuring position**
 - traded 470 TWh in Q1 '01
 - 65% growth on Q1 2000
- **5.6 million customers**
- **6,900 MW capacity**



Successful UK Growth



- Voted as:
 - “ Top UK natural gas trader”
 - “ #2 UK electricity trader”

- Retail growth & customer retention
 - StayWarm launch
 - TESCO Clubcard alliance

- Norweb acquisition

- Successful NETA implementation

- Retail cost reduction (Vertex outsourcing)

- Repurchase of Innogy earnout
- Renegotiation of other long-term contracts

- Active portfolio optimization



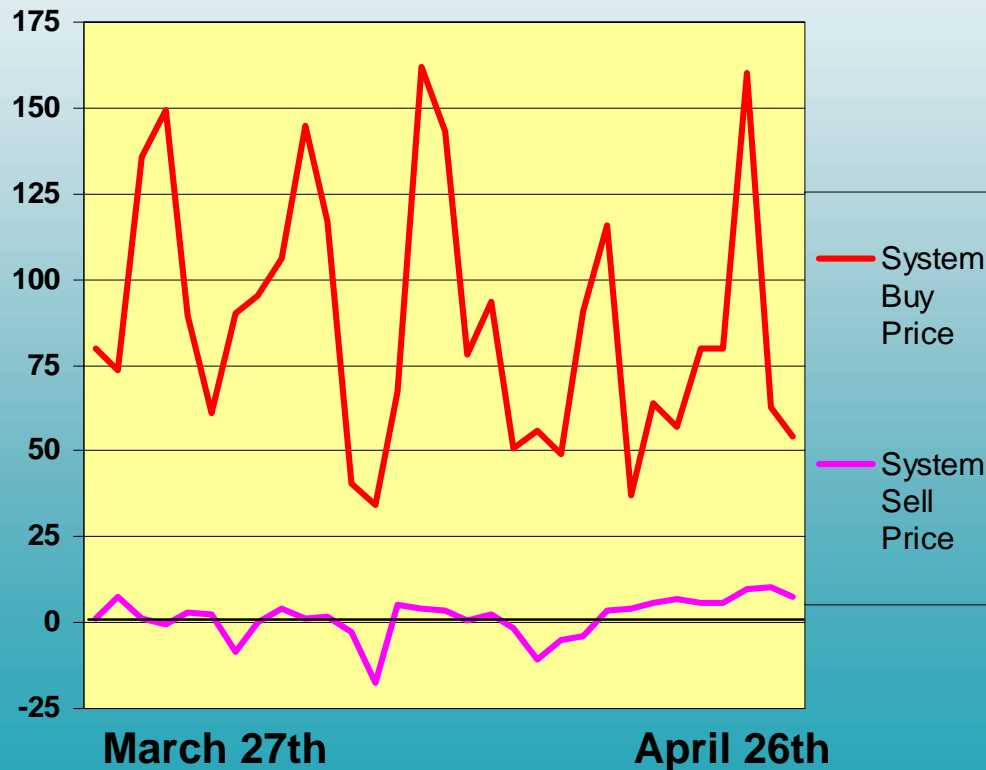
NETA: Opportunity, Not a Threat



- Volatile post NETA Balancing & Prompt prices
- Forward power prices significantly strengthened post NETA
- Strong NETA performer (TXU ytd NETA earnings \$25 million)

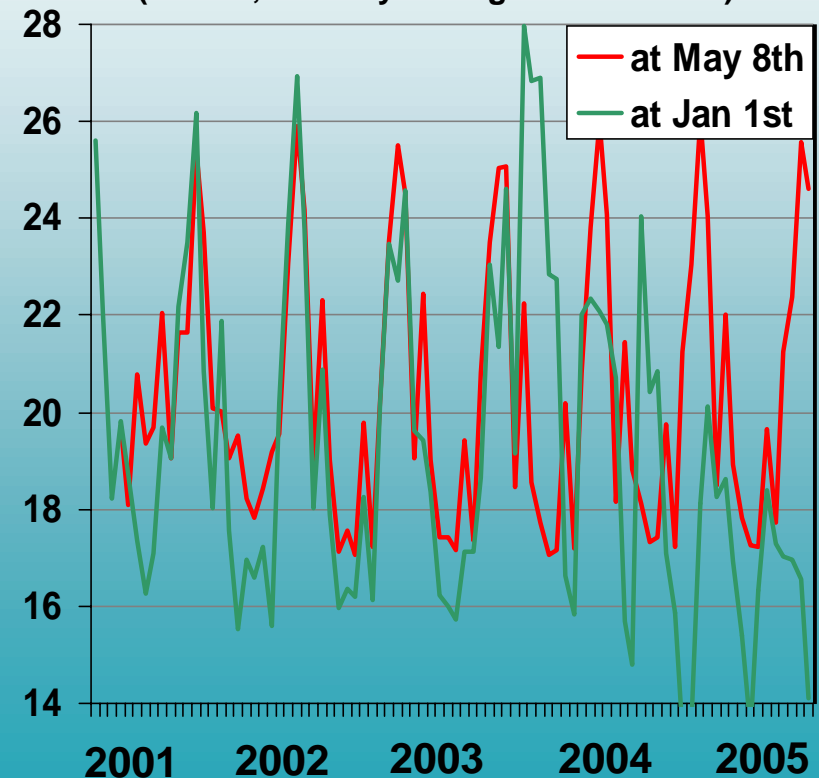
NETA Balancing prices

(£/MWh; daily average 03/27 to 04/26/2001)



UK Forward Power Prices

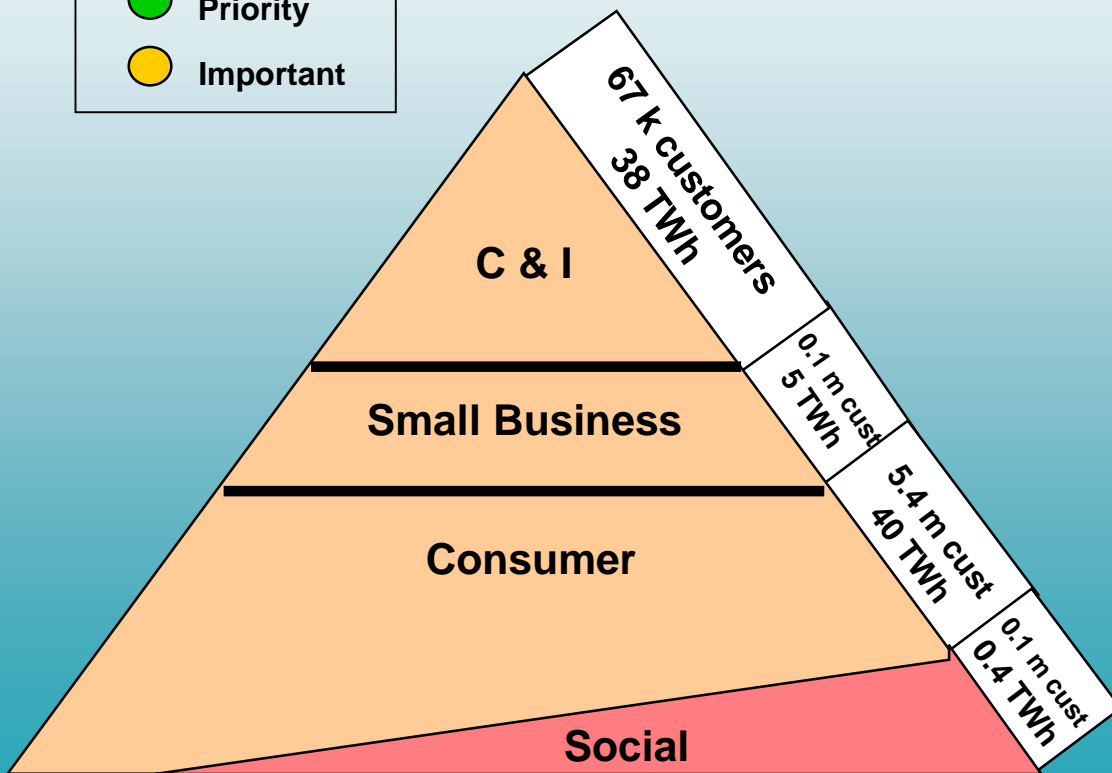
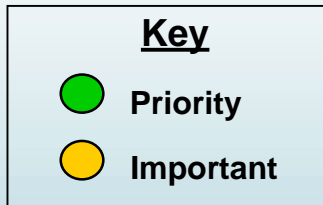
(£/MWh; monthly average forward EFA)



Retail - Portfolio Value Foundation



- Retail is a key value foundation for the portfolio



Portfolio Scale	Flexibility	Price Discovery	Margin	Bal. Sheet Value	Brand & Reputation	Term Hedge	Economies of scale
●	●	●	●				
●	●	●	●		●		
		●	●	●	●	●	
		●	●	●	●	●	
			●	●	●	●	●
			●		●	●	●

UK Retail - Success to Date



- **Norweb integration complete; material scale**
13% market share, #1 UK electricity, #2 UK energy



- **Vertex customer service out-sourcing:**
Reduced costs & improved service springboard for new products

- **TESCO alliance roll-out**
1.2 million club members, 30% reduction in churn



- **StayWarm roll-out across UK**
60k customers
300k forecast by end 2001; > 1 million by end 2003

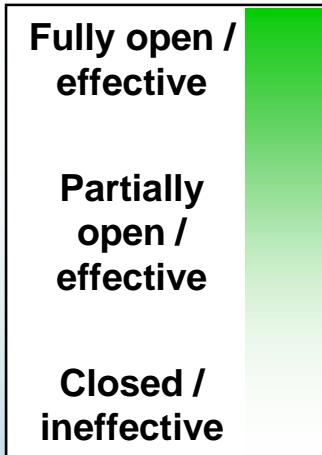


"Powered by TXU"

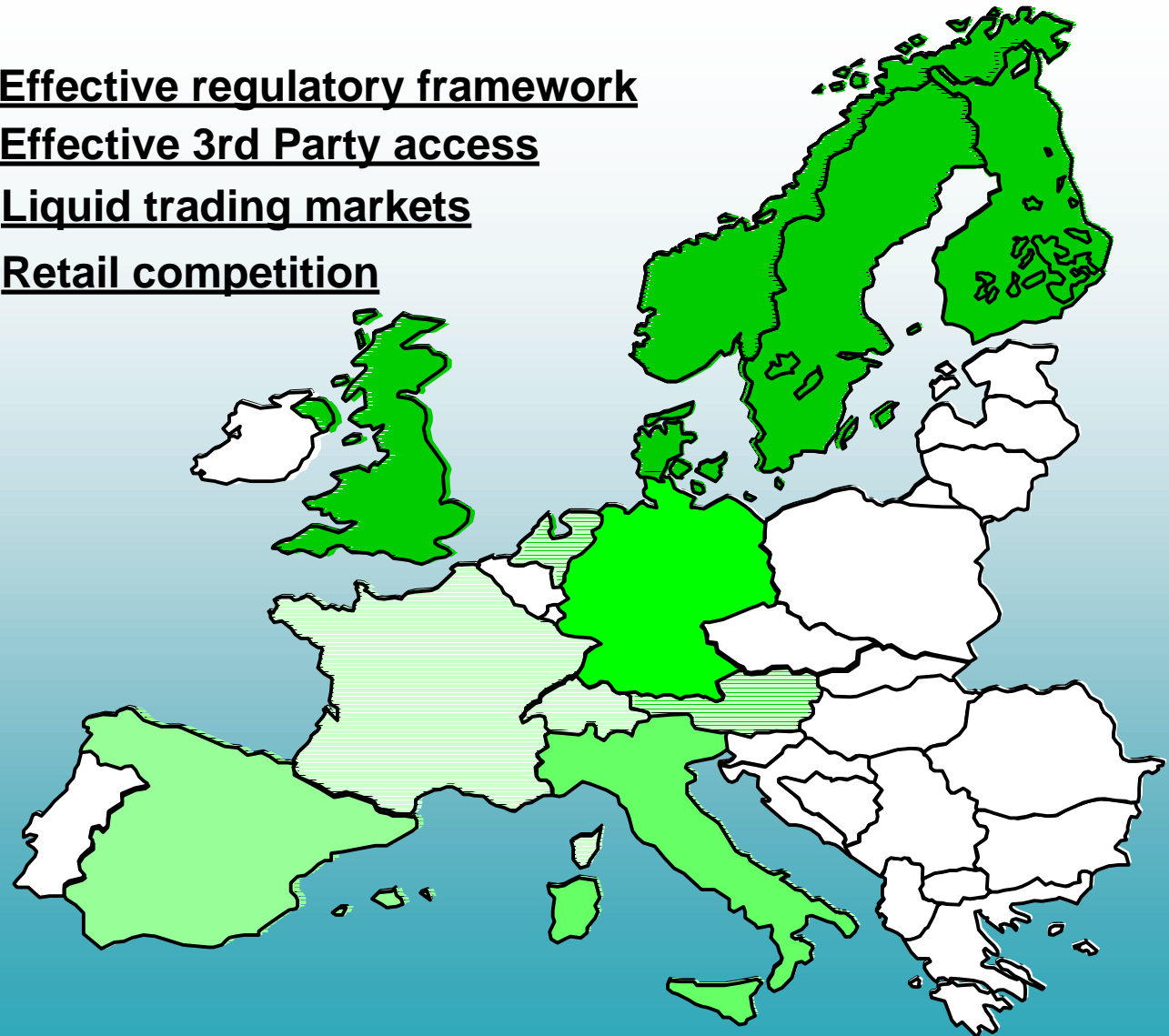
Continental Europe

Martin Stanley

Power Market Liberalization Across Europe

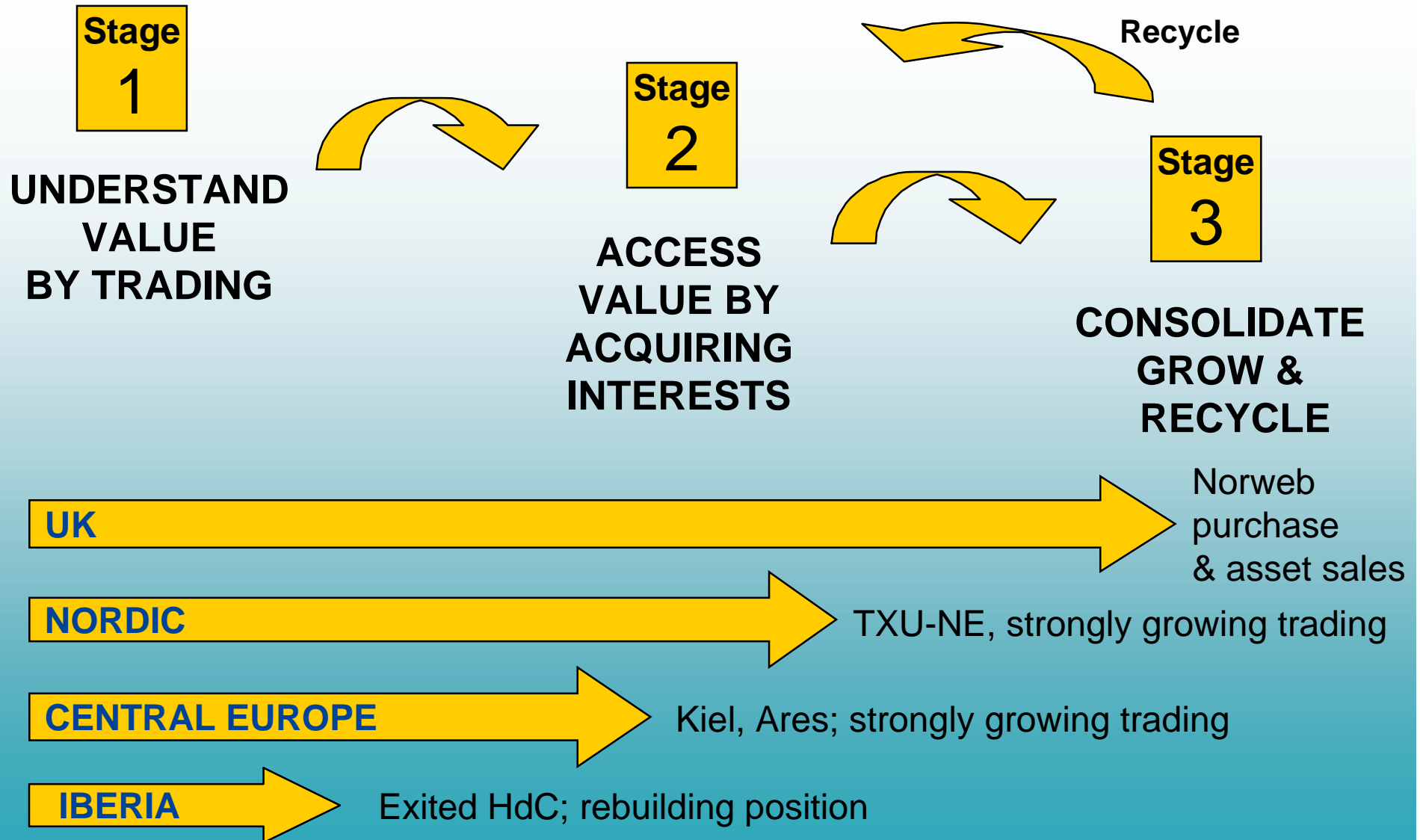


Effective regulatory framework
Effective 3rd Party access
Liquid trading markets
Retail competition



