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**Direct
Energy.**
Business

Carl Boyd
Manager of Regulatory Compliance & Licensing
Direct Energy Business
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PUCO

October 1, 2008

Public Utilities Commission of Ohio
Docketing Division, 13th Floor
180 East Broad Street
Columbus, OH 43215-3793

**RE: Direct Energy Business, LLC (f/k/a Strategic Energy, LLC) Renewal Application -
Docket 00-1758-EL-CRS**

To Whom It May Concern:

Enclosed please find an original and ten copies of the Renewal Application of Direct Energy Business, LLC in PUCO Docket No. 00-1758-EL-CRS.

Please note that Direct Energy Business is requesting confidential treatment of Exhibits C-3, C-4 and C-5. As such, Exhibits C-3, C-4 and C-5 are being filed separately under seal in accordance with Rule 4901-1-24 of the Ohio Administrative Code. Redacted versions of these exhibits are included in this submission.

If there are any questions or comments regarding this submission, please contact me.

Sincerely,

Carl W. Boyd
Manager of Regulatory Compliance & Licensing
Direct Energy Business, LLC

Enclosures

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business,
Technician TM Date Processed 10/2/2008



The Public Utilities Commission of Ohio

Original CRS Case Number	Version
00 - 1758-EL-CRS	August 2004

RENEWAL APPLICATION FOR RETAIL GENERATION PROVIDERS AND POWER MARKETERS

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit A-11 Corporate Structure). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division; 180 East Broad Street, Columbus, Ohio 43215-3793.

**This PDF form is designed so that you may input information directly onto the form.
You may also download the form, by saving it to your local disk, for later use.**

A. RENEWAL INFORMATION

A-1 Applicant intends to be renewed as: (check all that apply)

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Retail Generation Provider | <input type="checkbox"/> Power Broker |
| <input checked="" type="checkbox"/> Power Marketer | <input type="checkbox"/> Aggregator |

A-2 Applicant's legal name, address, telephone number, PUCO certificate number, and web site address

Legal Name Direct Energy Business, LLC (f/k/a Strategic Energy, LLC)
Address Two Gateway Center, 9th Floor, Pittsburgh, PA 15222
PUCO Certificate # and Date Certified 00-005(4); 9/2/08 (reflecting name change)
Telephone # (412) 394-5600 Web site address (if any) www.directenergybusiness.com

A-3 List name, address, telephone number and web site address under which Applicant does business in Ohio

Legal Name Direct Energy Business, LLC
Address Two Gateway Center, 9th Floor
Telephone # (412) 394-5600 Web site address (if any) www.directenergybusiness.com

A-4 List all names under which the applicant does business in North America

Direct Energy Business, LLC

A-5 Contact person for regulatory or emergency matters

Name Tanya Paslawski

Title Manager, Government and Regulatory Affairs

Business address 120 N. Washington Sq., Suite 805, Lansing, MI 48933

Telephone # (517) 579-7105

Fax # (517) 819-9683

E-mail address (if any) tanya.paslawski@directenergy.co

A-6 Contact person for Commission Staff use in investigating customer complaints

Name Kerry Hughes

Title Customer Relations Manager

Business address Two Gateway Center, 9th Floor, Pittsburgh, PA 15222

Telephone # (412) 394-6493

Fax # (412) 394-3388

E-mail address (if any) kerry.hughes@directenergy.com

A-7 Applicant's address and toll-free number for customer service and complaints

Customer Service address Two Gateway Center, 9th Floor, Pittsburgh, PA 15222

Toll-free Telephone # (888) 925-9115

Fax # (412) 394-3388

E-mail address (if any) customerrelations@directenergy.c

A-8 Applicant's federal employer identification number # 25-1821047

A-9 Applicant's form of ownership (check one)

☐ Sole Proprietorship

☐ Limited Liability Partnership (LLP)

☐ Corporation

☐ Partnership

☒ Limited Liability Company (LLC)

☐ Other _____

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

A-10 Exhibit A-10 "Principal Officers, Directors & Partners" provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.

A-11 Exhibit A-11 "Corporate Structure," provide a description of the applicant's corporate structure, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale electricity or natural gas to customers in North America.

B. MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

- B-1** Exhibit B-1 "Jurisdictions of Operation," provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale electric services.
- B-2** Exhibit B-2 "Experience & Plans," provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4928.10 of the Revised Code.
- B-3** Exhibit B-3 "Disclosure of Liabilities and Investigations," provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.
- B-4** Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.
☒ No ☐ Yes
- If yes, provide a separate attachment labeled as Exhibit B-4 "Disclosure of Consumer Protection Violations" detailing such violation(s) and providing all relevant documents.
- B-5** Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail or wholesale electric service denied, curtailed, suspended, revoked, or cancelled within the past two years.
☒ No ☐ Yes

If yes, provide a separate attachment labeled as Exhibit B-5 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation" detailing such action(s) and providing all relevant documents.

C. FINANCIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

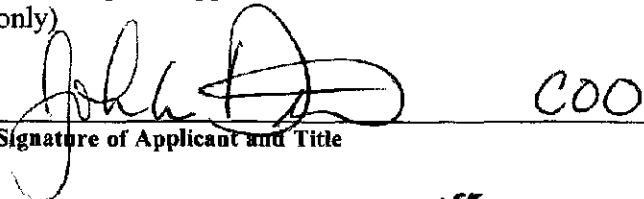
- C-1** Exhibit C-1 "Annual Reports," provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information in Exhibit C-1 or indicate that Exhibit C-1 is not applicable and why.

- C-2 **Exhibit C-2 "SEC Filings,"** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.
- C-3 **Exhibit C-3 "Financial Statements,"** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.
- C-4 **Exhibit C-4 "Financial Arrangements,"** provide copies of the applicant's financial arrangements to conduct CRES as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.).
- C-5 **Exhibit C-5 "Forecasted Financial Statements,"** provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRES operation, along with a list of assumptions, and the name, address, e-mail address, and telephone number of the preparer.
- C-6 **Exhibit C-6 "Credit Rating,"** provide a statement disclosing the applicant's credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody's Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant.
- C-7 **Exhibit C-7 "Credit Report,"** provide a copy of the applicant's credit report from Experian, Dun and Bradstreet or a similar organization.
- C-8 **Exhibit C-8 "Bankruptcy Information,"** provide a list and description of any reorganizations, protection from creditors or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.
- C-9 **Exhibit C-9 "Merger Information,"** provide a statement describing any dissolution or merger or acquisition of the applicant within the five most recent years preceding the application.

