



UBS Warburg Energy & Utilities Conference

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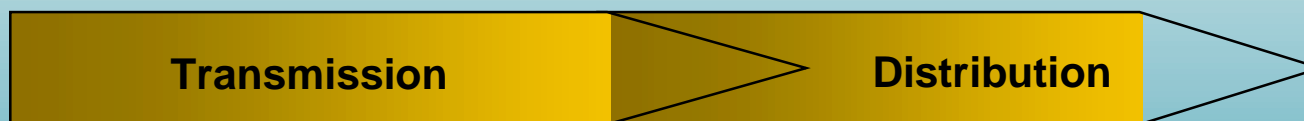
Business Model & Strategy



MERCHANT ENERGY



ENERGY DELIVERY

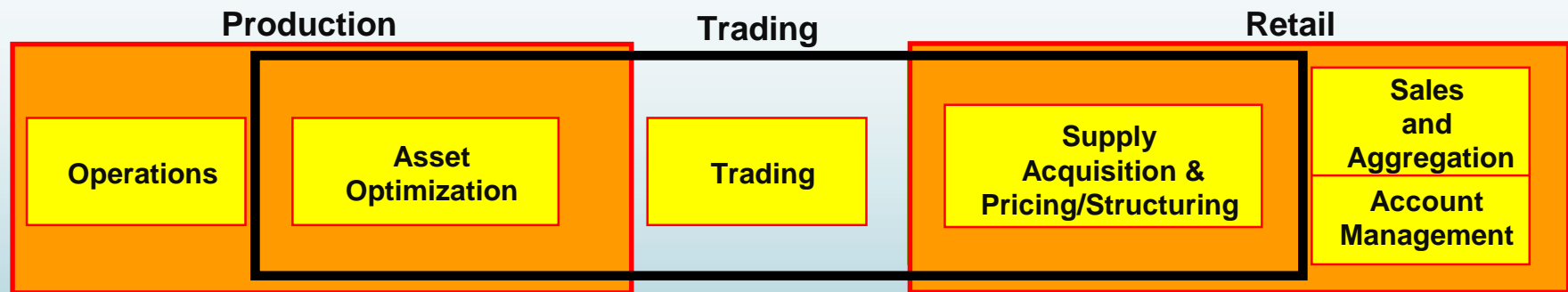


Strategy: TXU will achieve **excellent operations** of **significant scale** in **selected regions**, which **optimize a portfolio** of assets, capabilities and customer relationships across multiple products and services.

The Portfolio Management Model



Portfolio Management Processes



Production

Operates units to maximize overall long-and short-term portfolio value, ensures compliance and safety

Trading

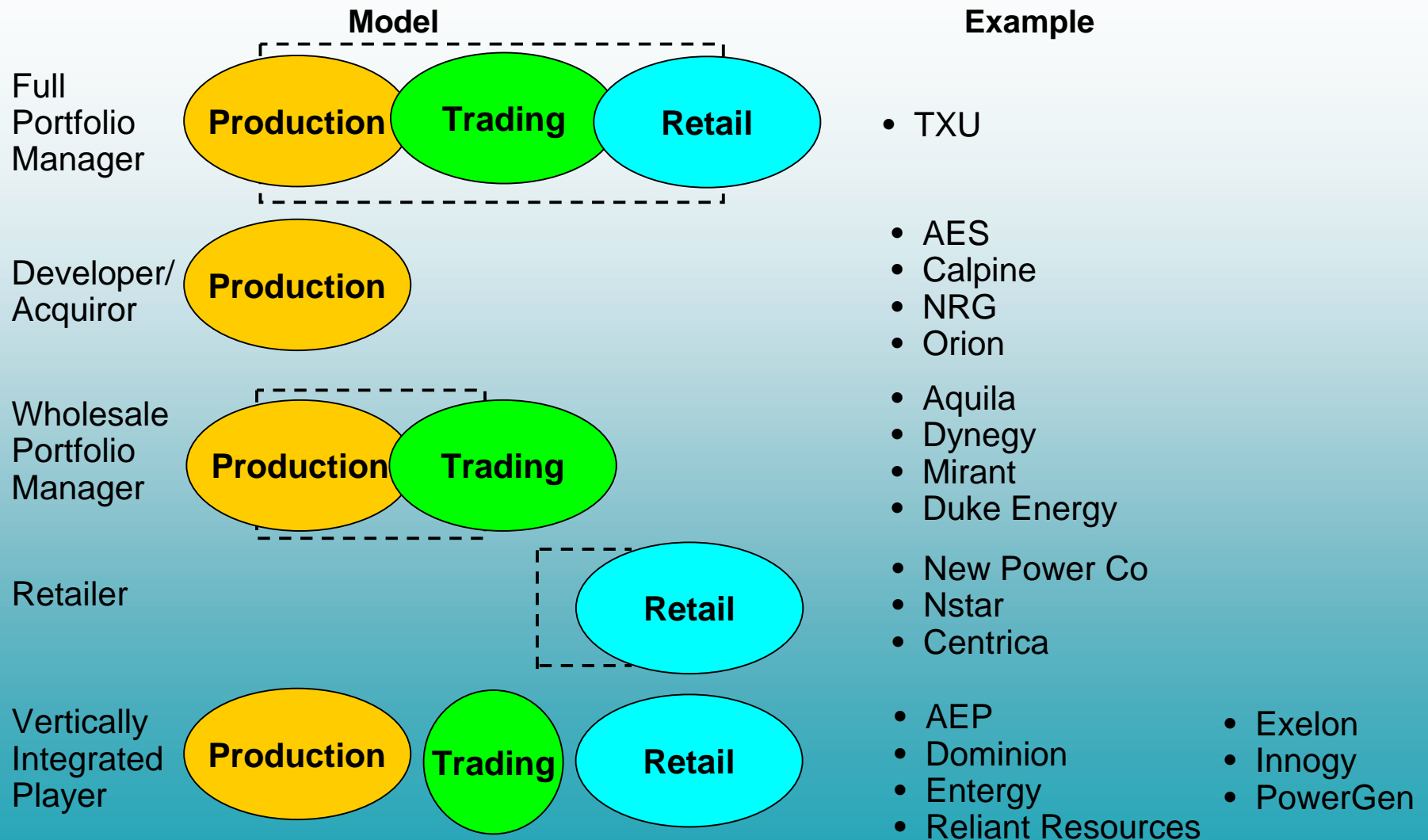
Originates and clears transactions to optimize the intermediate and short-term portfolio within corporate risk tolerances