Gas markets:-
less open than power
but Benelux trading
hubs increasingly active

Building a Merchant Energy Portfolio



Growing Strength in Continental Europe

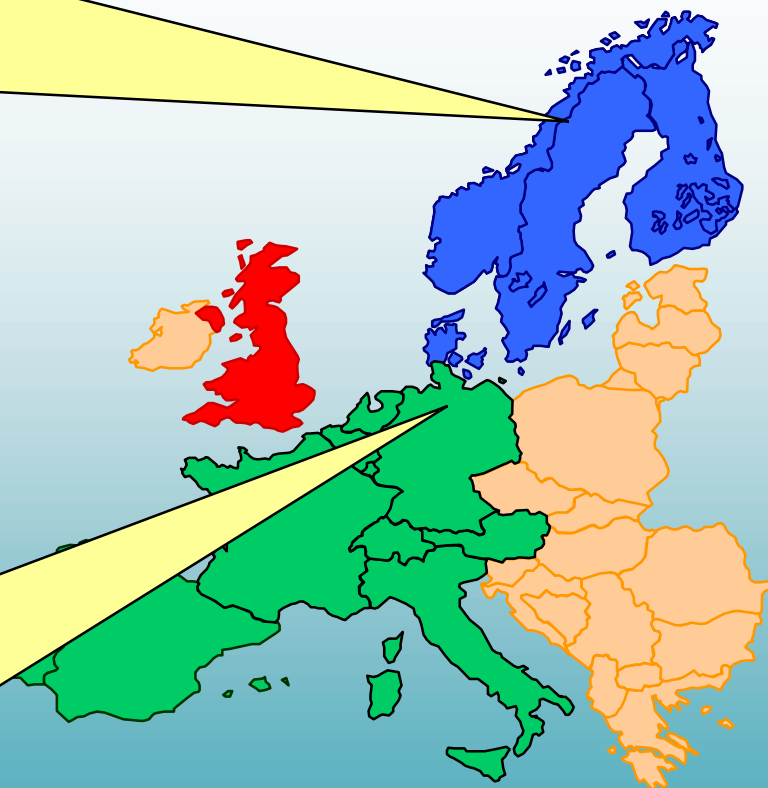


Nordic

- “Top-3” trading & structuring
 - 91 TWh in Q1 '01 (32% growth on Q1 '00)
- TXU Nordic Energy (80%)
- 100 thousand customers
- 720 MW capacity (hydro & thermal)

Central Europe

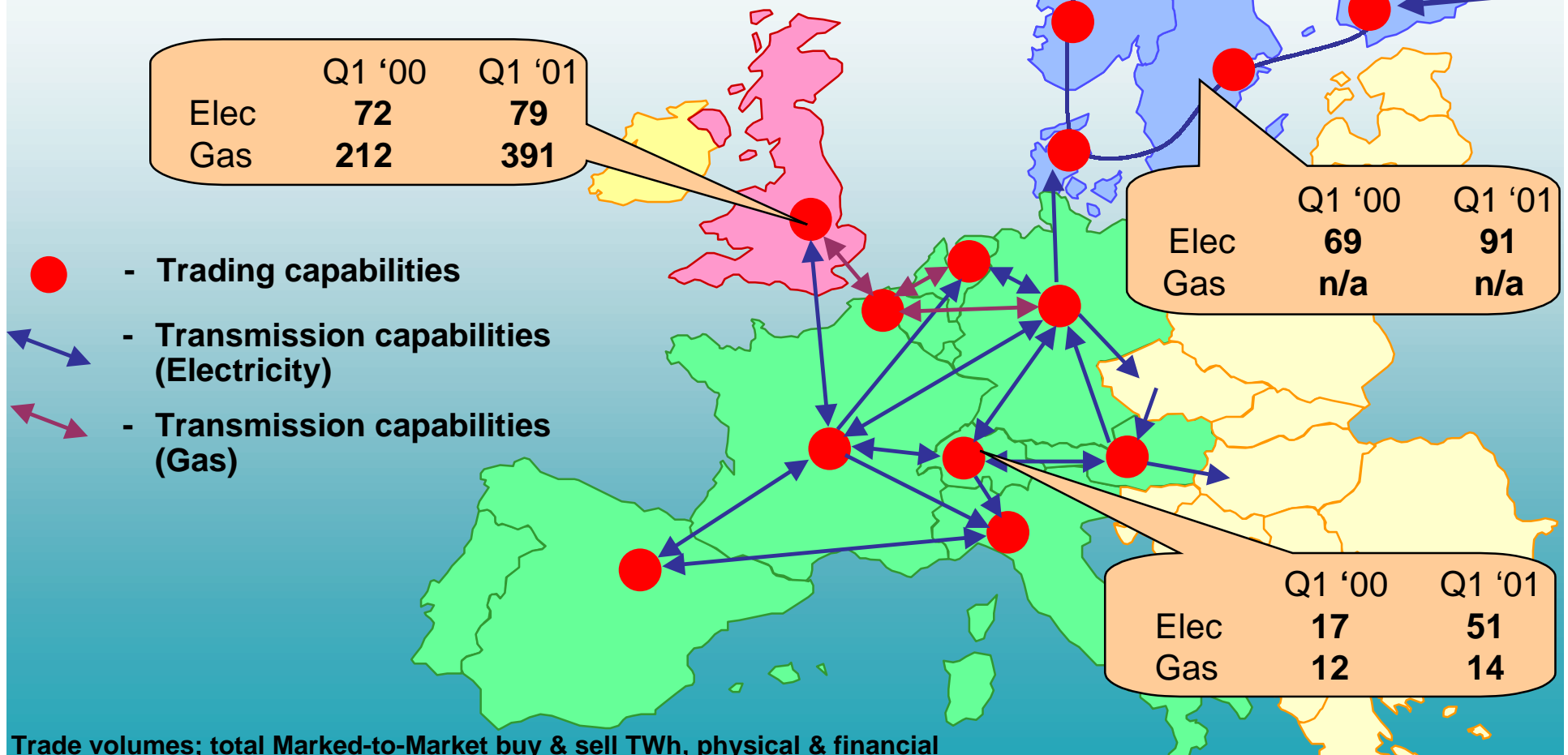
- “Top-3” trading & structuring
 - 65 TWh in Q1 '01 (200% growth on Q1 '00)
- SW Kiel & Ares Energie (51%)
- 400 thousand customers
- 175 MW CHP capacity



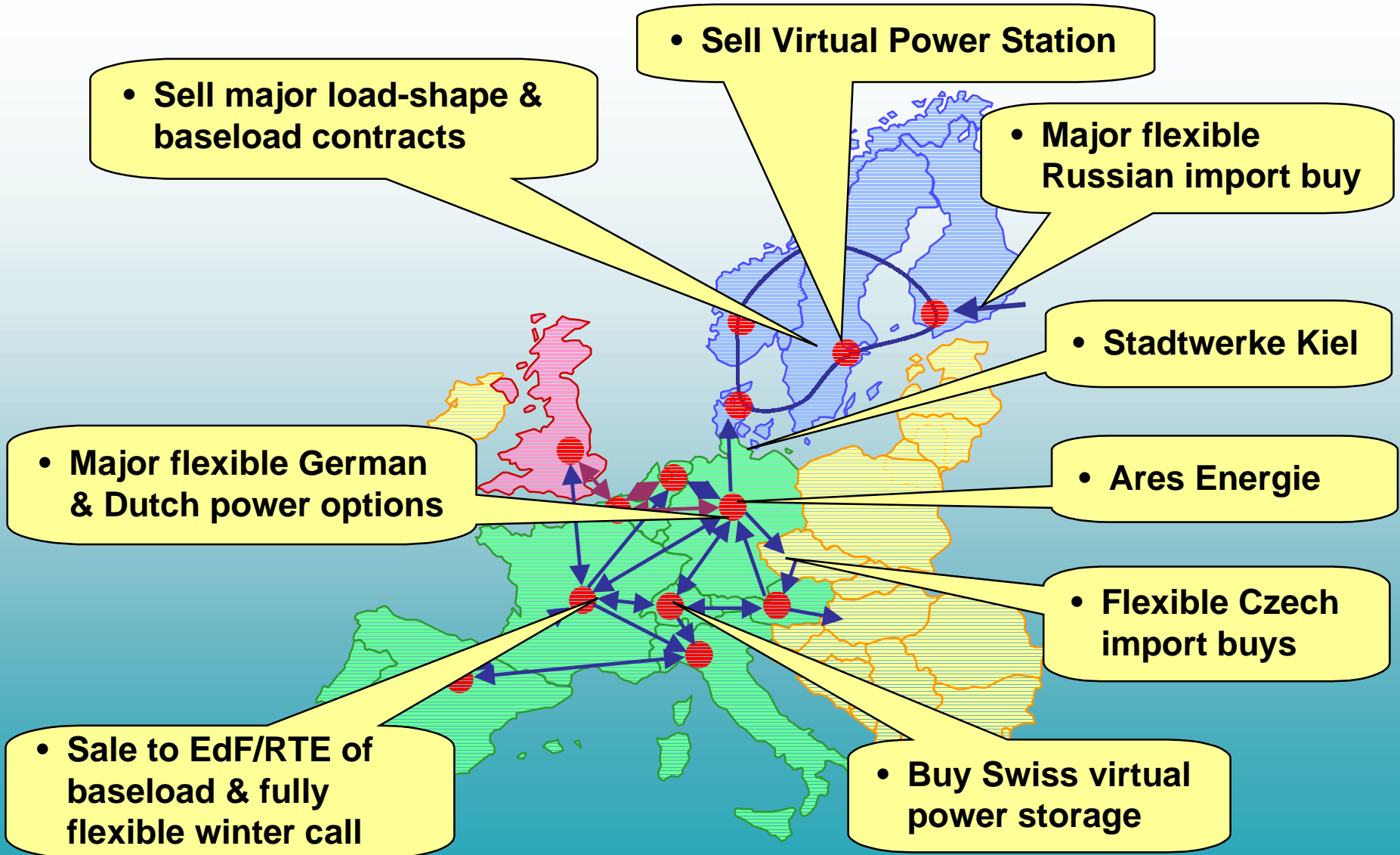
Pan-European Transit Capability



- 1,000 MW flexible transmission & wheeling capability
- Pre-eminent user of available cross-border capacity
- 64% growth in total TXU volume Q1 '01/'00 to 626 TWh



Successful Continental Growth



Consumer Market - Germany



Success to date

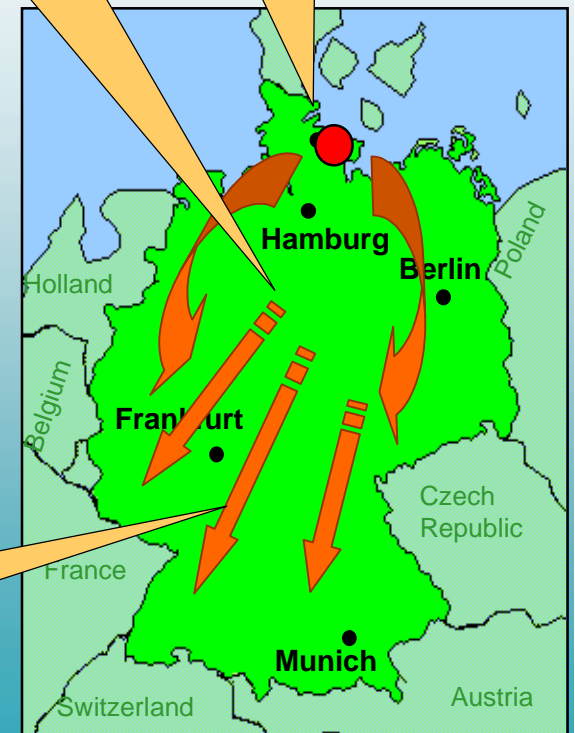
- Kiel launches 24sieben “out-of-area”
- Kiel buys Ares Energie Direkt (\$11m)
 - retail new entrant (no network)
 - strong platform
 - rapid customer growth across Germany

150,000 customers

230,000 customers

Next Steps

- Accelerate growth
- Brand refinement



Australia

Steve Philley

Australia: Highlights 2000/2001



- **Very strong earnings & cash flow growth**
- **Torrens Island generation acquisition**
- **# 1 portfolio manager in National Market**
- **Positioned for full retail contestability**
- **Growing retail in South Australia**

Australia: Key Aims for 2001



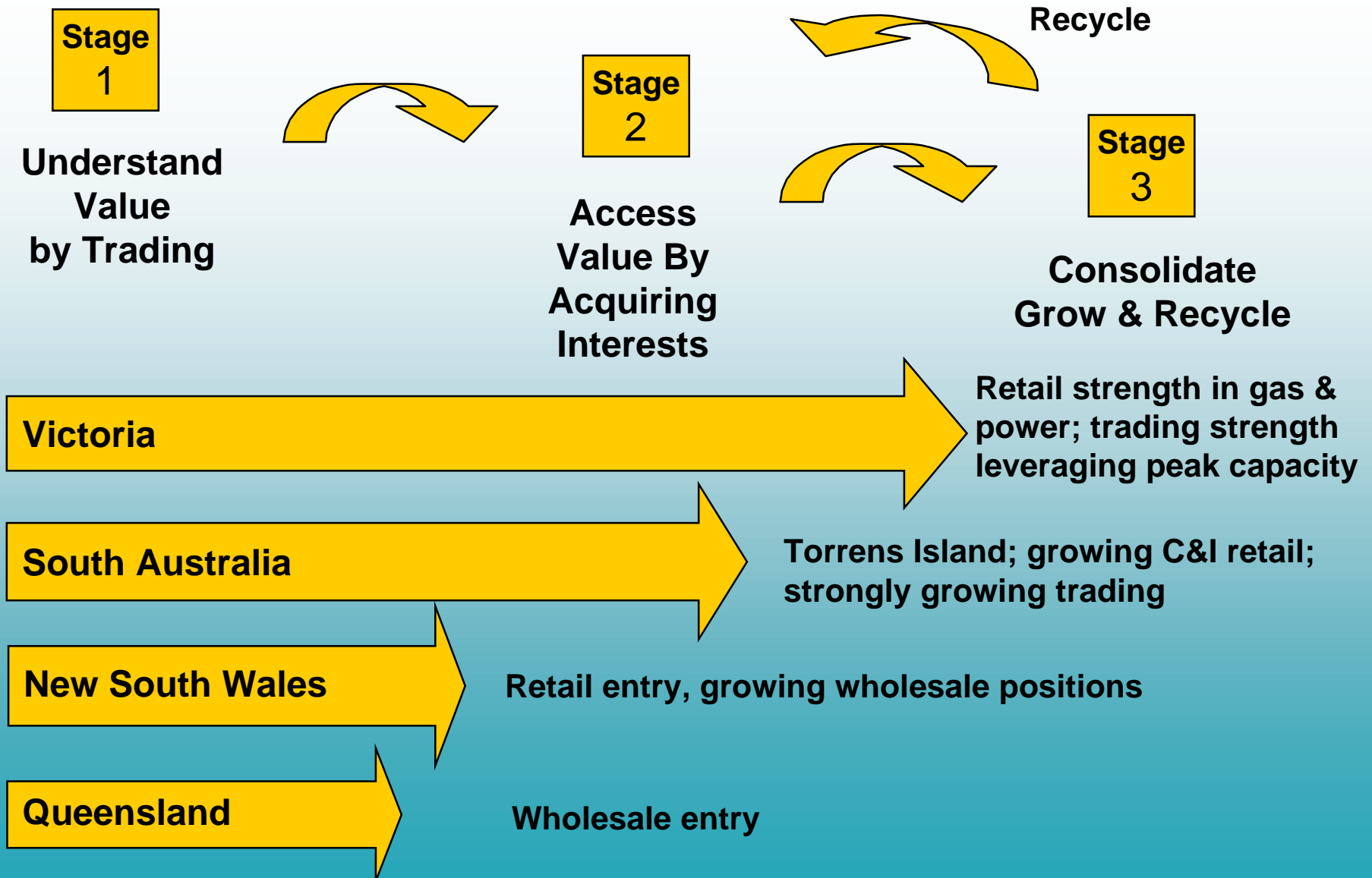
Deliver 2001 earnings & cashflow targets by:

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- **Further develop portfolio**
- **Strengthen balance sheet**
- **Separation of delivery business**

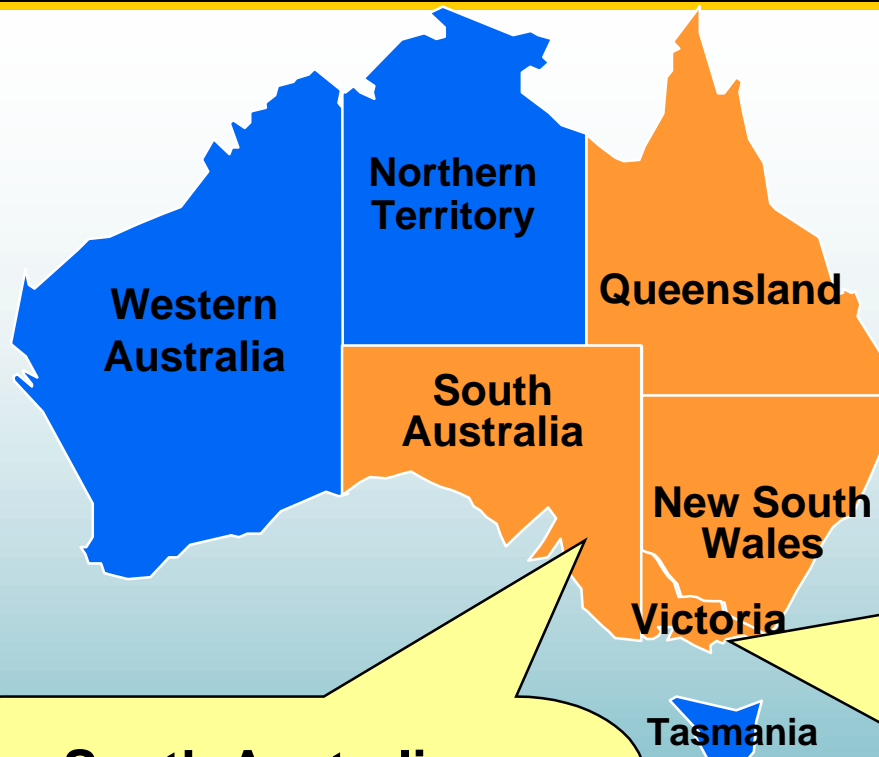
Australia

Len Gill

Building a Merchant Energy Portfolio



The Leading Portfolio Position in Australia



 National Electricity Market

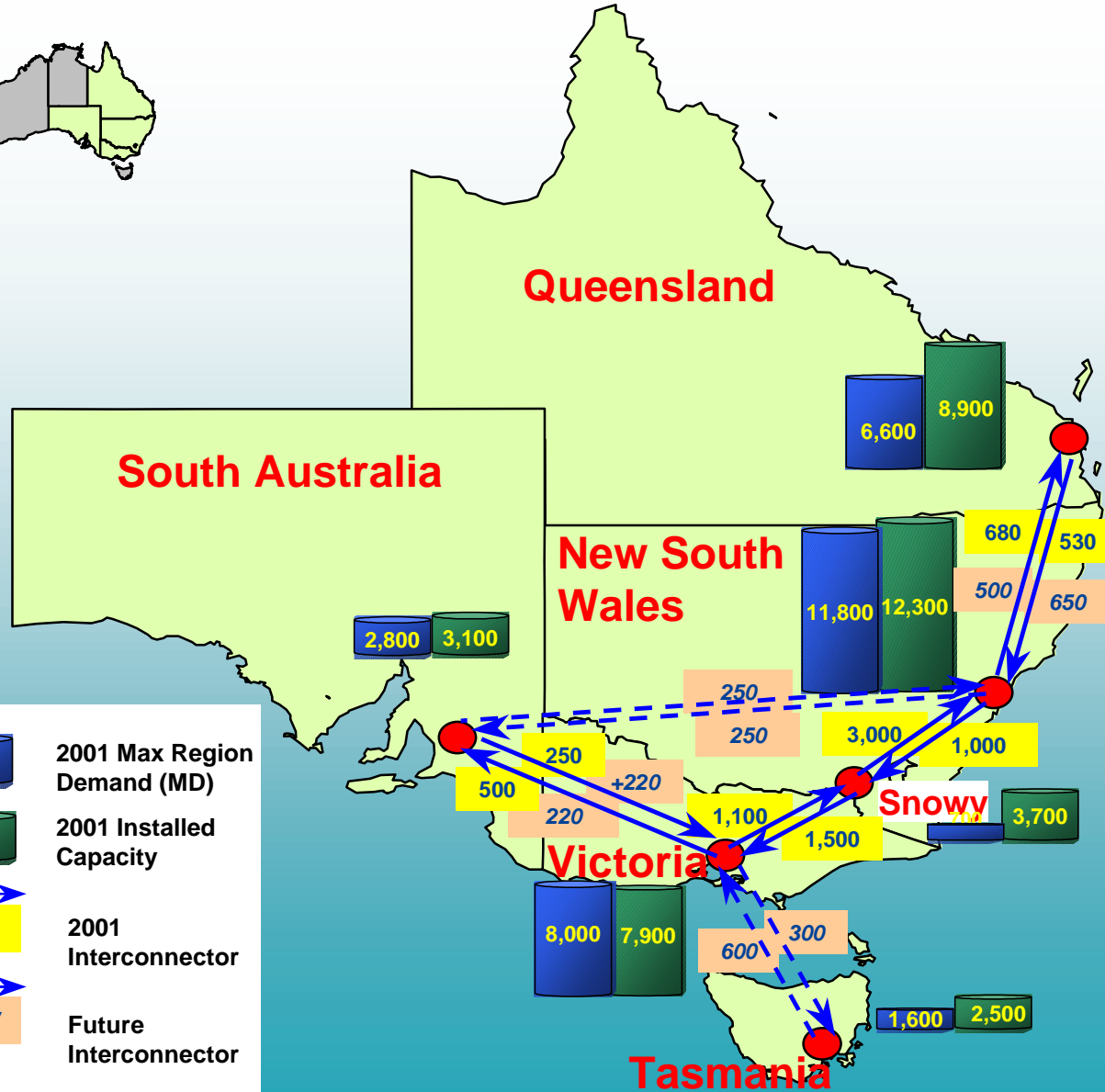
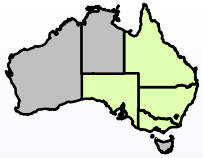
South Australia

- “No 1” portfolio management
- TIPS 1,280 MW gas-fired mid-merit/peaking plant
- Growing C&I retail position
- Gas supply 30 PJ+

Victoria

- “No 1” portfolio management
- AES contractual hedge; 966 MW gas-fired peaking
- WUGS 11 Bcf gas storage (>50% peak day gas)
- Gas supply 90 PJ (>30% Vic)
- 520K Electricity customers
- 410K Gas customers

Portfolio Value Extraction & Leverage



- Limited inter-state interconnection
- Gives wholesale price variations between states over both short & long term
- The price differentials create value opportunities

The Portfolio Model Works Well In Australia



Retail - Portfolio Value Foundation



- **Secure strong Victorian market position**
 - achieve & maintain critical mass
 - selective acquisition
 - consolidated TXU brand
- **Maximize retention & organic growth**
 - dual-fuel cross-sales in non-overlapping network areas
 - segmented approach to meeting customer needs
 - energy-related products & services
 - reward high value customers
- **Prepare for full retail contestability**
 - pre-enrollment in competitor areas

Q&A

Phil Turberville

North American Merchant Energy Strategy

Brian Dickie

North America Growth Strategy



- **Aggressively execute the portfolio model in Texas**
 - apply value-added portfolio management skills to legacy portfolio
 - operate the premier generating fleet in Texas
 - be the leader in the Texas Retail Energy Market
- **Build dynamic energy portfolios in the Northeast and Midwest regions**
- **Roll-out Commercial & Industrial Outsourcing National Leader strategy**