D. TECHNICAL CAPABILITY

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

- D-1 Exhibit D-1 "Operations"** provide a written description of the operational nature of the applicant's business. Please include whether the applicant's operations include the generation of power for retail sales, the scheduling of retail power for transmission and delivery, the provision of retail ancillary services as well as other services used to arrange for the purchase and delivery of electricity to retail customers.
- D-2 Exhibit D-2 "Operations Expertise,"** given the operational nature of the applicant's business, provide evidence of the applicant's experience and technical expertise in performing such operations.
- D-3 Exhibit D-3 "Key Technical Personnel,"** provide the names, titles, e-mail addresses, telephone numbers, and the background of key personnel involved in the operational aspects of the applicant's business.
- D-4 Exhibit D-4 "FERC Power Marketer License Number,"** provide a statement disclosing the applicant's FERC Power Marketer License number. (Power Marketers only)


Signature of Applicant and Title

Sworn and subscribed before me this 1st day of October, 2008
Month Year


Signature of official administering oath

Colleen A. Beall, Notary
Print Name and Title

My commission expires on April 8, 2010

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Colleen A. Beall, Notary Public
City Of Pittsburgh, Allegheny County
My Commission Expires Apr. 8, 2010

Member, Pennsylvania Association of Notaries

AFFIDAVIT

State of Pennsylvania :

County of Allegheny :

JOHN DIETRICH, Affiant, being duly sworn/affirmed according to law, deposes and says that:

He/She is the CHIEF OPERATIONS OFFICER (title) of Direct Energy Business, LLC;

That he/she is authorized to and does make this affidavit for said Applicant,


1. The Applicant herein, attests under penalty of false statement that all statements made in the application for certification renewal are true and complete and that it will amend its application while the application is pending if any substantial changes occur regarding the information provided in the application.
2. The Applicant herein, attests it will timely file an annual report with the Public Utilities Commission of Ohio of its intrastate gross receipts, gross earnings, and sales of kilowatt-hours of electricity pursuant to Division (A) of Section 4905.10, Division (A) of Section 4911.18, and Division (F) of Section 4928.06 of the Revised Code.
3. The Applicant herein, attests that it will timely pay any assessments made pursuant to Sections 4905.10, 4911.18, or Division F of Section 4928.06 of the Revised Code.
4. The Applicant herein, attests that it will comply with all Public Utilities Commission of Ohio rules or orders as adopted pursuant to Chapter 4928 of the Revised Code.
5. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, and its Staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the Applicant.
6. The Applicant herein, attests that it will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.
7. The Applicant herein, attests that it will fully comply with Section 4928.09 of the Revised Code regarding consent to the jurisdiction of Ohio Courts and the service of process.
8. The Applicant herein, attests that it will use its best efforts to verify that any entity with whom it has a contractual relationship to purchase power is in compliance with all applicable licensing requirements of the Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio.
9. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, the electric distribution companies, the regional transmission entities, and other electric suppliers in the event of an emergency condition that may jeopardize the safety and reliability of the electric service in accordance with the emergency plans and other procedures as may be determined appropriate by the Commission.
10. If applicable to the service(s) the Applicant will provide, the Applicant herein, attests that it will adhere to the reliability standards of (1) the North American Electric Reliability Council (NERC), (2) the appropriate regional reliability council(s), and (3) the Public Utilities Commission of Ohio. (Only applicable if pertains to the services the Applicant is offering)

11. The Applicant herein, attests that it will inform the Commission of any material change to the information supplied in the renewal application within 30 days of such material change, including any change in contact person for regulatory purposes or contact person for Staff use in investigating customer complaints.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief and that he/she expects said Applicant to be able to prove the same at any hearing hereof.

 COO
Signature of Affiant & Title

Sworn and subscribed before me this 1st day of October, 2008
Month Year


Signature of official administering oath

Colleen A. Beall, Notary
Print Name and Title

My commission expires on April 8, 2010

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Colleen A. Beall, Notary Public
City Of Pittsburgh, Allegheny County
My Commission Expires Apr. 8, 2010

Member, Pennsylvania Association of Notaries

Exhibit A-10
Principal Officers, Directors and Partners

The following is a current list of the Officers of Direct Energy Business, LLC:

Maura Clark
President
(203) 328-3543

John Dietrich
Chief Operations Officer
(412) 394-4329

Paul Dobson
Senior Vice-President, Finance
(412) 394-5600

Mike Young
Senior Vice-President, Sales
(412) 394-6951

Lisa Delsante
Assistant Secretary
(203) 328-3572

Exhibit A-11
Corporate Structure

Direct Energy Business, LLC (fka Strategic Energy, LLC) is a Delaware Limited Liability Company that, as of June 2, 2008, is wholly owned by Direct Energy Services, LLC. Direct Energy Services, LLC is an indirect wholly owned subsidiary of Centrica plc. Direct Energy Business, LLC has no subsidiaries. Direct Energy Services, LLC, Direct Energy, LP, CPL Retail Energy, LP and WTU Retail Energy, LP are the only companies affiliated with Direct Energy Business, LLC that supply retail or wholesale electricity and/or natural gas to customers in North America. See also *Exhibit B-1 – Jurisdictions of Operation*.

Exhibit B-1

Jurisdictions of Operation – Direct Energy Business, LLC (fka Strategic Energy, LLC)

	Name and Address	Issued by¹	License Number	Date
1.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	California	ESP #1351	May 1, 2000
2.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Connecticut	Docket No. 00-05-14	September 27, 2000
3.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Delaware ²	Docket No. 99-400	August 18, 1999
4.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	District of Columbia ²	EA-04-4-4	May 11, 2004
5.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Illinois	Docket No. 04-0811	February 8, 2005
6.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Maryland	IR-437	March 27, 2002
7.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Massachusetts	CS-021	December 2, 1999
8.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Michigan	U-13609	November 7, 2002
9.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	New Jersey	ESL-0027	August 18, 1999
10.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	New York	Letter Dated 5/18/98	May 18, 1998
11.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Ohio	Certificate 00-005(i)	October 27, 2000
12.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Oregon ²	Order 02-072	January 10, 2002

¹ State references are to Public Utility Commission or equivalent state agency.

² Direct Energy Business has a license in Delaware, District of Columbia and Rhode Island, but is not currently supplying electricity in those states. Direct Energy Business relinquished its license in Oregon.

Exhibit B-1

Jurisdictions of Operation – Direct Energy Business, LLC (fka Strategic Energy, LLC) (cont'd)

13.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Pennsylvania	A-110025	January 1, 1999
14.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Rhode Island ²	D-96-6(2)	January 9, 1998
15.	Direct Energy Business, LLC 2 Gateway Center, 9 th Floor Pittsburgh, PA 15222	Texas	Certificate 10011	February 20, 2001

² Direct Energy Business has a license in Delaware, District of Columbia and Rhode Island, but is not currently supplying electricity in those states. Direct Energy Business relinquished its license in Oregon.

Exhibit B-1
Jurisdictions of Operation – Direct Energy Services, LLC

Other states in which Direct Energy Services, LLC is now or has been engaged in the retail sale of electricity or natural gas and the names under which the Applicant is engaged in such business(s):

Name: Direct Energy Services, LLC (“Direct Energy”)
Business Address: 12 Greenway Plaza, Suite 600,, Houston, TX 77046

States where Direct Energy is licensed and now engaged in the retail sale of electricity or gas:

License #/State of Issuance:	Docket # 06-03-06/Connecticut; Power
License #/State of Issuance:	Registration # 01-04/Connecticut; Natural Gas
License #/State of Issuance:	Order No. 13816/District of Columbia; Power
License #/State of Issuance:	Certificate No. 6790/Delaware; Power
License #/State of Issuance:	Docket # 05-0722/Illinois; Power
License #/State of Issuance:	Docket # 05-0086/Illinois; Natural Gas
License #/State of Issuance:	License CS-047/Massachusetts; Power
License #/State of Issuance:	License GS-028/Massachusetts; Natural Gas
License #/State of Issuance:	License IR-719/Maryland; Power
License #/State of Issuance:	Docket # 2005-479/Maine; Power
License #/State of Issuance:	Case No. U-14537/Michigan; Natural Gas
License #/State of Issuance:	Docket # EE05090787L/New Jersey; Power
License #/State of Issuance:	Letter Order of 11/2/2004/New York; Power & Natural Gas
License #/State of Issuance:	License 02-024(3)/Ohio; Natural Gas
License #/State of Issuance:	License A-110164/Pennsylvania; Power
License #/State of Issuance:	License A-125135/Pennsylvania; Natural Gas
License #/State of Issuance:	Docket # D-96-6(U2)/Rhode Island; Power
License #/State of Issuance:	Docket # 2379(T1)/Rhode Island; Natural Gas