Retail

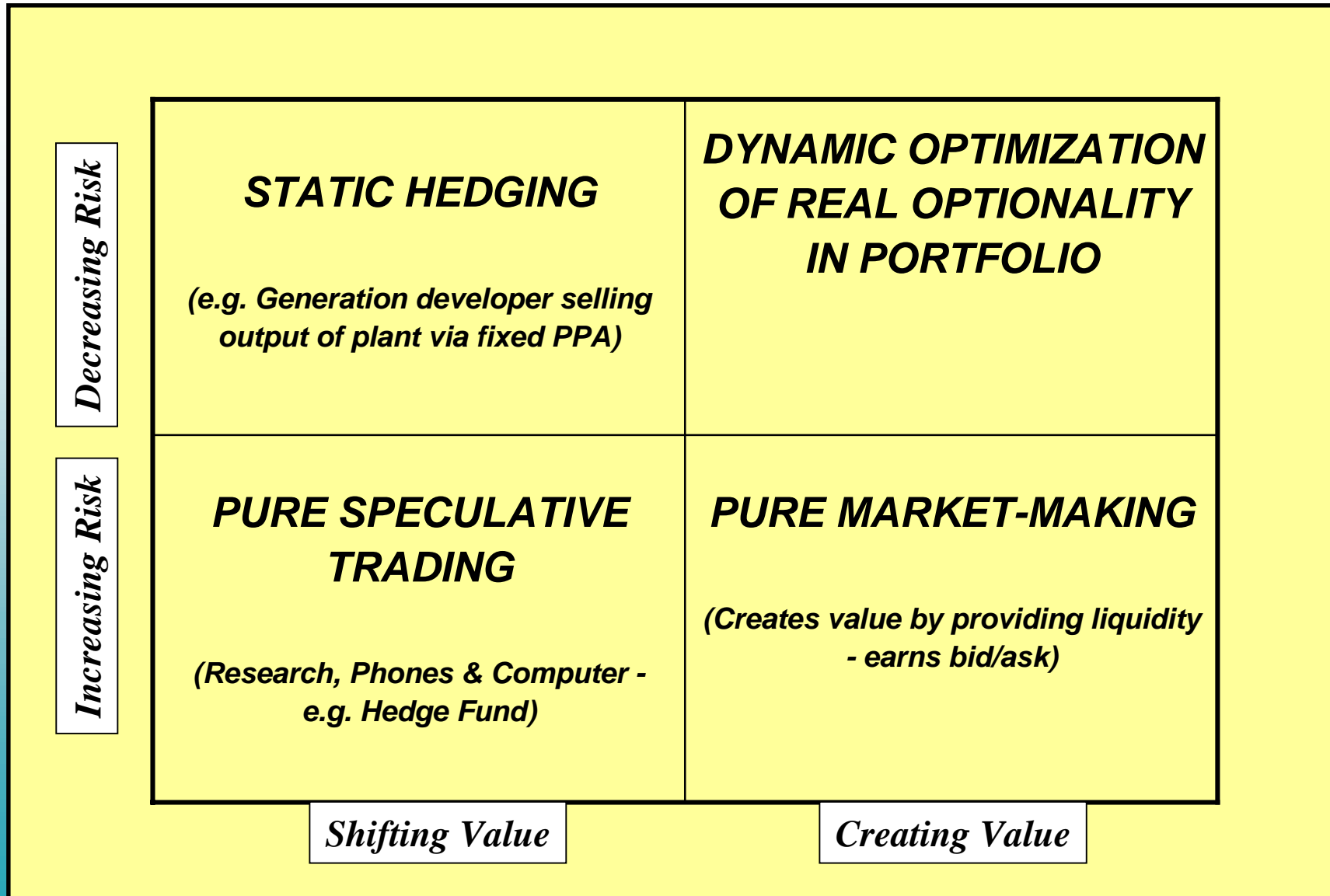
Originates customer demand to maximize total customer lifetime value in support of overall portfolio objectives