ERCOT--*THE* Place to Start



★ **Attractive market; favorable deregulation**

★ **Superb starting portfolio**

Retail leader

Diversified generation fleet

Lignite and gas assets

Merchant trading upside

★ **Platform for expansion into other regions**

Capabilities

Cash flow

Capital recycling



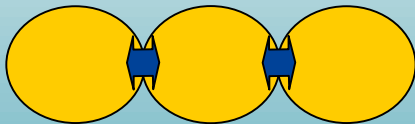
World Class Merchant Capabilities



Leadership



People



Business Processes



Information Technology

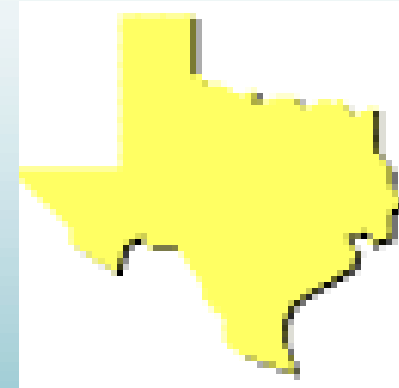
Merchant Trading

V.J. Horgan

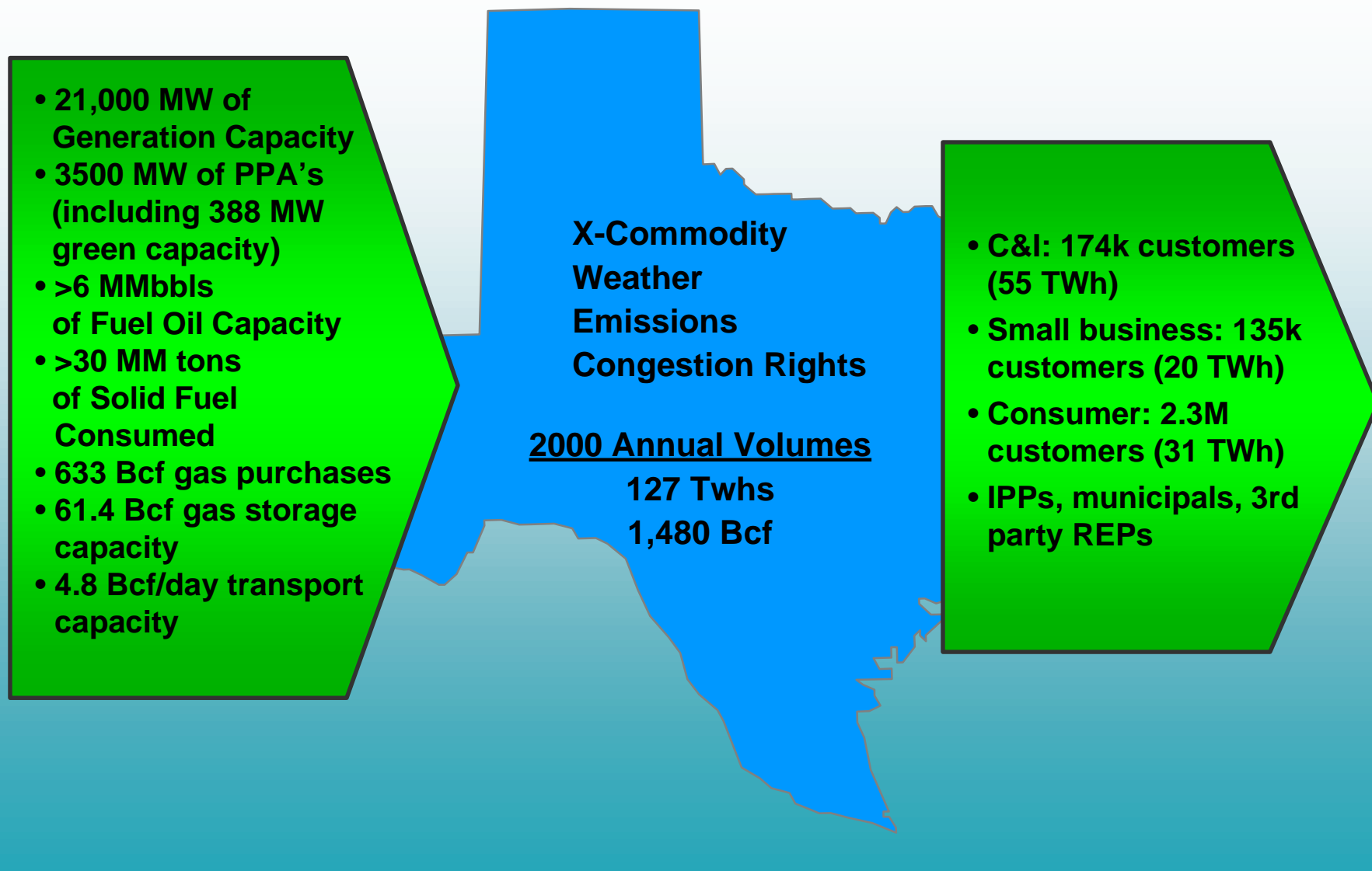
Texas Market Structure



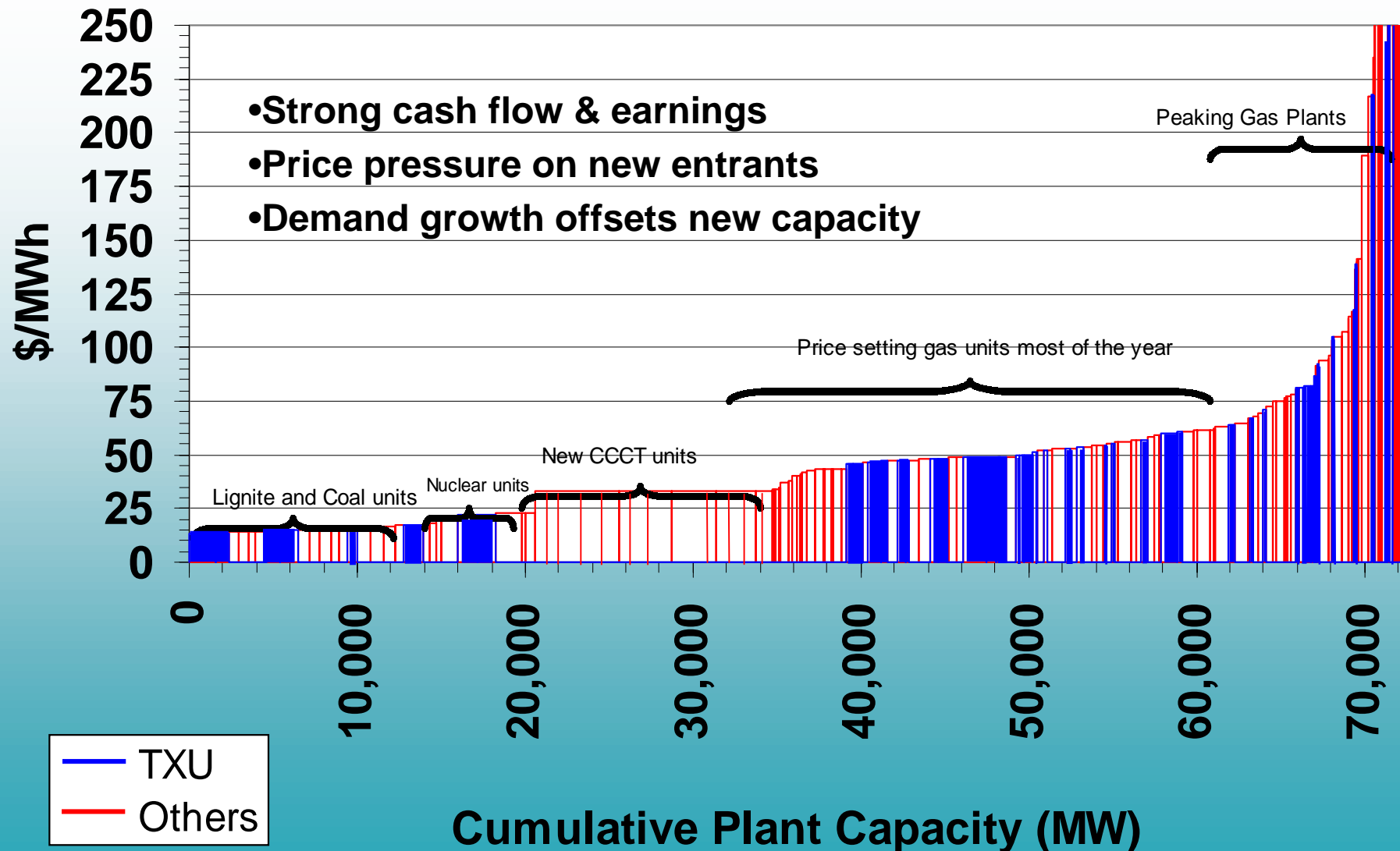
- **Full Retail Choice on January 2, 2002**
 - 5% Pilot June 1, 2001
- **Inherit Existing Customers**
- **Transitional “Price-to-Beat”**
- **True Open Access to Wires**
- **Wires Remain Regulated**
- **No Mandatory Divestiture**
- **Bilateral Market**
 - **Balanced bilateral schedules with “thin” balancing pool**
- **Sound Market Protocols**



Texas Portfolio

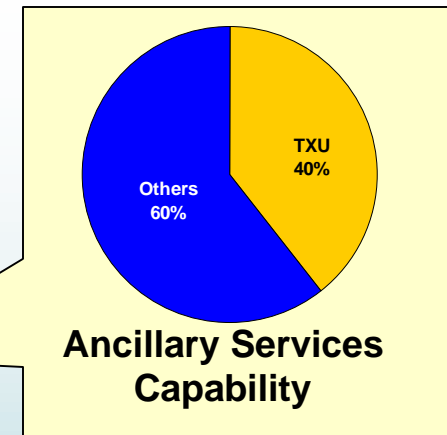
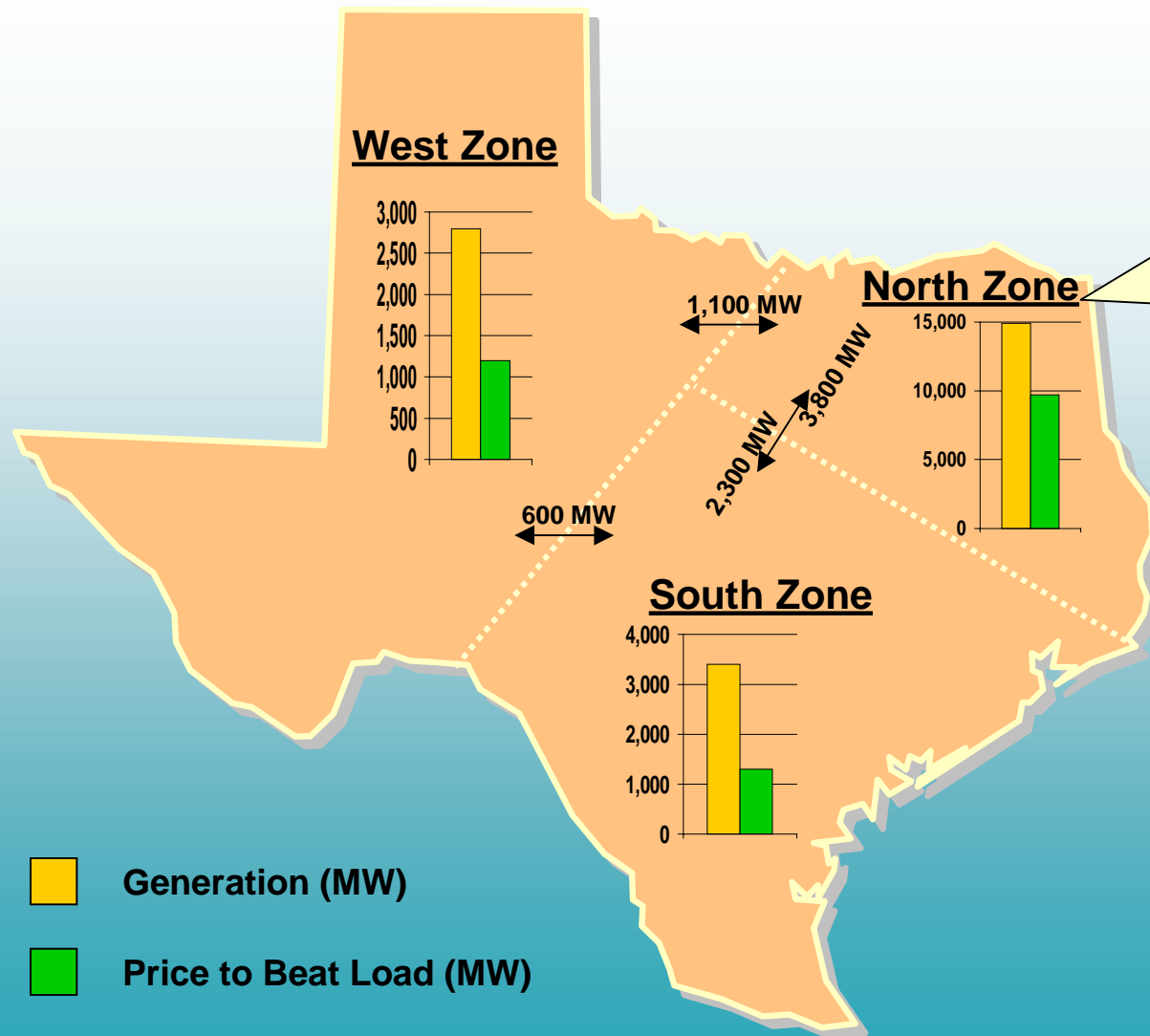


2002 Supply Stack



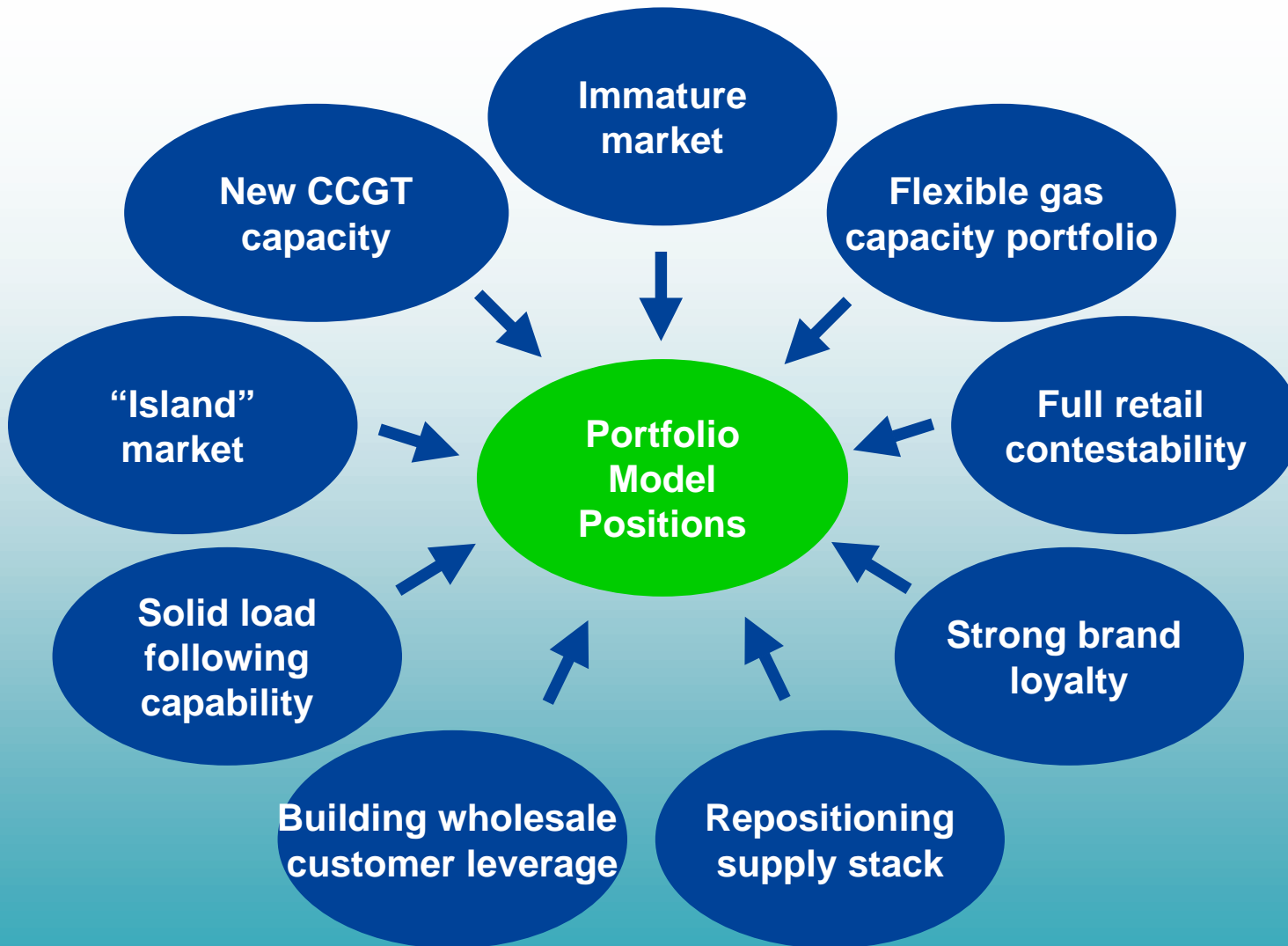
Production Cost Including Fuel

Assets Strategically Located

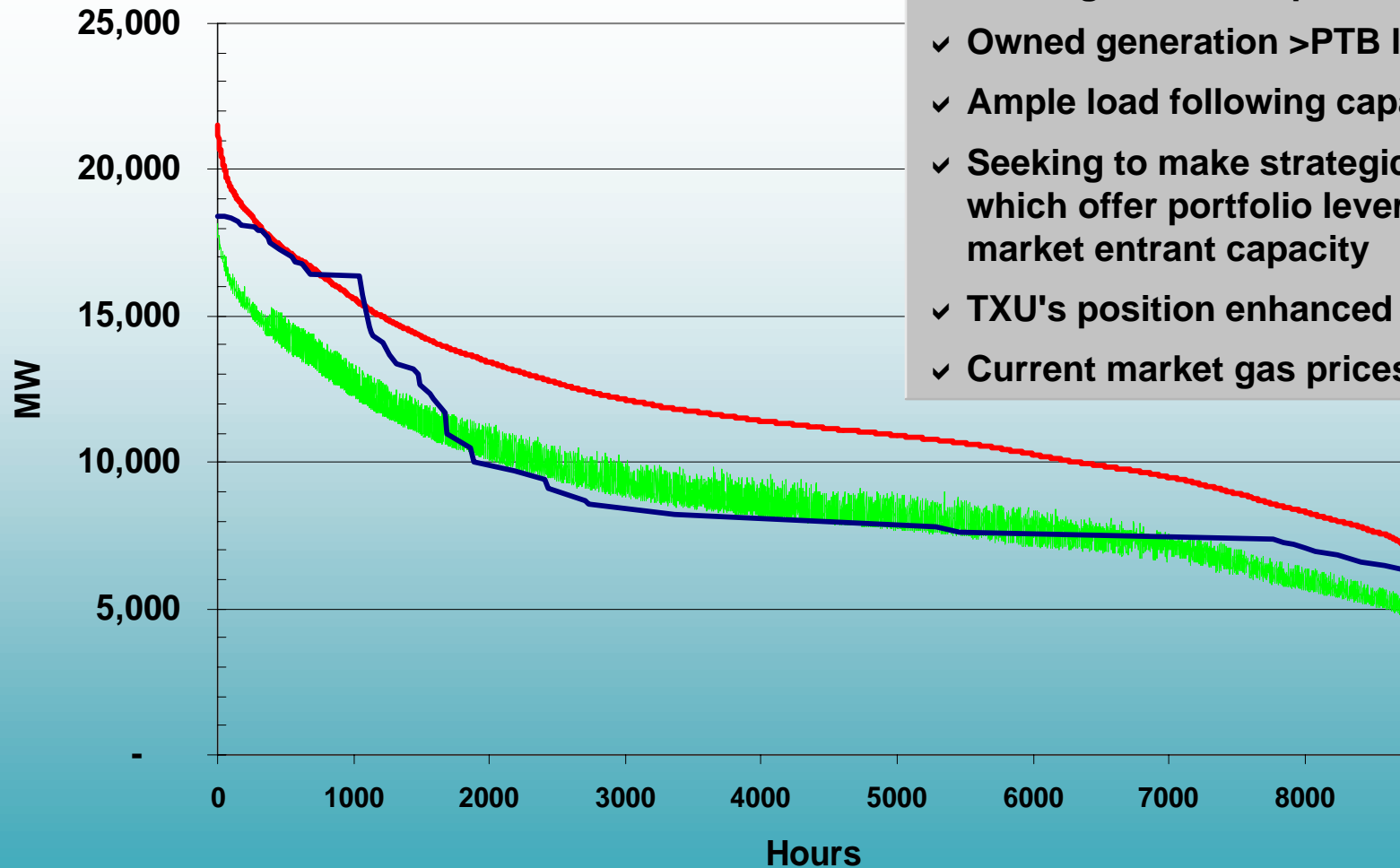


- TXU's owned MW's exceed PTB load obligation
- TXU is on the load side of the North-South transmission constraint
- Strong ancillary position favors innovation of bundled services.