States where Direct Energy is licensed but NOT engaged in the retail sale of electricity or gas:

License #/State of Issuance:	License IR-791/Maryland; Natural Gas
License #/State of Issuance:	Case No. U-14724/Michigan; Power
License #/State of Issuance:	License 00-0019(3)/Ohio; Power
License #/State of Issuance:	License GLS-0077/New Jersey; Natural Gas
License #/State of Issuance:	License 1342/California; Power

Affiliate(s) other than a regulated electricity of natural gas utility engaged in the retail sale of electricity, or electricity supply services, or natural gas:

Name: Direct Energy, LP
Business Address: 12 Greenway Plaza, Suite 600,, Houston, TX 77046
License #/State of Issuance: Rep# 10040/Texas
Location (Utility Service Territory): TXU, Centerpoint, Texas New Mexico, AEP Central, AEP Texas North

Name: CPL Retail Energy, LP
Business Address: 12 Greenway Plaza, Suite 600,, Houston, TX 77046
License #/State of Issuance: Rep# 10023/Texas
Location (Utility Service Territory): TXU, Centerpoint, Texas New Mexico, AEP Central, AEP Texas North

Name: WTU Retail Energy, LP
Business Address: 12 Greenway Plaza, Suite 600,, Houston, TX 77046
License #/State of Issuance: Rep# 10022/Texas
Location (Utility Service Territory): TXU, Centerpoint, Texas New Mexico, AEP Central, AEP Texas North

Exhibit B-2
Experience and Plans

Direct Energy Business serves over 3,000 mw of retail electric load. It has over 16,000 customers and 56,000 accounts, most of which are in the commercial and industrial rate classes. Direct Energy Business's retail electric customers are located in the following states: California, Connecticut, Illinois, Massachusetts, Michigan, New Jersey, New York, Maryland, Ohio, Pennsylvania and Texas. Direct Energy Business is also licensed to serve customers in Delaware, District of Columbia and Rhode Island.

Direct Energy Business does not own any generation. It purchases power in the open market from a variety of sellers. It schedules power for its retail customers through its 24-hour Power Coordination Center. The Power Coordinators schedule generation and transmission and satisfy the necessary grid protocols to deliver the generation portfolio to the load.

Direct Energy Business receives load history data from utilities in various electronic forms, depending on the utilities' capabilities. Likewise, Direct Energy Business submits customer enrollment data electronically to the host utility, preferably via EDI. The customers' monthly meter-read data is sent electronically from the utilities to Direct Energy Business. Computer programs create the customers' bills in Direct Energy Business's Pittsburgh office. Computer programs also forecast load for Direct Energy Business's customers for use by the Power Coordination Center. The Direct Energy Business Customer Relations department is also located in Pittsburgh.

Direct Energy Business meets all of the Ohio Commission's requirements as defined in Section 4928.10 of the Ohio Revised Code and meets its retail electric customers' expectations. Direct Energy Business provides our customers with adequate, accurate and understandable pricing terms and conditions of service by a document containing the terms and conditions of pricing and service, before that customer enters into the contract for service. Direct Energy Business adheres to the rules on the minimum content of customer bills which include, among other things, price disclosure, disclosure of total billing units for the billing period, and historical annual usage. Also, to the maximum extent practicable, Direct Energy Business provides a separate listing of each service component to enable a customer to recalculate its bill for accuracy and identifies the supplier of each service. Direct Energy Business also provides in its billing statement where and how payment may be made as well as our toll-free customer service number, where customers can direct inquiries and complaints. In addition, Direct Energy Business provides customers with the toll-free or local customer assistance and complaint numbers for the electric utility company and state agencies with available hours of operation. Direct Energy Business highlights and clearly explains, on each bill for two consecutive billing periods, any changes in rates, terms or conditions of service.

Following is the outline of Direct Energy Business's description and plan for handling customer inquiries and complaints pursuant to Section 4928.10 of the Ohio Revised Code.

Exhibit B-2
Experience and Plans

Customer Relations Department

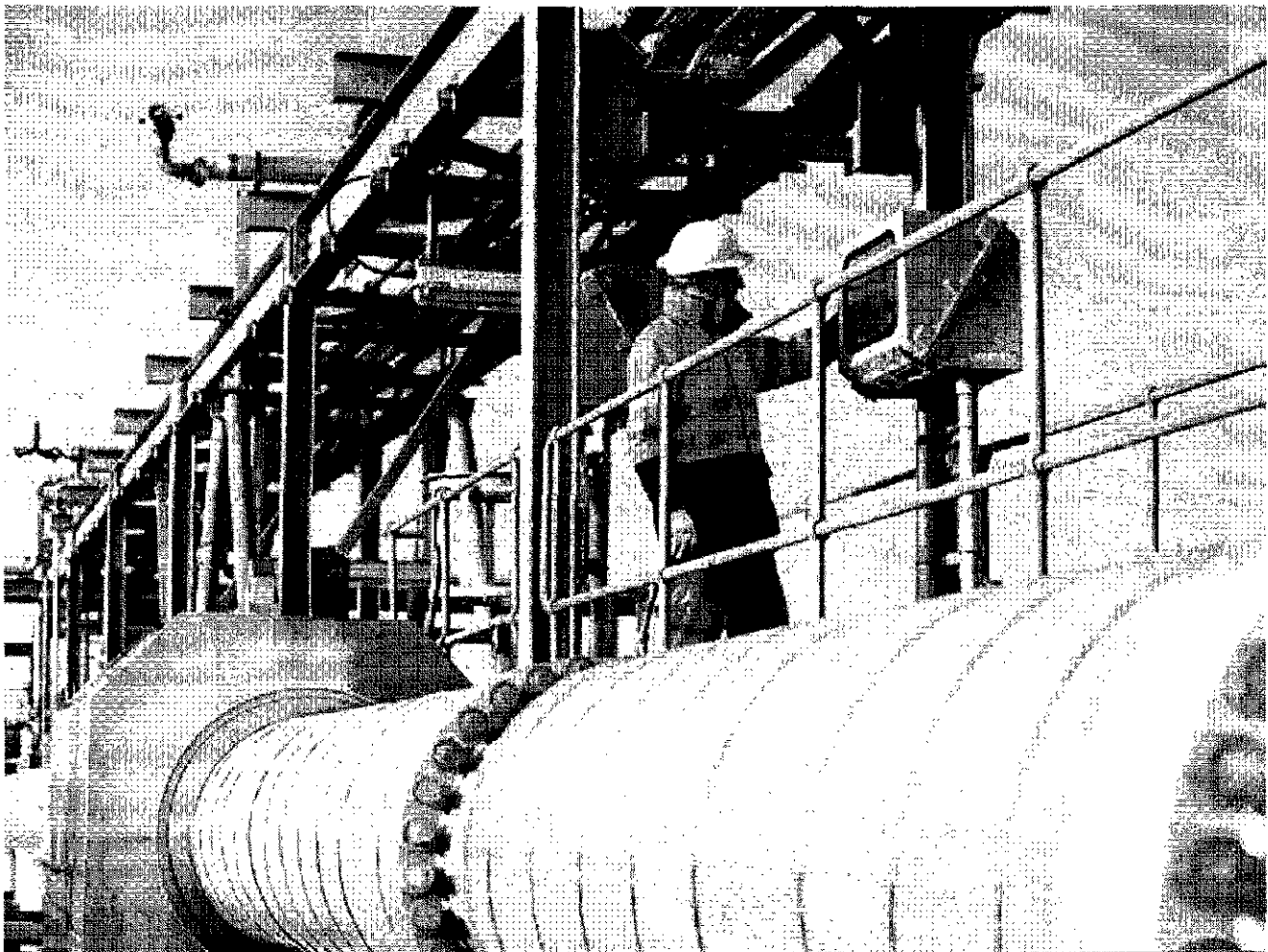
1. Direct Energy Business's Customer Relations Representatives are available Monday through Friday, 8:00am to 5:00pm Eastern Time to answer customer inquiries regarding Direct Energy Business's bills, customer account balances, payment information, consolidated billing, and billing address or contact name changes.
2. Direct Energy Business's Customer Relations Representatives can be reached by calling 1.888.925.9115 or 412.394.5600, or through our feedback form on the company website at www.directenergybusiness.com.
3. Customer inquiries and complaints are directed to the Customer Relations Department, where they are responded to quickly and courteously by Direct Energy Business's Customer Relations Representatives. Representatives record and classify inquiries and complaints in Direct Energy Business's customer database.
4. Direct Energy Business's Customer Relations Representatives attempt to resolve customer inquiries on first contact.
5. If a customer needs additional assistance, Direct Energy Business's Customer Relations Representative will inform the Supervisor of Customer Relations, who will assist with the customer inquiry. This may also require that the Customer Relations Department work in conjunction with the sales team and/or billing department to resolve the inquiry or complaint.
6. Direct Energy Business's Customer Relations Representative will then follow-up with the customer by phone or fax within 72 hours of the initial customer inquiry.
7. The Supervisor of Customer Relations tracks customer inquiries on a weekly basis.
8. The customer has the right to terminate their contract with Direct Energy Business as outlined in Sections 16 and 17 of Direct Energy Business's Power Supply Coordination Agreement.
9. The customer has the responsibility to pay for Power Supply Coordination Services provided as outlined in sections 8, 9 and 10 of Direct Energy Business's Power Supply Coordination Agreement.
10. Direct Energy Business maintains customer account numbers, meter numbers and monthly usage as it is provided electronically by the customer's host utility.
11. Direct Energy Business does not disclose customer information to any third party unless Direct Energy Business receives a written request from the customer to release account information.