Distinctive Business Model

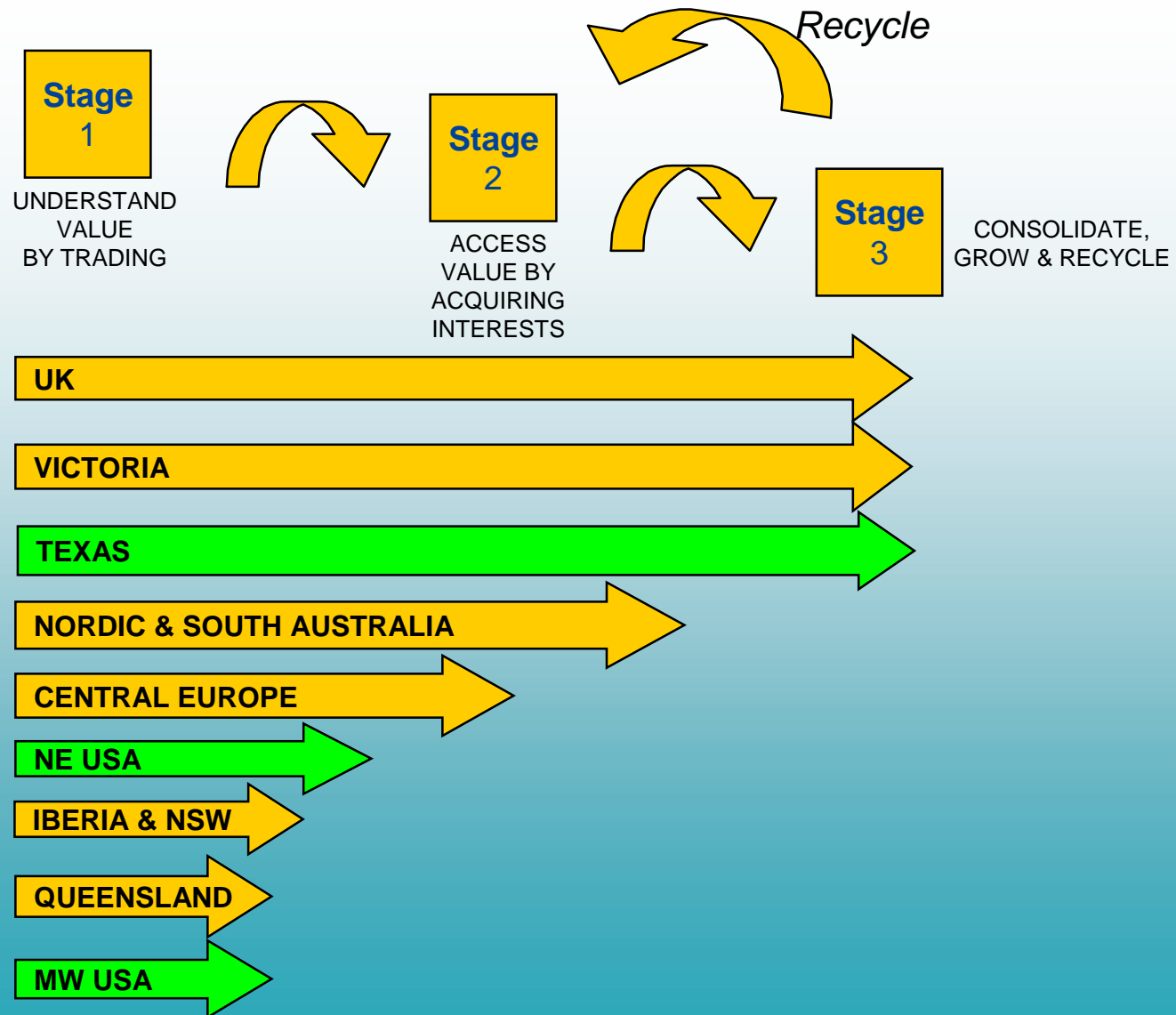
TXU's Approach is Differentiated from Other Merchant Companies Through its Integration of Production, Trading and Retail Activities



Trading Risk & Value Propositions



Disciplined Portfolio Development



Priorities - 2002



- Aggressively optimize the Portfolio Management Model in ERCOT
 - enhance returns on capital
- Ensure customers enjoy all the benefits of deregulation
- Defend existing customer base
- Build strong retail entries into other markets in Texas
- Enhance process efficiencies
- Develop world class strategic insight and business development capabilities