Portfolio Drivers in Texas



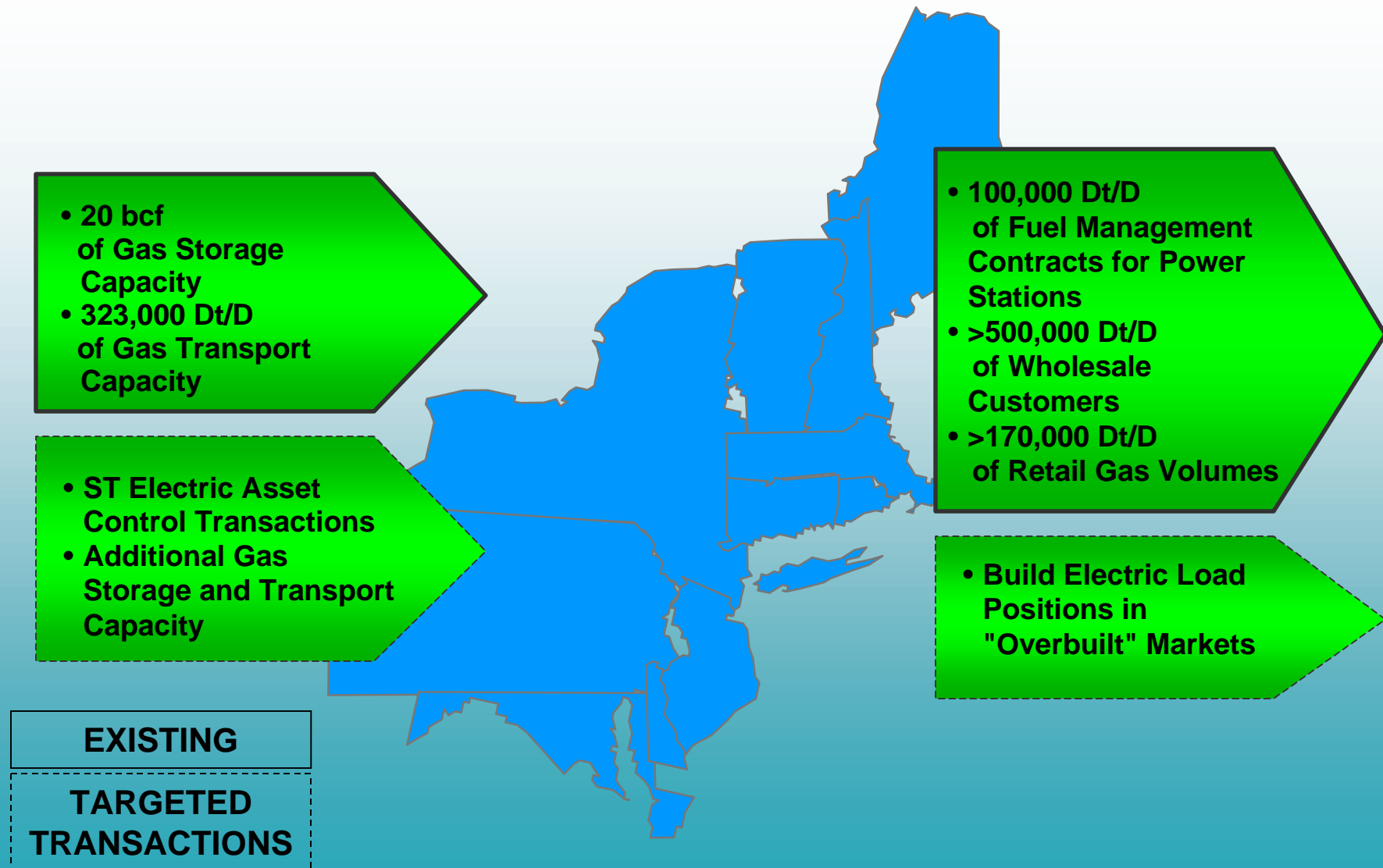
Texas Portfolio Re-positioning



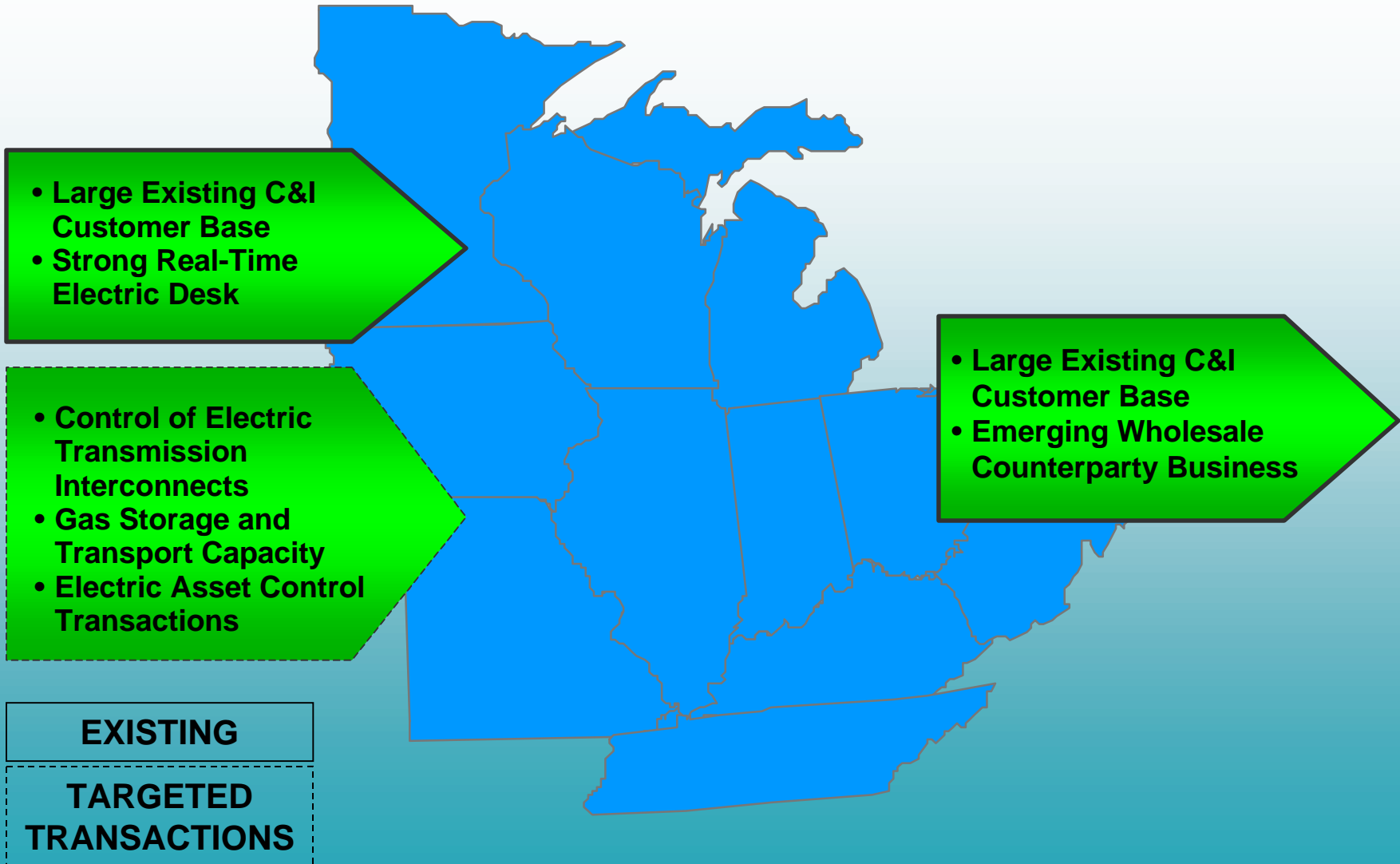
- ✓ C&I segment to be priced at market
- ✓ Owned generation >PTB load
- ✓ Ample load following capability
- ✓ Seeking to make strategic divestitures which offer portfolio leverage to new market entrant capacity
- ✓ TXU's position enhanced
- ✓ Current market gas prices monetized

— Ind & Com & Res — Res & Com — Current Fleet in 2002

A Growing Northeast Platform



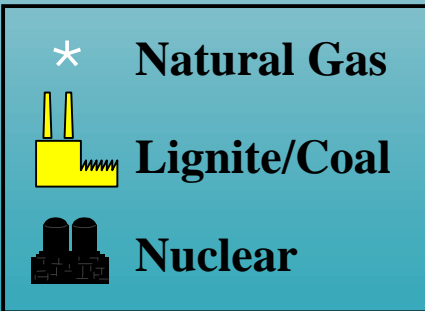
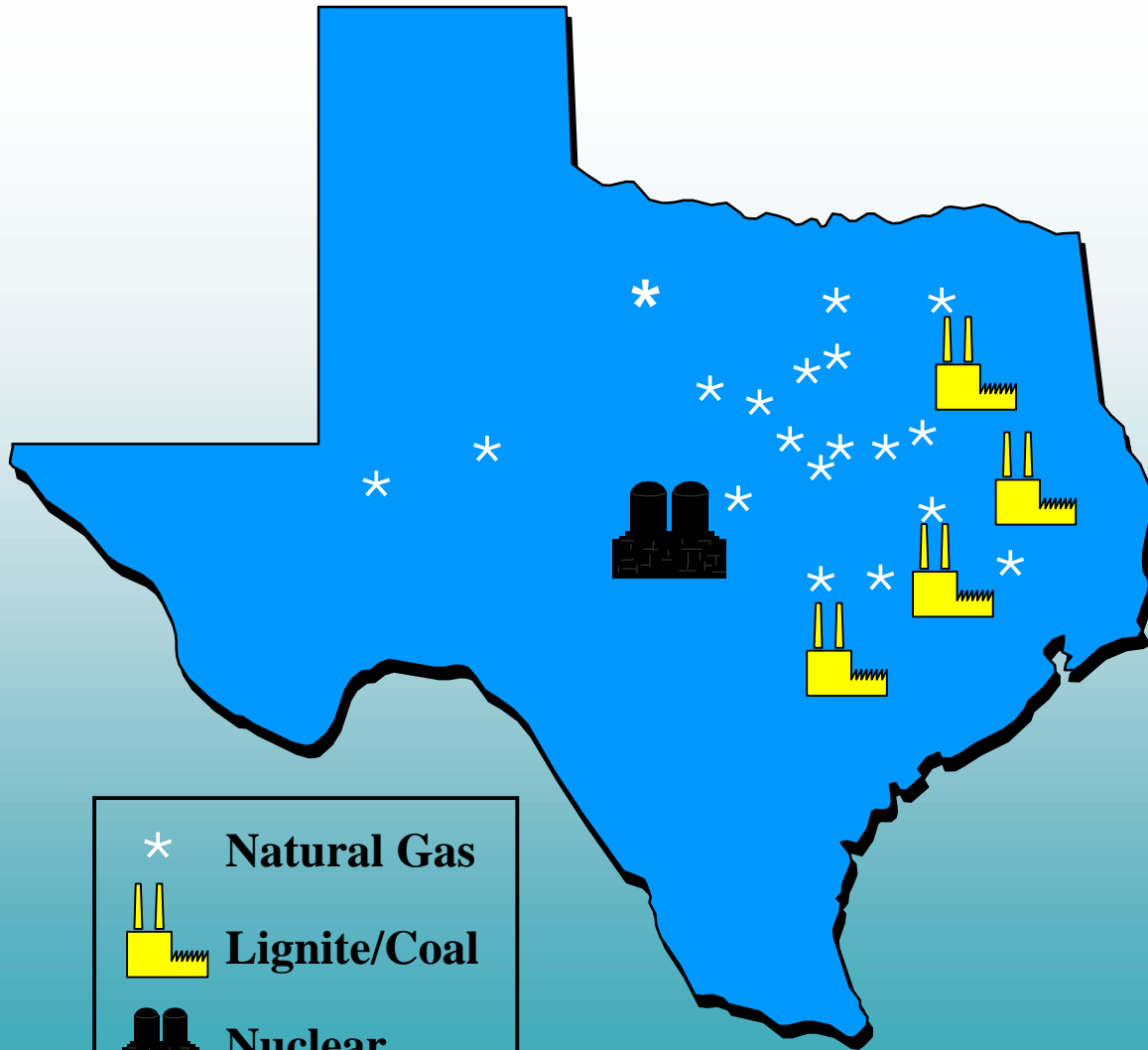
An Emerging Midwest Platform



Production

Wes Taylor

Generating Stations



Generating Units

2 Nuclear

9 Lignite/Coal

69 Gas/Oil

2,300 MW Nuclear

5,837 MW Lignite/Coal

12,955 MW Gas

21,092 MW Total

Competitive Readiness



Nuclear

- Safety
- Increase capacity factors
- Lower going-forward costs
 - Turbine upgrades

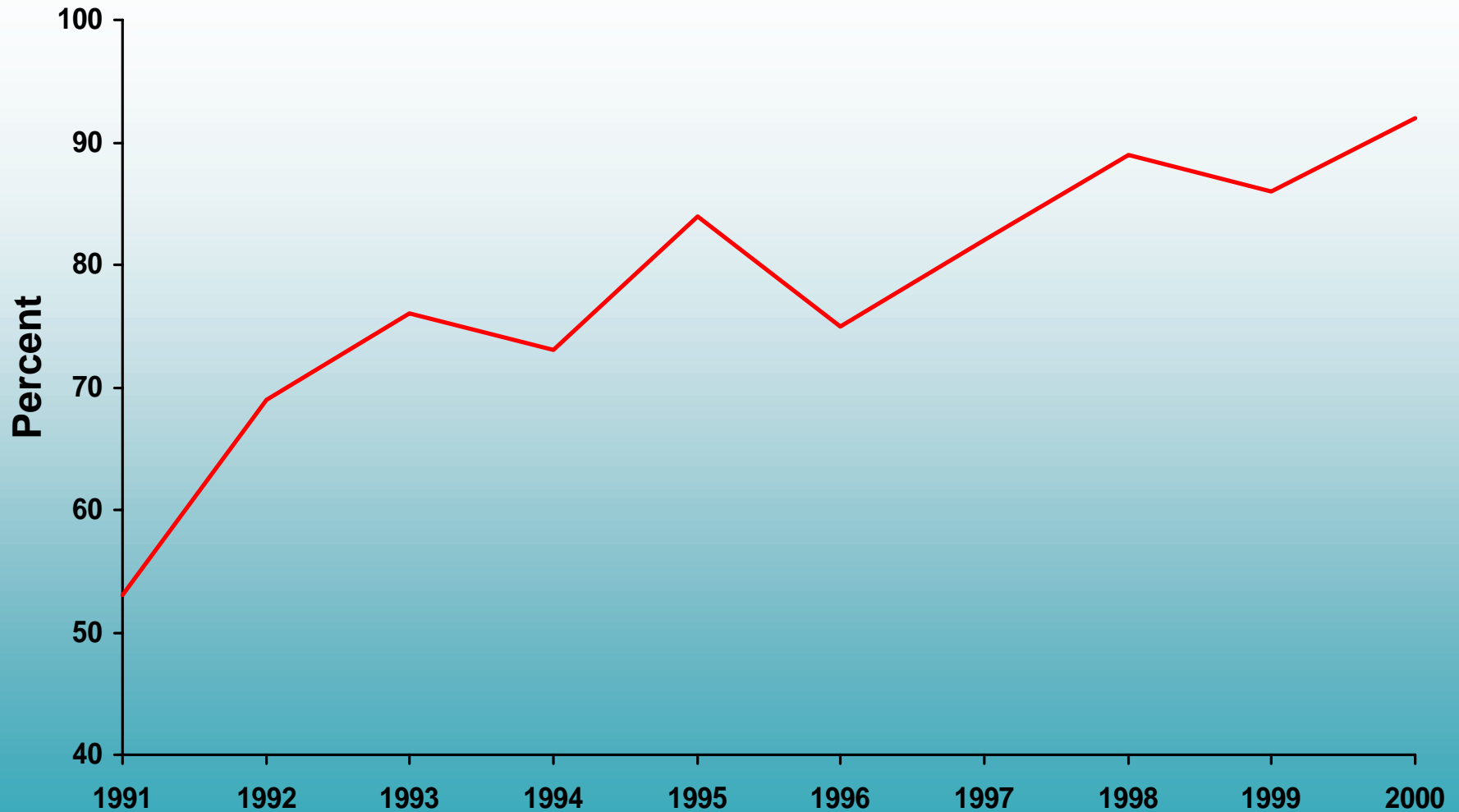
Lignite

- Increase capacity factors
- Optimize use of western coal
- Shorter, less frequent overhauls
- Reduce going-forward costs
 - Reduce lignite fuel costs
 - Turbine upgrades