Exhibit B-3
Disclosure of Liabilities and Investigations

Direct Energy Business, LLC does not have any existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigation, or any other matter that could adversely impact its financial or operations status or ability to provide the services it is seeking to provide.

Exhibit C-1
Annual Reports

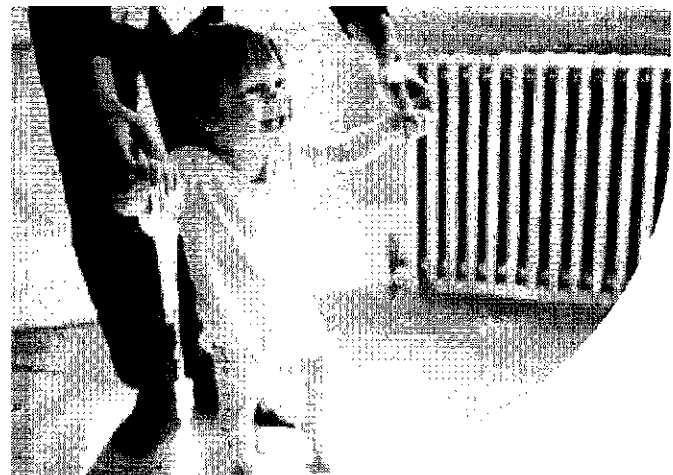
The corporate owner of Direct Energy Business, LLC is Direct Energy Services, LLC, an indirect wholly owned subsidiary of Centrica plc. The Annual Report and other relevant filings of Centrica plc are too voluminous to be reproduced herein. As such, Annual Summary Reports for years 2006 and 2007 are included for reference. In addition, the full Annual Report of Centrica plc can be accessed at the following web page: <http://www.centrica.com/files/reports/2007ar/index.asp?pageid=4>.



centrica

review

Securing our
customers'
energy needs

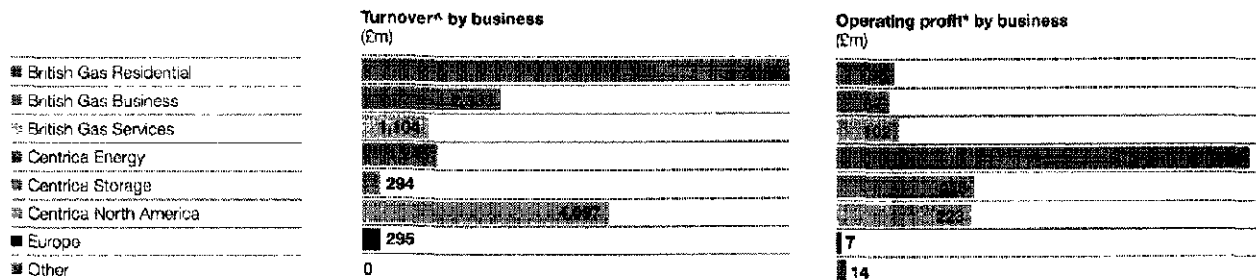


Our vision is to become a leading integrated energy company in selected markets in order to maximise value to shareholders. In 2006 we focused on securing energy to meet our customers' future needs.

Group Financial Highlights

12 months ended 31 December	2006	2005
Financial highlights		
Group turnover^	£16.5bn	£13.4bn
Operating profit^*	£1,442m	£1,513m
Adjusted basic earnings* per share	19.4p	18.2p
Ordinary dividend per share	11.15p	10.50p
Statutory results		
Group turnover^	£16.5bn	£13.4bn
Operating profit^	£180m	£1,957m
Basic (loss)/earnings per share	(4.3p)	27.4p

Divisional Financial Highlights



- ^ from nonliving operations
- * including joint ventures and associates, shared net of interest and taxation, and other exceptional items as indicated in the accompanying notes

[illegible]

All references to the "country" 2005 and 1999 mean the "Zimbabwe" of 11 December 2005 unless otherwise specified. Throughout this Report, references to "Zimbabwe" include South Africa.

[illegible]



Roger Carr
Chairman

Securing shareholder value

It is our intention to strike a fair balance between lower prices and sustainable profits* in order to reward both our customers and shareholders.

We achieved a good underlying financial performance despite the challenging circumstances through the year and delivered sound earnings* growth.

In the winter of 2005/06, gas shortages in the UK and increasing worldwide demand for energy drove wholesale prices to record levels, necessitating price increases. The management team sought to minimise the effect of these by containing costs and developing innovative products.

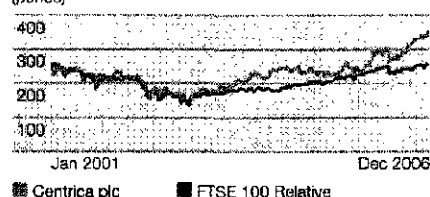
Later in the year, new gas pipelines from Norway and Holland, underpinned by contracts entered into by British Gas, came on-stream. This change in the balance of supply and demand, combined with a fall in global oil prices and a warmer than expected autumn, lowered wholesale gas prices, enabling British Gas to announce price reductions from March 2007.

The Board proposes a final dividend of 8.0 pence for payment in June 2007, bringing our full-year dividend to 11.15 pence, representing a 6% year-on-year increase. If more benign market conditions continue, we may be able to consider reinstating our share buyback programme.

Management changes

Sam Laidlaw became Chief Executive in July, following Sir Roy Gardner's retirement. Mark Clare, Managing Director of British Gas Residential, left the Company. Patricia Mann OBE retired, and her role as Senior Non-Executive Director was assumed by Mary Francis CBE. Sadly, Patricia died later in the year.

