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Breakthrough for Vattenfall in Great Britain

Vattenfall has signed a three-year agreement with a British electricity retailer. This agreement represents a breakthrough for Vattenfall on the British electricity market.

The agreement with Electricity Direct (ED), the leading independent electricity retailer in the UK, means that Vattenfall will supply trading and risk management services for at least three years. Vattenfall will be responsible for all electricity purchasing for the company, and will also be responsible for maintaining ED's short-term power balance. This trading service has been developed in co-operation between Vattenfall and ED.

It is estimated that the total turnover for the deal will amount to approximately GBP 150 million over the three-year period. ED expects to sell around 3 TWh to small and medium sized companies in England and Wales during 2001. The services will initially be provided from Stockholm, but once Vattenfall has established an office in London in the course of 2001 the services will partly be provided from there.

During 2001, Vattenfall aims to establish itself as a player in the field of electricity and gas trading and to offer trading services to retailers and producers of both gas and electricity on the British energy market. The deal marks a significant step in Vattenfall's business strategy for Great Britain.

Vattenfall is setting up business in Great Britain in response to the major changes that are about to take place on the electricity market there. The Electricity Pool is to be replaced by a new regulatory framework, NETA (New Electricity Trading Arrangement), which if all goes according to plan will be introduced on 27 March this year. Once NETA has come into force, the British electricity market will be similar to the Nordic market. Many electricity retailers have realised that they will need help with electricity purchasing following the introduction of NETA. Above all, they will need help in managing the new business risks that will arise following the transformation of the electricity market in Great Britain.

"This deal with ED is a breakthrough for Vattenfall on the British energy market. We are also planning to offer trading services to small electricity generators in the near future. There are also major opportunities for similar trading services on the gas market," says Erik Hagland, General Manager of Vattenfall Supply and Trading.

ED, the low cost energy provider, is a privately-owned company that was founded in 1997 as a supplier of electricity mainly to the small business segment. Today, the company is a competitive player on the British electricity market. The company is growing dramatically and now supplies electricity to over 50,000 premises in Great Britain.

"The changes in the UK market have the potential to disadvantage smaller players. With its vast experience of the electricity market in the Nordic region, which has many of the same features as the NETA system, Vattenfall is an ideal partner to

manage our bulk trading risk. Together we have succeeded in developing a trading service for the British market that suits us well and means that we can focus on our strengths in marketing and sales. By managing the cost and risk of the new market in this way this arrangement should enable us to maintain our competitive edge,” says Bill Bullen head of Electricity Direct’s purchasing and pricing division.

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Vattenfall is one of the largest energy companies in Europe, accounting for 25 percent of total electricity sales in the Nordic region. The total electricity generation is 85 TWh. Vattenfall is a leading operator of regional and local distribution networks. About 2.4 million customers get their energy solutions or other services from Vattenfall. The Group also conducts operations in the areas of heating and natural gas, as well as transmission services and consulting for the energy sector. Vattenfall’s biggest customers are energy companies, industrial enterprises, and retail customers in the Nordic region. Vattenfall is also active in Germany, Poland, the Netherlands, and the Baltic countries.