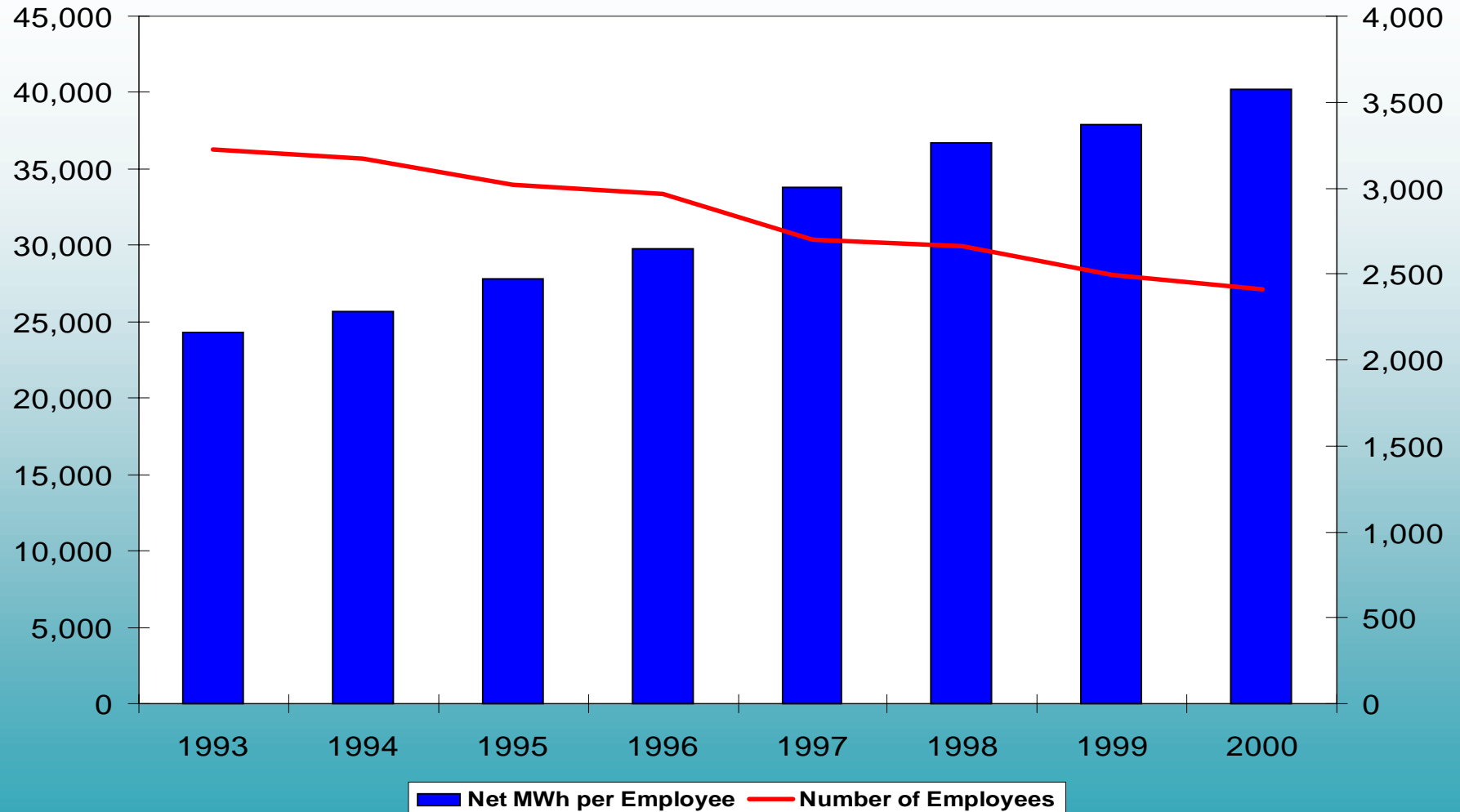
Gas

- Availability / Reliability / Flexibility
- Install emission control retrofits
 - Plant divestiture
- Reduce going-forward costs

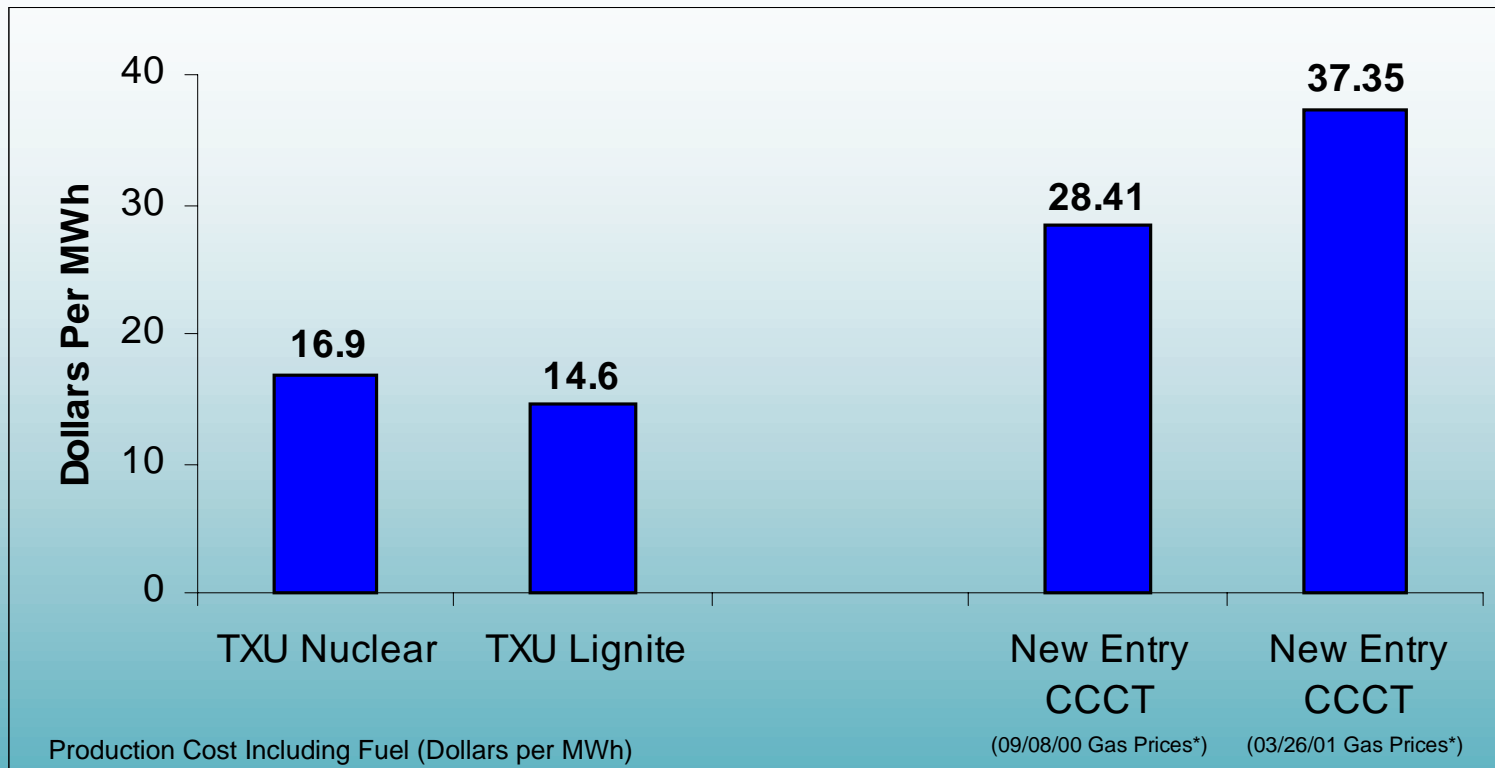
Nuclear Capacity Factor



MWh's Per Employee



Cost Comparison



* Gas prices based on Henry Hub Forward Gas Prices Delivered to the ERCOT Market.

Retail

Rob McCoy

- **Seize the Texas retail electric opportunity**
 - generate attractive earnings
 - establish core competitive capabilities
- **Leverage Large C&I positions for growth**
 - gas marketing
 - outsourcing
- **Pursue ex-Texas opportunities with Energy Merchant portfolio team**

Texas Retail Opportunity



- **Extremely attractive starting position**
 - **large customer base with 36% dual fuel overlap**
 - **superior customer relationships**
 - **proprietary customer data base**
 - **attractive margins**
- **Capabilities ready for superior launch**
 - **newest technology operating platforms**
 - **world class marketing and sales talent**
 - **scaled customer service operations**
 - **superior supply and risk management partner**

Growth Strategies



- **Mass Markets-Texas**
 - provider of last resort
 - market rationalization
- **C&I- out of “foot print”**
 - electric
 - gas
- **C&I Outsourcing**
 - \$80B market
 - 26% growth rate
 - leverage existing position
 - invest for accelerated ramp