Centrica share performance
(pence)



Phil Bentley moves to the role of Managing Director, British Gas, following the appointment of Nick Luff as Group Finance Director. Jake Ulrich is now responsible for our continental European operations.

We established a main Board committee to lead our corporate responsibility strategy, chaired by Mary Francis.

Our employees

Our employees worked particularly hard in responding to the unusually demanding environment. I thank them all for their loyalty and dedication.

Tragically the risks of working offshore were again made evident when six people, four of them Centrica employees, were killed in a helicopter accident in Morecambe Bay at Christmas, with a seventh person still missing, presumed dead. Our thoughts and deepest sympathies are with their families.

The future

We begin 2007 under new leadership and with continued commitment to the twin goals of customer service and shareholder value creation. Lower wholesale energy prices have provided us with the opportunity to reduce retail prices and we expect the completion of new systems to help address the service levels. We will also continue our search for cost-effective supply sources to rebalance our market exposure and sharpen our competitive edge.

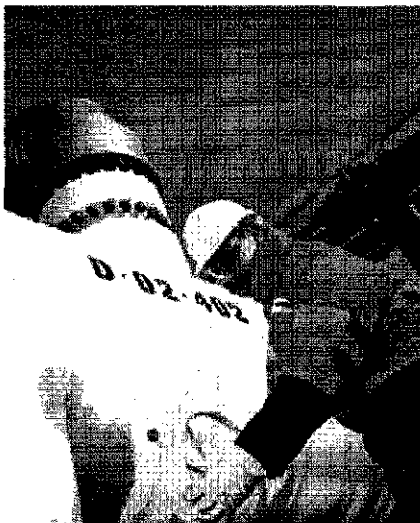
Our cost structure will be the focus of continued stringent appraisal, and our commitment to meet the growing consumer demand for energy efficiency will be at the heart of our endeavours.

Roger Carr
Chairman
22 February 2007

* Including joint ventures and associates stated net of interest and taxation, and before exceptional items and certain re-measurements.

Centrica has energy businesses in the UK, North America and Europe, and increasingly sources gas further afield.

Our upstream business



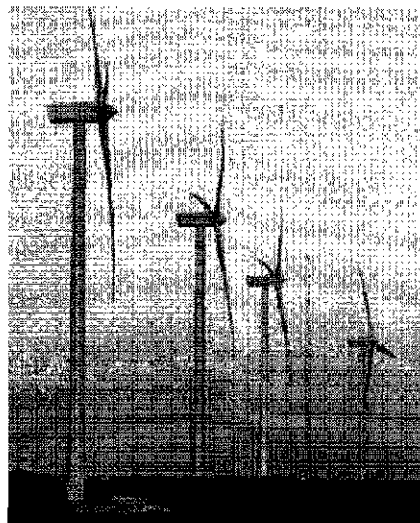
We source energy internationally

We find and produce gas predominantly in the UK and have acquired licence blocks in Norway and north and west Africa. We trade energy in the UK, North America and Europe and secure contracts to bring gas to the UK.

22%

of our UK gas needs were sourced from overseas in 2006

www.centrica.com



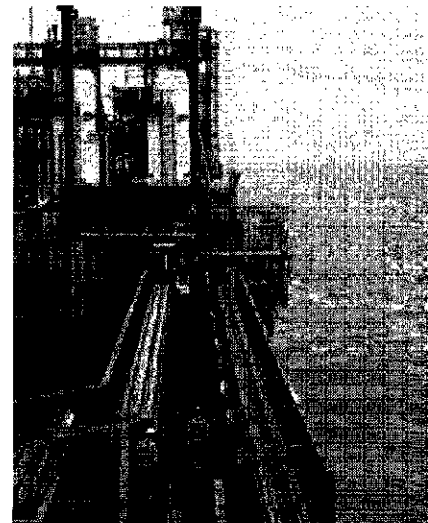
We generate energy

We generate electricity through our gas-fired power stations in the UK and US and through a growing portfolio of wind assets and purchasing agreements.

£750m

are committed to developing renewable generation

www.centrica.com



We store and distribute energy

Our Rough storage facility is the UK's largest gas store, providing more than 70% of the country's storage capacity. The Rough facility stores gas under the North Sea for British Gas and for other customers.

70%

of the UK's storage capacity is owned by Centrica Storage

www.centrica.com

Ⓜ Our downstream business



We supply energy to homes

We are Britain's largest gas and electricity retailer, supplying 49% of the residential gas market and 22% of residential electricity. We are a growing force in North America, serving customers in five Canadian provinces and 15 US states.

21m

residential energy accounts worldwide

> www.house.co.uk > www.luminus.be
> www.directenergy.com > www.coxio.nl



We supply energy to businesses

In Britain, we are a major supplier of gas and electricity to the commercial sector. We also have customers in Belgium, the Netherlands and Spain. In North America, we offer energy solutions to businesses in Canada and the US.

100%

of our UK business customers will be given a personal account manager

> www.britishgasbusiness.co.uk
> www.directenergy.com
> www.usdirectenergy.com



We provide home and energy services

We are Britain's biggest provider of central heating, gas appliance installation and maintenance. In North America, we deliver a range of heating, ventilation and air conditioning services.

8,676

engineering staff are employed by British Gas

> www.house.co.uk
> www.directenergy.com



Sam Laidlaw
Chief Executive

Delivering our strategy

Financially the business performed well in a difficult year. While good progress is being made there is further work to be done to improve the British Gas service levels, reduce our cost base and develop our services, energy efficiency and international businesses.

Against a backdrop of unprecedented volatility Centrica produced a solid set of financial results.

Our UK retail businesses have had a difficult year, but all have met the challenges with determination.

High wholesale prices meant British Gas Residential made a significant loss* in the first six months of the year. Despite continuing to launch innovative products, including the very successful Fix and Fall offering, we lost 1,029,000 energy accounts.

Once the outlook for wholesale prices became clearer, British Gas took the lead in announcing a price reduction to residential customers of 17% in gas and 11% in electricity, effective from 12 March 2007.

British Gas Services finished the year strongly as the changes we made to systems, management and processes improved both operational and service measures.

A fire at the Rough storage facility led to a four-month shutdown. An exceptional effort by the Centrica Storage team restored operations in time for the start of the winter production season, enabling the asset to deliver another strong financial result.

In North America, Direct Energy had another year of record figures with turnover up 15%, primarily because of strong growth in business markets and in Texas. Despite this strong overall growth, decisive action was taken to reduce costs, resulting in 450 job losses during the year.

The European business made considerable progress, moving firmly into profit*.

Centrica regards safety as a top priority and is committed to providing a healthy and safe environment for employees and the communities it touches. It was, therefore, distressing that the year ended on such a tragic note with a helicopter accident in the Morecambe Bay area, claiming the lives

of six people, four of them long-serving Centrica employees, with a seventh person still missing, presumed dead. We have set up a memorial trust in their name.

Outlook

The core businesses remain strong and we are in an enviable position in most of our markets.

In addition, the wholesale pricing environment is starting to improve. However, it is clear that the returns in our residential business in the UK have been low and we have been over-exposed to the rapidly rising wholesale cost of the energy we supply to our customers. We have also delivered less than satisfactory customer service in British Gas as we moved our customer data from a number of old systems on to a single computerised system.

I have set out some clear priorities:

- ▶ Transform British Gas;
- ▶ Sharpen up the organisation and reduce costs;
- ▶ Reduce risk by adding new sources of gas and power;
- ▶ Build on our multiple growth platforms.

We made some progress on this agenda during the second half of the year. As well as the price reduction, we launched our Essentials Tariff to provide protection to our most vulnerable customers. The service levels in our British Gas Services business have shown a significant improvement and our attention is now firmly focused on service levels in the residential business.

We have restructured parts of the corporate centre, British Gas Residential and British Gas Services, resulting in around 1,550 job losses. We will continue to review the structure of our business and seek further efficiencies. British Gas Residential is on track to return to a more sustainable

*including joint ventures and associates stated net of interest and taxation, and before exceptional items and certain re-measurements.

operating margin* and to arrest the decline in customer numbers.

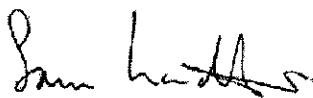
We expect gas production levels to be broadly flat on 2006 in Centrica Energy and we should see further growth in British Gas Business. In British Gas Services we believe the investment we have made in new systems, management and processes will deliver significantly improved financial performance in 2007.

In North America, revenue and profit* are expected to increase, with further growth in business markets mainly in the northeastern United States. Further expansion in continental Europe remains important. However, we remain cautious about the potential for making further inroads in the short term.

Global warming is taking on greater importance for governments, companies and consumers alike. While Centrica already has the lowest carbon intensity profile of the major UK power suppliers, we will continue to expand our investments in the area of renewable energy and promote the use of energy-efficient technology by consumers.

We will also capitalise on our unique expertise and capability to deliver energy efficiency advice, services and products to our business and residential customers.

I am optimistic for 2007, which I feel sure will be an important year in Centrica's development. I anticipate making real progress and delivering a step up in the performance of the business.



Sam Laidlaw
Chief Executive

Securing our customers' energy needs

We are focusing on four key areas where we are delivering service improvements and investing in our energy future.

Securing the loyalty of our customers

Customers are at the centre of our operation, so we are developing innovative ways of delivering a better service offering for our residential and business markets.

page 6

Securing future energy supplies

With the UK now a net importer of gas, our expertise in securing new supplies for our customers and our investment to underpin new energy infrastructure have become essential.

page 9

Securing our position internationally

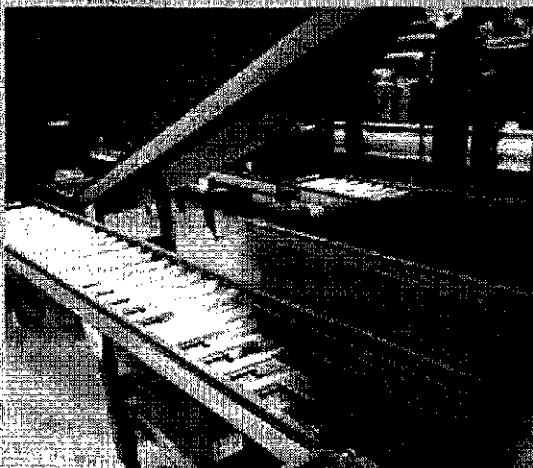
Our Direct Energy business has enhanced its service package for customers in Canada, strengthened its upstream power portfolio in Texas and grown our position in our US markets.

page 10

Securing a sustainable future

Green energy generation and energy efficiency have become key to our way of operating. We are working to minimise our carbon footprint and to help our customers reduce theirs.

page 13



Securing the loyalty of our customers

Overnight success

The new British Gas Services distribution centre in Leicester has been designed to speed up repairs for our customers. Parts ordered by 6.30pm can be delivered to engineers by 7.45am the next day. The centre stocks 23,000 different parts and issues around 21,800 items every day.

Calling direct

Our business customers have told us they don't like being passed around departments.

So British Gas Business is providing all business customers with an account manager such as Sheena Raichura (pictured) who will be their single named point of contact with a direct phone line and email address.

Every account manager will manage a portfolio of customers and be responsible for handling all of their queries and product needs. The focus is on building successful and profitable relationships.

This approach breaks the mould in the energy markets and is generating excitement and positive reaction among business customers.

Ninety-five per cent of our small and medium-sized enterprise customers renewed their contracts with British Gas Business during 2006.





British Gas Residential

- 800 more customer service staff
- 95% of customers now on new billing system
- Lost 1 million customer accounts

Turnover increased by 18% to £7.1 billion, and operating profit* rose by 6% to £95 million.

At the end of December, we had 16 million energy accounts, a net loss of 1,029,000. But launching innovative products, such as Fix and Fall, has helped to contain customer losses.

We moved 95% of our customer accounts on to our new billing system but this transfer process, combined with increased calls experienced when prices went up, meant customer service levels dropped. In response, we increased front-line staff by 800. We plan to make ongoing cost savings by, for example, closing some of our offices.

We installed more than 13 million energy efficiency measures, such as loft and cavity wall insulation, with an equivalent carbon saving of 1 million tonnes. We also have a range of energy efficiency services, including our Energy Savers Report, which 1.5 million customers completed in 2006.

British Gas was selected as an accredited supplier for the Government's Low Carbon Building Programme, the only company to gain that status across all five microgeneration technologies.



British Gas Business

- Record profits*, up 13% to £87 million
- SME contract renewals topped 95%
- 'Named' point of contact for each customer

We increased our total supply points by 2.5% to 932,000, despite increasing prices to customers. Higher churn rates were more than offset by a strong sales performance, small and medium-sized enterprise (SME) contract renewal levels of over 95% and further improvements in retaining corporate customers.

Turnover rose by 53% to £2.3 billion because of price rises, growing customer numbers and higher average consumption as a result of winning a number of large corporate accounts.

Operating profit* climbed 13% to £87 million despite a significant loss* before the price increase in March. Profit* in the second half was markedly higher as tariff increases took effect and wholesale costs reduced. Operating costs went up, partly because of investments in a new billing system and higher sales and marketing costs.

We made progress on a customer service initiative that will create a single named point of contact for each customer and on the deployment of new technology and processes.

We also continued to establish our position as an industry leader by supplying smart meters that provide real-time consumption data to help customers improve their energy efficiency.



British Gas Services

- Service levels saw a marked improvement
- Turnover increased by 8%
- Product relationships up 4% to 7 million

Low temperatures in early 2006 led to a record number of call-outs, which put extra pressure on operations and affected service levels. But operational performance improved considerably in the second half as process and system changes were implemented. This restructure resulted in 390 job losses.

In addition, the second half of the year saw a stronger performance in the central heating installation business with a 9% increase on the same period last year, recovering much of the fall in the first half.

Turnover was up by 8% at £1.1 billion as the number of contracts rose by 4% to just over 7 million. Operating profit* went down by 8% to £102 million because of the increased breakdown call-outs and the extra cost of parts required for the repairs in the first half of the year. The second half showed a year-on-year improvement of 12%.

During the year, we installed around 90,000 energy-efficient boilers and our engineers are now providing solar thermal products for domestic customers.

British Gas

British Gas Business

British Gas

DYNO
Part of British Gas

* Including joint ventures and associates stated net of interest and taxation, and before exceptional items and certain re-measurements.



Centrica Energy

- Completed new Langede reception terminal
- Work started on £400 million 885MW Langede power station
- First green power from Barrow offshore wind farm

We faced a challenging year and operating profit* was down 24% at £686 million because of lower gas production levels and the forecast increased losses* in the industrial and wholesale business.

Gas

Operating profit* from gas production was down 15% to £864 million due to a 37% reduction in gas volumes. Morecambe production volumes were down 51%, partly because we switched the field off in response to lower gas prices.