Q&A

Brian Dickie

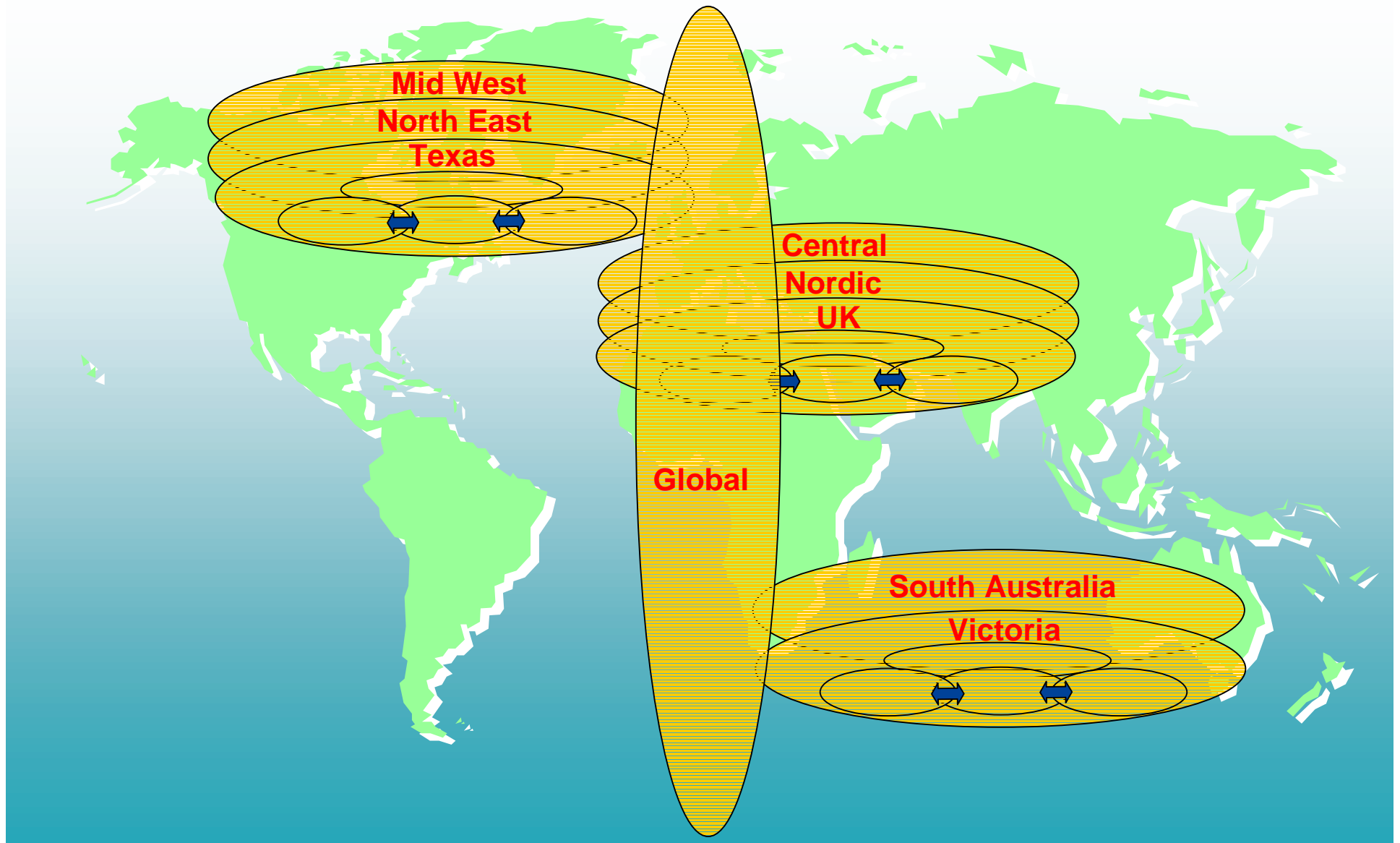
Merchant Energy Growth Opportunities

Brian Dickie

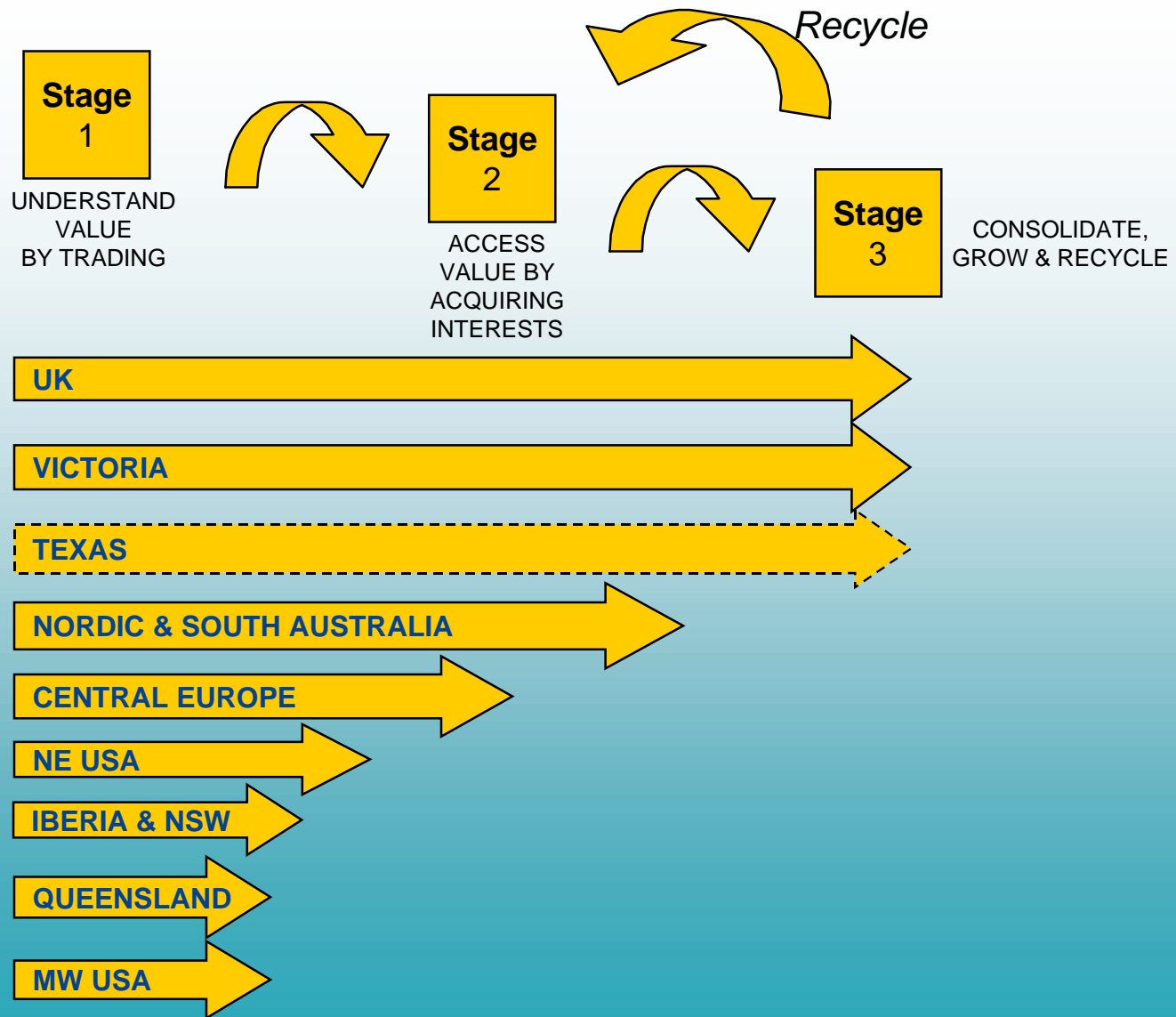
Phil Turberville

Creating Growth

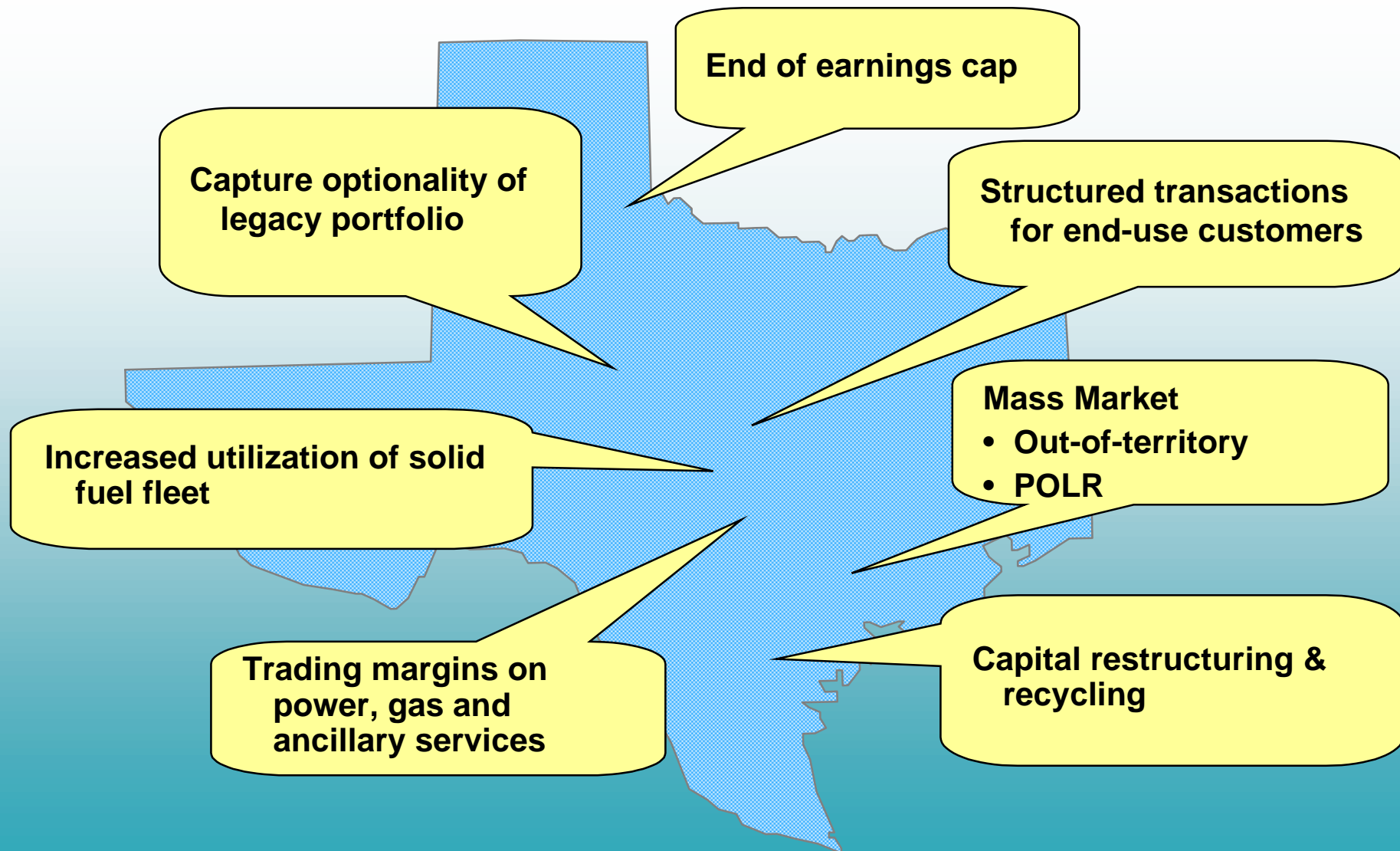
Three Continents, One Global Portfolio



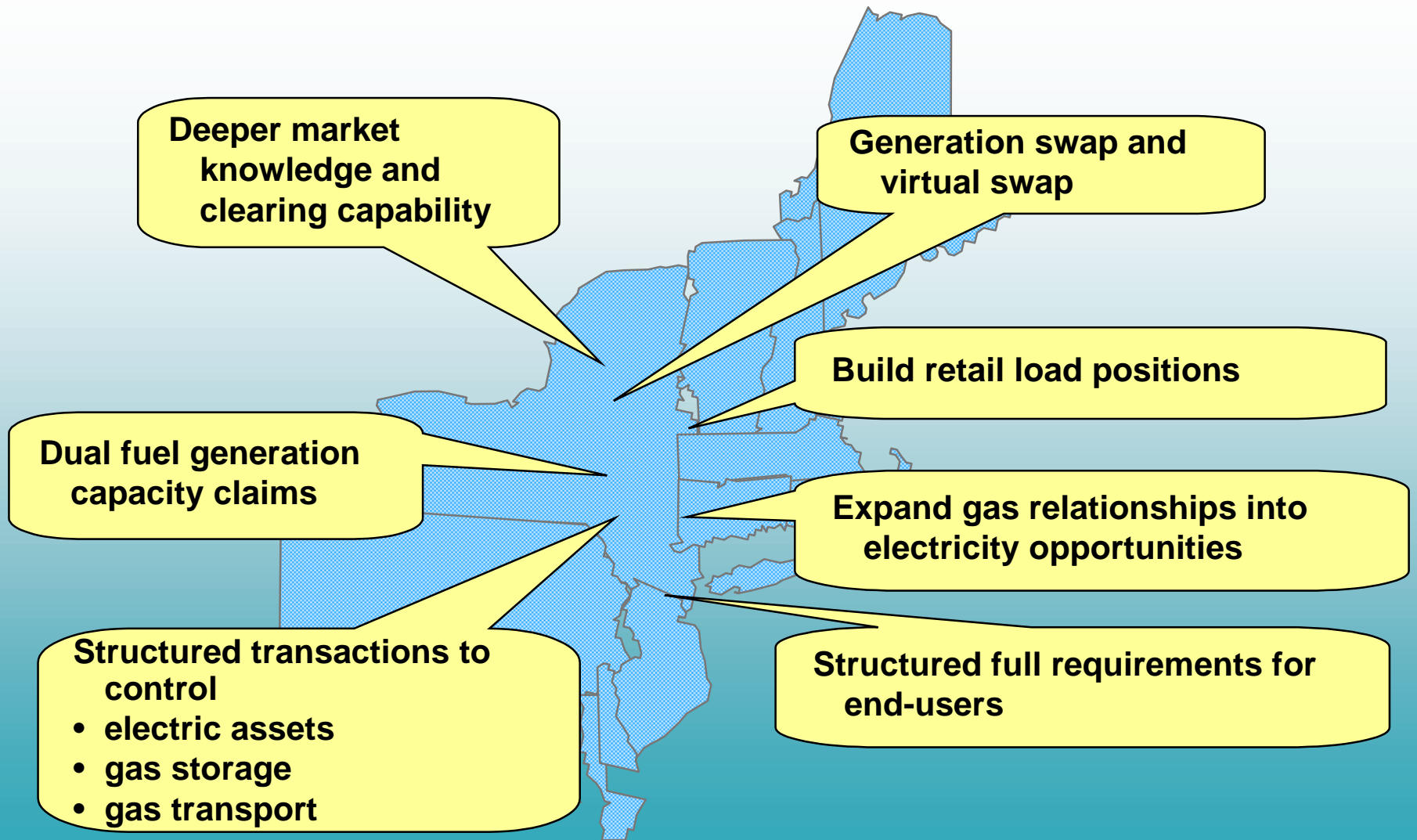
Growth Strategy



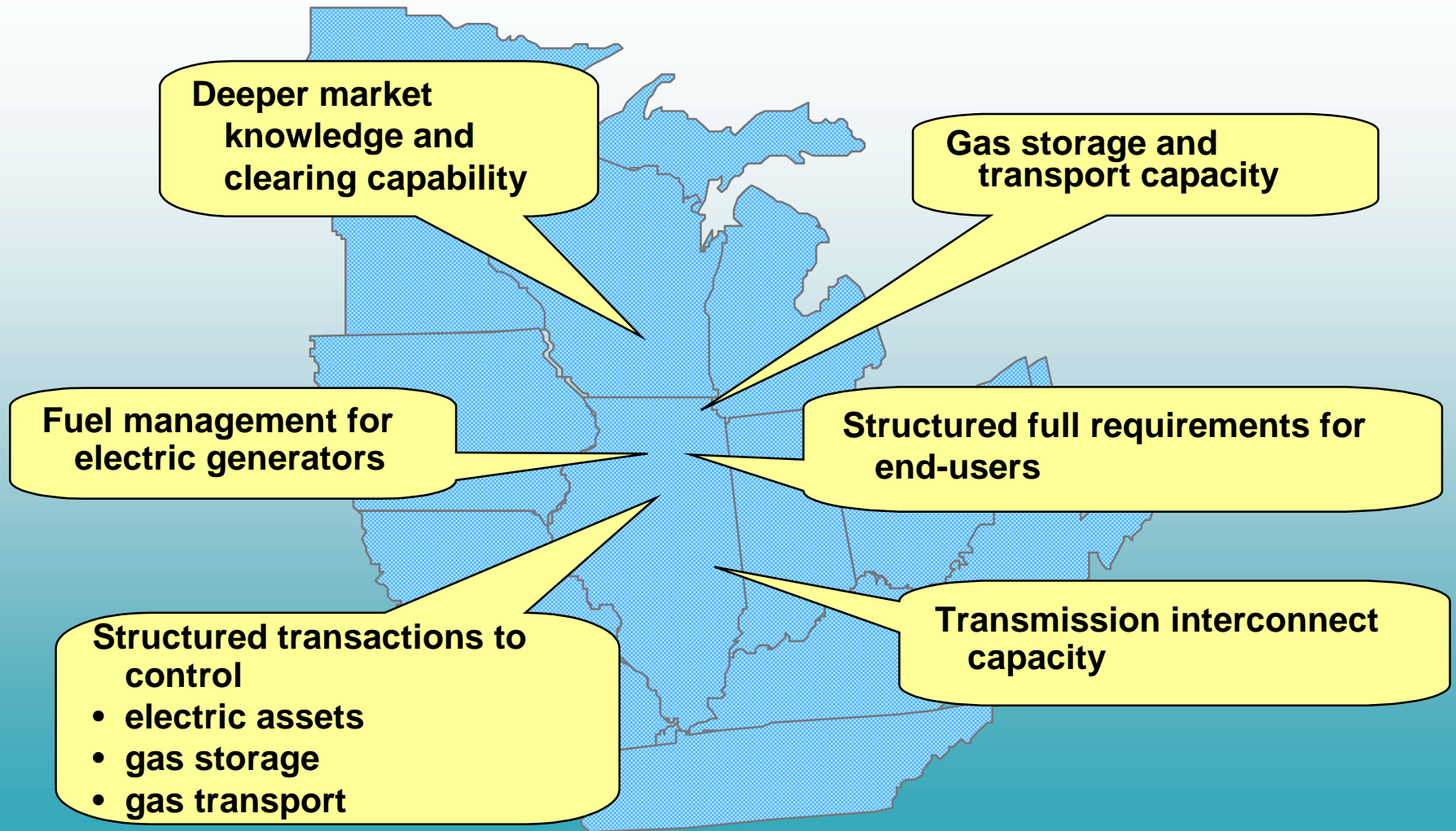
Growth Opportunities in Texas



Growth Opportunities - Northeast



Growth Opportunities - Midwest

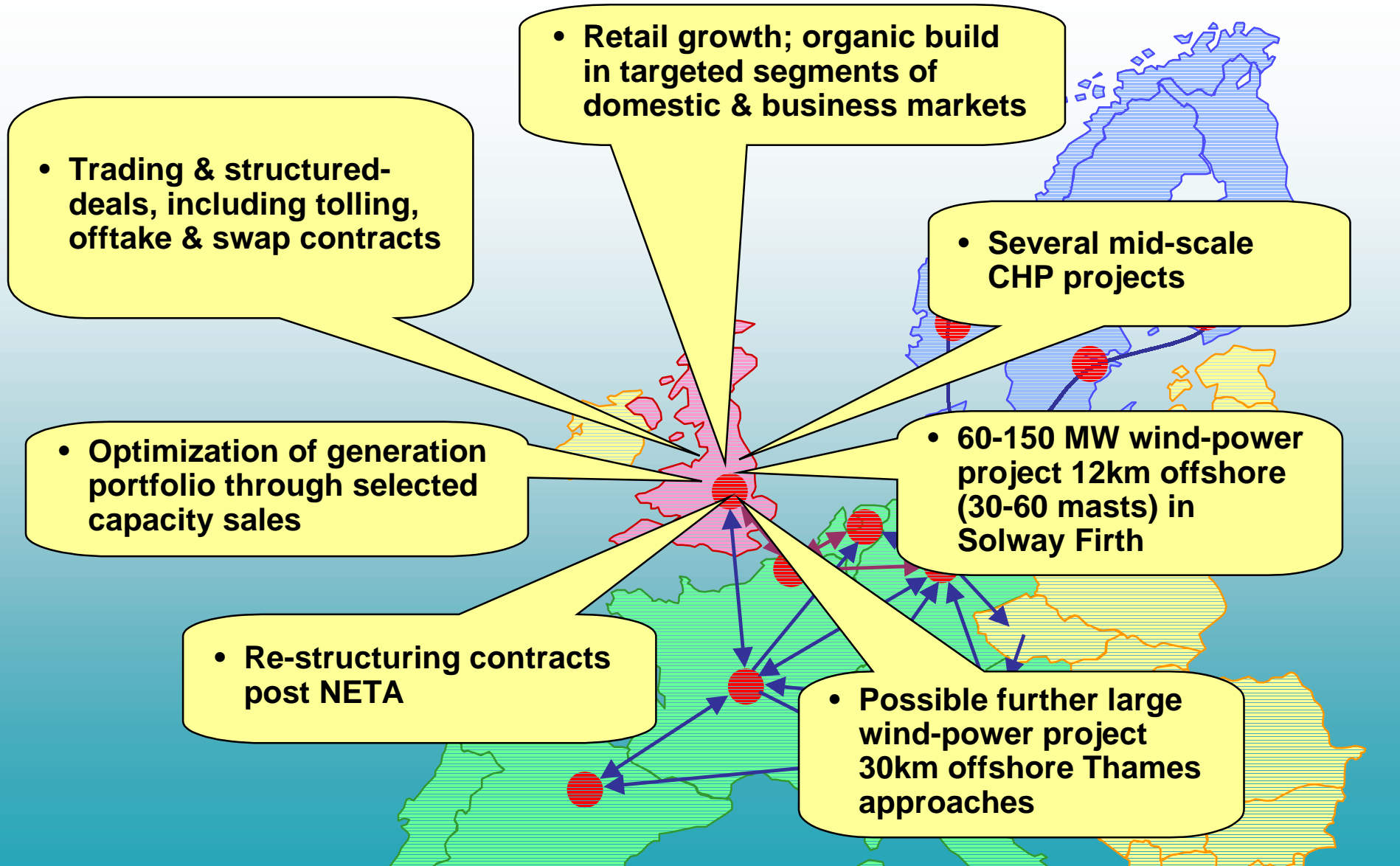


Growth Opportunities - National C&I Outsourcing

A light blue, semi-transparent map of the United States is centered on the page. The map is filled with a fine grid pattern. The text "C&I National Scale-Up" is overlaid on the map in a bold, black, sans-serif font.