In addition to a £153 million acquisition of a 4.84% stake in the Statford field, we invested £100 million on maintaining and developing our upstream assets. We also spent around £17 million on gas exploration in the UK.

We successfully participated in exploration licensing rounds, and now have areas in Norway, Egypt, Nigeria and the UK. We have also entered the Trinidad licensing round.

Electricity

We generated 10.5TWh of power from our 3.4GW fleet of gas-fired power stations, down on the previous year.

We started building a £400 million 885MW gas-fired plant at Langede in Devon, the first power station to be built in the UK for five years. Commercial operations are to start during winter

2008/09. In November, we bought 85% of Coastal Energy Limited, which is seeking planning permission to build the UK's first clean coal-powered plant to incorporate leading edge carbon capture technology. It will produce the lowest carbon emissions of any fossil fuel plant in the UK. We also acquired an interest in a company developing a carbon sequestration business.

We continued to participate in the EU Emissions Trading Scheme and are involved in 15% of all EU carbon allowance trades.

Renewables

In March, we added to our renewable power portfolio and produced the first green power from our 90MW joint venture Barrow offshore wind farm. The award of the main construction contracts for the two 90MW wind farms in the Wash is almost complete. First power is due in late 2008. We also submitted a planning application for a 250MW wind farm off the Lincolnshire coast.

Energy procurement

We signed an innovative coal-linked power purchase agreement with Drax power station for the supply of 600MW of baseload power over five years, starting in October 2007.

In the final quarter, two key pipeline projects underpinned by British Gas contracts started delivery. The pipelines are capable of supplying 40% of UK demand.



Centrica Storage

- Restored operation after fire
- Recovery operation involved 500,000 man-hours, with no lost-time incidents
- Operating profit* up 48% to £228 million

The main focus in 2006 was the recovery of operations after the explosion and fire that caused significant damage to the main offshore platform of the Rough storage facility in February.

The restoration project involved about 500,000 man-hours and was completed with no health and safety lost-time incidents.

The cost of the incident resulted in an exceptional cost to the Group of £48 million.

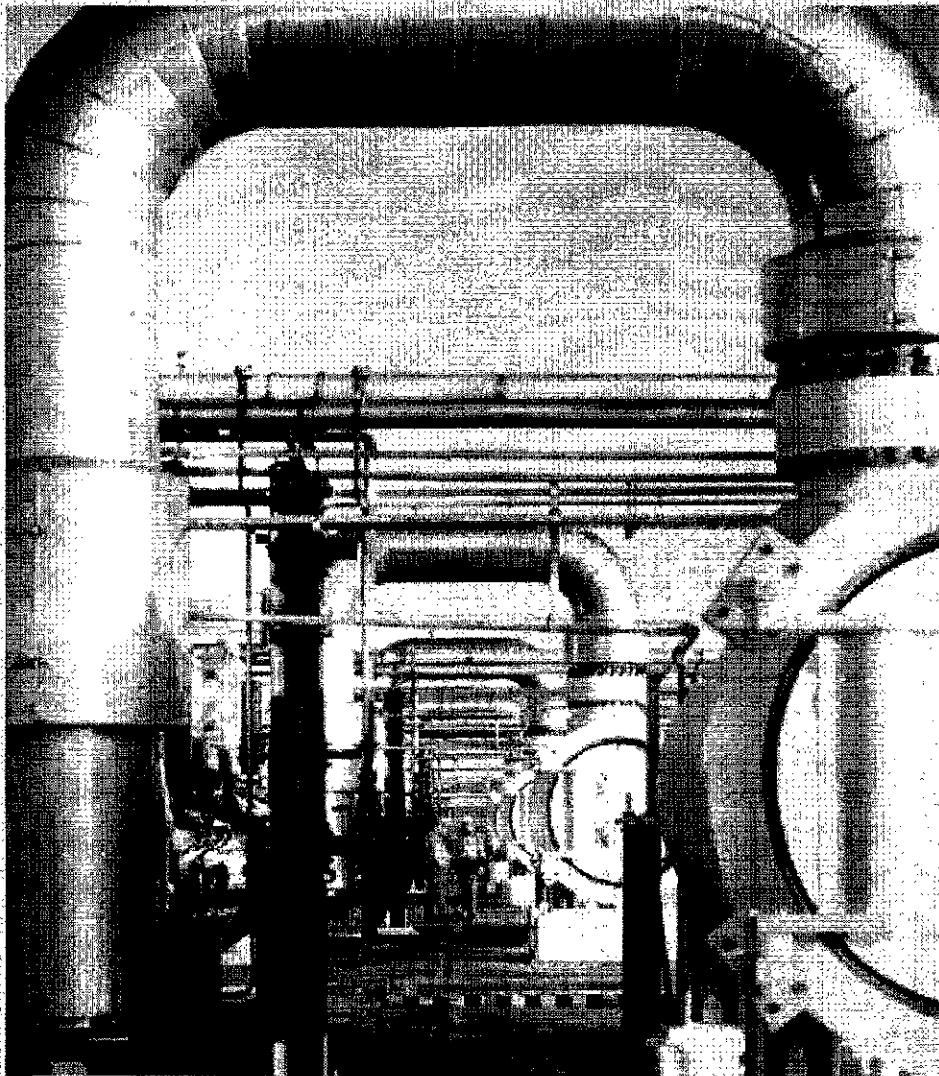
Operating profit* was up 48% to £228 million. This was mainly from a rise of 62% in the average standard bundled unit price.

centrica
energy

centrica
storage

* including joint ventures and associates stated net of interest and taxation, and before exceptional items and certain re-measurements.

Securing future energy supplies



Piping in investment

British Gas contracts have underpinned the investment by a consortium of Norwegian companies in the new Langeled pipeline from Norway to the UK.

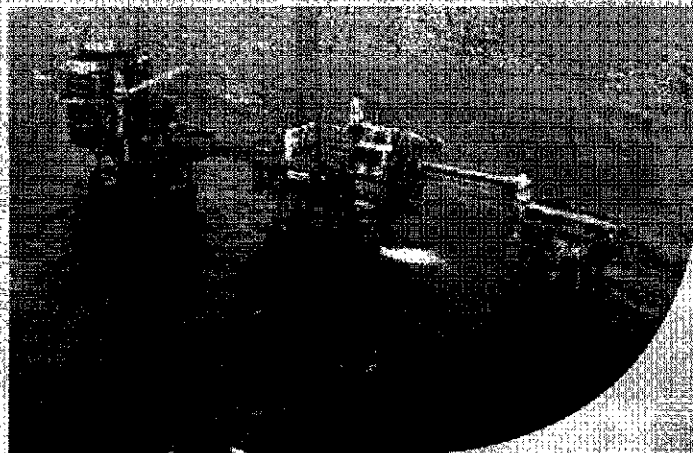
We are set to receive about a fifth of the gas that comes via the pipeline through a 10-year £6 billion contract with Statoil. This investment is another example of how the Company is securing long-term gas supplies for its British Gas customers as well as answering the UK's need for new gas sources.

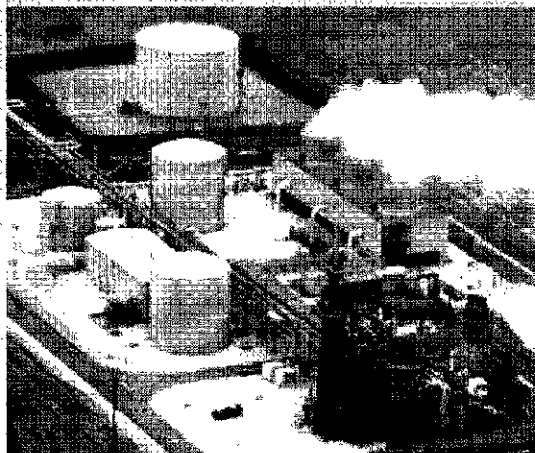
Centrica Energy managed the construction of the terminal at Easington on the Yorkshire coast which is receiving gas from the pipeline. Centrica Storage is now operating the terminal.