C&I National Scale-Up

Growth Opportunities in the UK



Growth Opportunities in Nordic



- Significant hydro capacity; output opportunity

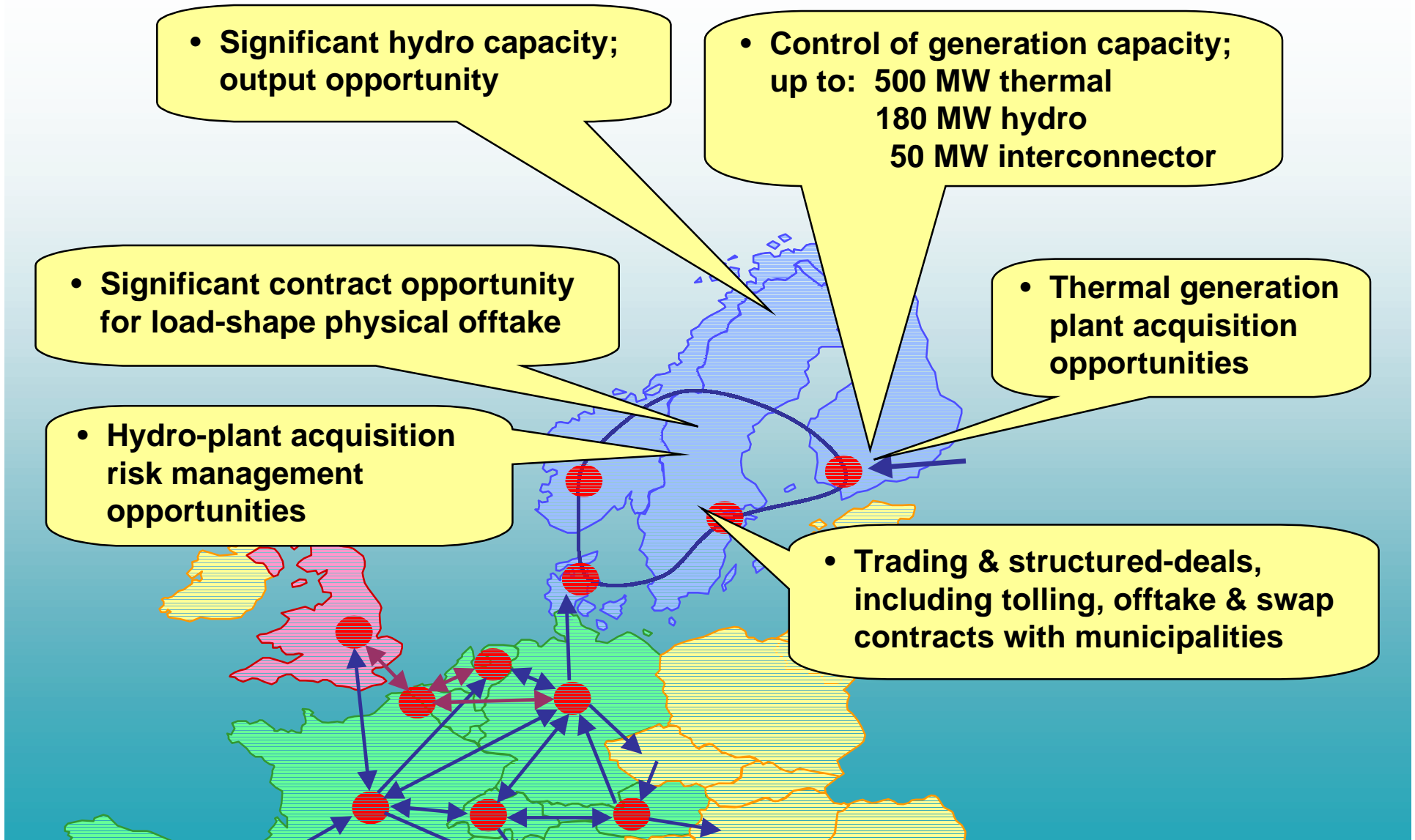
- Control of generation capacity; up to: 500 MW thermal
180 MW hydro
50 MW interconnector

- Significant contract opportunity for load-shape physical offtake

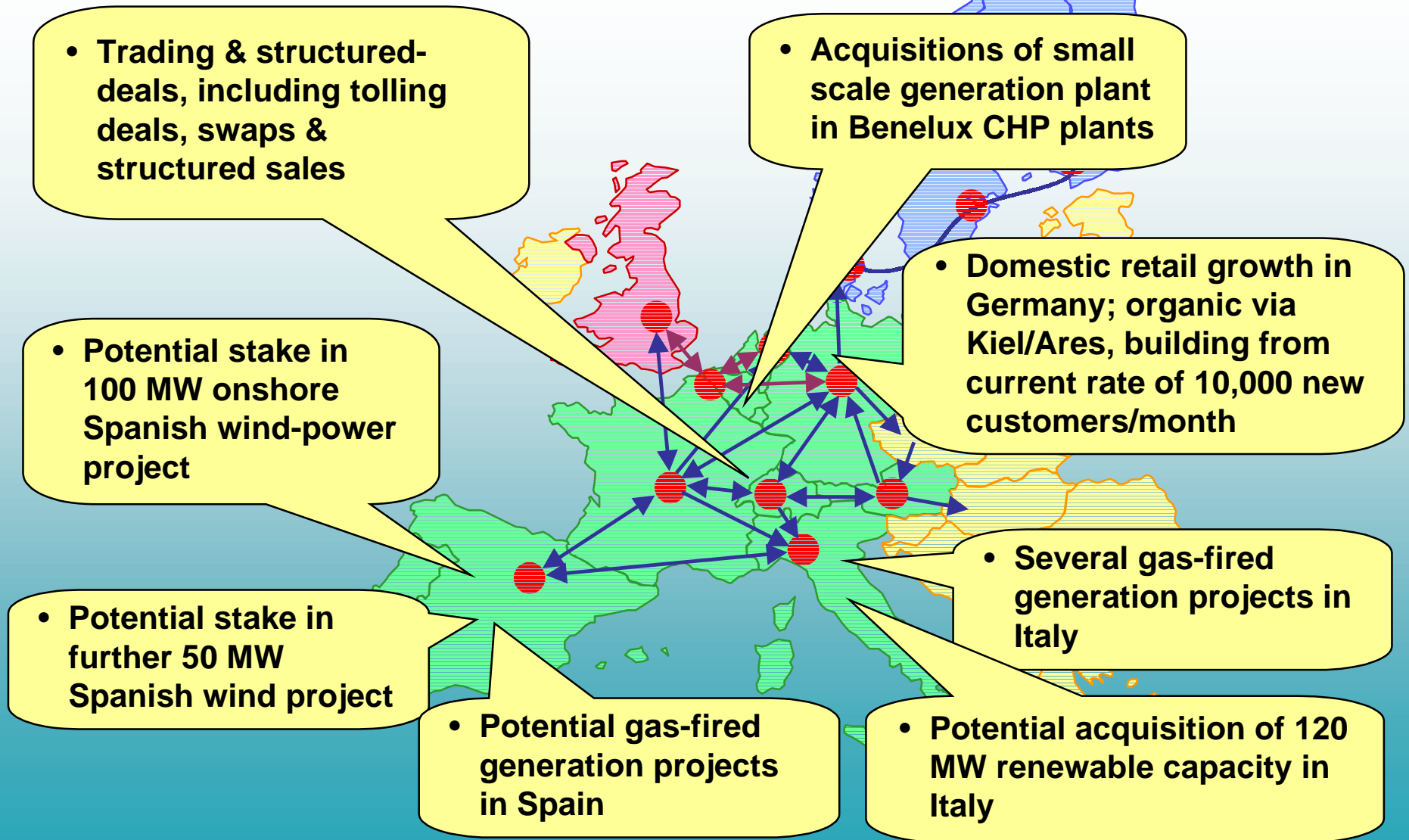
- Thermal generation plant acquisition opportunities

- Hydro-plant acquisition risk management opportunities

- Trading & structured-deals, including tolling, offtake & swap contracts with municipalities



Growth Opportunities in Central Europe



- Trading & structured-deals, including tolling deals, swaps & structured sales

- Acquisitions of small scale generation plant in Benelux CHP plants

- Domestic retail growth in Germany; organic via Kiel/Ares, building from current rate of 10,000 new customers/month

- Potential stake in 100 MW onshore Spanish wind-power project

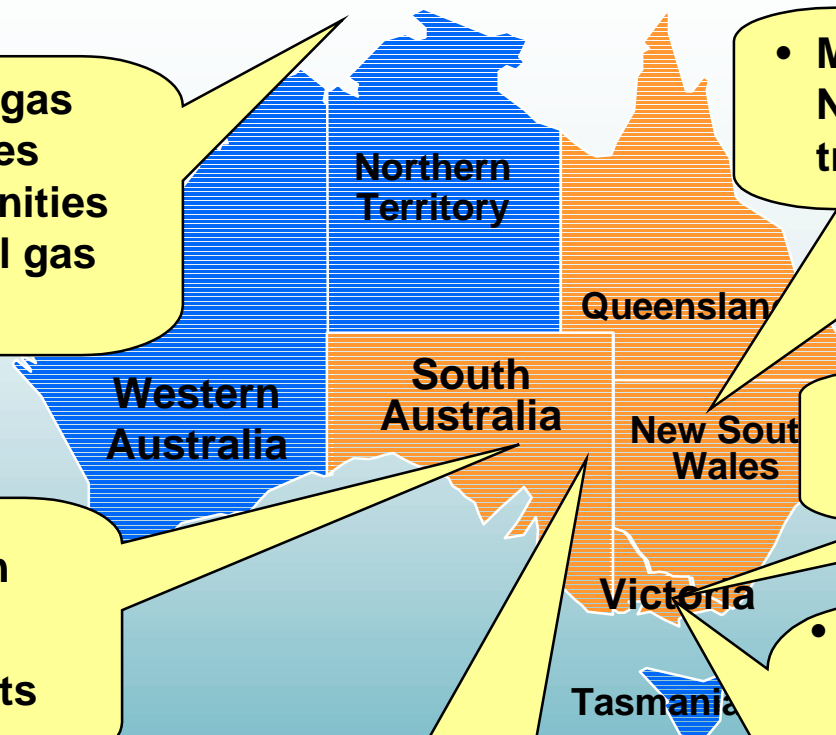
- Several gas-fired generation projects in Italy

- Potential stake in further 50 MW Spanish wind project

- Potential gas-fired generation projects in Spain

- Potential acquisition of 120 MW renewable capacity in Italy

Growth Opportunities in Australia



- Major Timor Sea gas development gives range of opportunities to shape National gas market

- Major growth in Qld & NSW via structured transactions

- C&I retail growth in South Australia
- Structured contracts

- POWERLINE - small customer CHP

- Trading & structured deals; tolling deals & swaps in all markets

- New peak generation capacity in Victoria and South Australia
- Gas storage, processing and contract opportunities in Otway basin

 National Electricity Market

Financial Overview

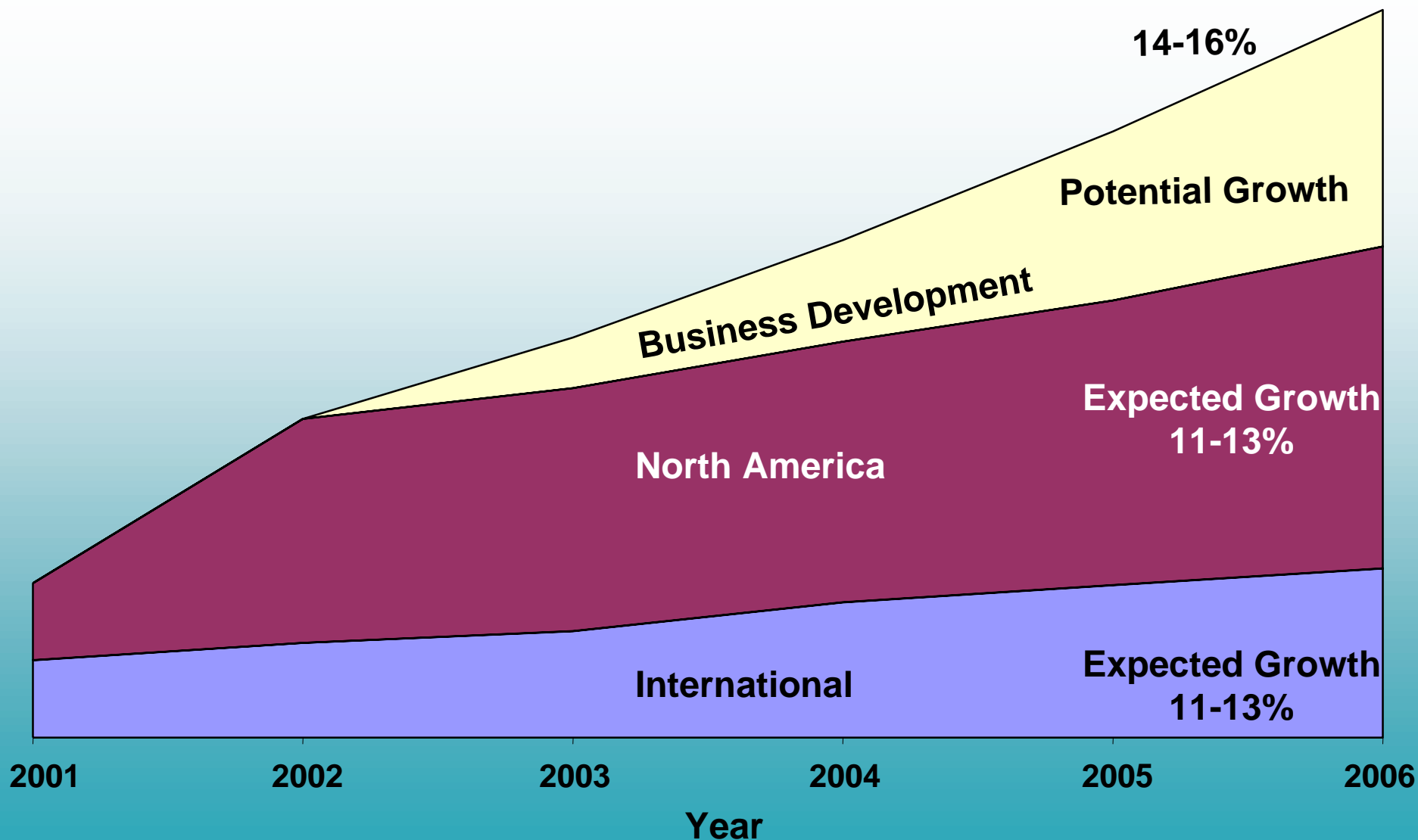
Mike McNally

Global Merchant Energy



- **Distinctive business model**
- **Proven track record in Europe and Australia**
- **Excellent starting position in Texas; momentum in other U.S. regions**
- **World-class capabilities**
- **Capturing global synergies**
- **Maximize efficient use of capital**
- **Clear strategy and strong deal stream**

Merchant Energy Growth Net Income



Indicative Consolidated Net Income Old Segments (\$M)



	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
TXU Electric	\$ 836	\$ 841	\$ 215	\$ 225
TXU Gas	15	11	20	30
TXU Energy	(61)	(65)	650	720
TXU Europe	270	330	350	375
TXU Australia	57	45	50	55
Corp. & Other	<u>(212)</u>	<u>(210)</u>	<u>(205)</u>	<u>(200)</u>
Total	\$ 905	\$ 950	\$1,080	\$1,205

Indicative Consolidated Net Income New Segments (\$M)



	<u>2001</u>	<u>2002</u>	<u>2003</u>
Merchant Energy			
N. America	(\$65)	\$650	\$720
International	<u>225</u>	<u>245</u>	<u>270</u>
	\$160	\$895	\$990
Energy Delivery			
N. America	850	235	255
International	<u>150</u>	<u>155</u>	<u>160</u>
	\$1,000	\$390	\$415
Corp. & Other	(210)	(205)	(200)
Total	\$950	\$1,080	\$1,205

Indicative Consolidated Cash Flow (\$M)



	<u>2001</u>	<u>2002</u>	<u>2003</u>
Cash from operations	\$2,300	\$2,600	\$2,750
Asset sales	2,000	---	---
Securitization	<u>1,200</u>	<u>---</u>	<u>---</u>
Total	\$5,500	\$2,600	\$2,750
Cap ex	1,550	1,400	1,400
Dividend	<u>650</u>	<u>650</u>	<u>650</u>
Free cash flow	\$3,300	\$550	\$700

- **Earnings growth*:**
 - **Merchant Energy** 11-13%
 - **Consolidated EPS** 9 - 11%
- **Position company for higher growth**
- **Credit targets:**
 - **Parent** BBB, Baa2
 - **Subsidiaries** BBB+, Baa1

*Excludes development opportunities

Q&A

Erle Nye