The opening of the 745-mile Langeled pipeline, the world's longest subsea pipeline, in October 2006 helped bring an immediate fall in wholesale gas prices. An increased supply of gas into the UK is set to bring greater stability to prices.

Rough is ready

Centrica Storage runs the UK's largest storage facility at Rough, holding more than 70% of the gas the country keeps in store. The business is seeking to expand Rough's capacity to meet the growing need for gas storage in the UK.





Securing our position internationally

Texas power push

Direct Energy bought the 244MW gas-fired Paris Energy Center in February 2006 to secure power supplies for its 950,000 customers in Texas. The purchase, our third power plant in the state, has strengthened our upstream portfolio and means we can meet 27% of peak demand from our own resources.



Checklist for a better customer experience

Our Canadian home services team has developed a process known as the 'perfect visit' to give customers more for their money from a service call.

Once, technicians such as Marcello Natalizio (pictured) just cleaned furnaces (boilers) and then serviced them. Now they also give customers diagnostic information about the condition and performance

of their energy appliances, using an eight-point checklist.

The checks identify likely component failure so repairs can be carried out before a fault occurs.

Benefits include a reduction in repeat calls of 23%, translating into a CAN\$1 million (£430,000) saving, a decrease in workload peaks and an improvement in customer satisfaction.

The idea was developed with contributions from customers, who said they wanted to know more about the equipment being serviced.



Centrica North America

- Turnover topped £4 billion
- Operating profit* grew by 21% to £223 million
- Bought 244MW power station in Texas

Our North American business has continued its strong growth. Overall, turnover grew by 15% to £4.1 billion driven primarily by the continued growth in business markets and the organic residential business in Texas. Operating profit* climbed by 21% to £223 million, mainly because of higher profits* in Texas and the home services business.

Despite this strong overall growth, as part of a continual review of the efficiency of the business, decisive action was taken to reduce costs. This resulted in 450 job losses, mostly in Canada and US home services.

Energy

Our Alberta business moved into profit* for the first time, although the competitive market is growing slowly. Here the regulated business has experienced a net customer decline of only 8%. We now have around 95,000 competitive customer accounts on supply.

Turnover in Texas grew by 18% mainly because we attracted more customers outside our incumbent territory.

In April, we acquired about 100,000 customers from Entergy. We bought the Paris power station in February and completed three wind power purchasing agreements. Our total contractual wind power capacity is now 643MW, enabling us to offer our customers innovative renewable energy plans.

In the US, we made encouraging progress in growing customer numbers by 5%, with a strong performance in the New York market. The combination of higher retail prices and more customers was offset by expenditure on growth and by lower consumption brought on by very warm weather at the end of 2006.

Home services

Home services performed well with a 33% growth in operating profit*. This was achieved mainly in Canada through better margins on heating, ventilation and air conditioning sales as well as operational efficiencies.

Business markets

We continue to invest heavily in the business sector and have seen significant growth with volumes sold rising by 11% in gas and 127% in electricity.

We entered 12 new utility areas. But the costs involved contributed to a bigger operating loss*. However, underlying gross margins* remain healthy.

Energy wholesale and trading

We widened the remit of our wholesale and trading business to encompass buying future capacity in gas transportation and storage and wind power contracts. The aim is to utilise the expert trading team we have in place to support retail procurement across the US and Canada.

Community support

Direct Energy continued to support the 'Neighbor-to-Neighbor' project in Houston with a US\$1 million (£540,000) contribution. We work in partnership with 29 community agencies which distribute funds to vulnerable customers who are unable to pay for their home electricity in emergency situations.



Europe

- Turned a £9 million operating loss* into a £7 million profit*
- Entered German market
- Full integration of SPE businesses in Belgium

Our European businesses performed well, turning last year's £9 million operating loss* into a £7 million profit*.

In Belgium, we integrated all the businesses that made up SPE and we now operate nationally under the Luminus brand.

In the Netherlands, we grew our customer base through our Oxxio brand and signed a tolling agreement with Intergen for the output of a 400MW combined cycle gas turbine power station.

Our Luseo operation in Spain continued developing energy management services to renewables generators and exploited other energy management opportunities.

We also created a German subsidiary, Centrica Energie, based in Dusseldorf, and are positioned to begin selling energy to the commercial supply market in 2007.



Direct Energy



* including joint ventures and associates stated net of interest and taxation, and before exceptional items and certain re-measurements

Corporate Responsibility

- ▶ Our carbon footprint was 8.6 million tonnes of CO₂/CO₂ equivalent*
- ▶ We introduced the UK's largest social energy tariff
- ▶ We contributed £7.4 million to community causes**

Centrica works with a wide range of stakeholders in the UK and overseas, so we can more effectively manage the social, ethical and environmental impact of our business activities. The Group's business principles set out the standards of behaviour we expect of our employees and our suppliers.

Here is a summary of our corporate responsibility (CR) progress during the year. More detail will be provided in our 2006 Corporate Responsibility Report, available in May 2007 at www.centrica.com/responsibility.

We have changed our governance arrangements for CR, establishing a main board committee to lead our strategy. It is chaired by Mary Francis CBE, Centrica's Senior Independent Non-Executive Director.

Tackling climate change

Addressing climate change presents risks and opportunities across our business. Our aim is to contribute to the creation of a sustainable, low-carbon future, while ensuring the security of energy supplies.

We have undertaken work to calculate the carbon footprint of our operations. Our footprint – emissions from power generation, gas production and storage, energy usage, fleet operations and business travel – was 8.6 million tonnes of carbon dioxide (CO₂) or CO₂ equivalent* in 2006.

In addition to our investments in wind farm developments, we are taking part in the UK's first complete clean coal power generation project, on Teesside, which will capture and store the CO₂ it produces.

We continued to develop a range of energy efficiency services to help customers reduce their own carbon emissions. British Gas supplied more than 13 million energy efficiency products, with an equivalent carbon saving of 1 million tonnes, benefiting more than 6 million households.

Pricing

To lessen the impact of high prices, we created innovative schemes to help our most vulnerable customers. For example, we committed to provide them with £18.3 million of winter fuel rebates and introduced the UK's largest social energy tariff, which will reduce bills for 750,000 vulnerable customers.

Health and safety

The health and safety of our employees, customers and others who could be affected by our activities are a top priority for us.

Our previously strong safety performance was marred by two major incidents during the year. In the first, two people were injured during a fire and explosion at our Rough storage facility. The second was a helicopter accident in the Morecambe Bay area which claimed the lives of six people, four of them long-standing Centrica employees with a seventh person still missing, presumed dead.

In neither of these incidents was there any indication that our own safety management processes were defective. However, this highlights the need for constant vigilance and a need to continuously seek safety improvements.

Valuing our people

We recorded a 2% increase in our overall engagement survey score, which measures the attitudes and opinions of our employees. British Gas Business was recognised as the number one large employer in the UK by the Financial Times.

Our fourth annual equal pay audit showed that the gender pay gap in Centrica continues to narrow and compares very favourably with published national norms.

Diversity and inclusion

We worked closely with the Employers Forum on Age to prepare for the introduction of the new UK age regulations in October. Our British Gas Engineering Academy continued its work to recruit more women and people from minority ethnic groups into our engineering workforce.

Investing in communities

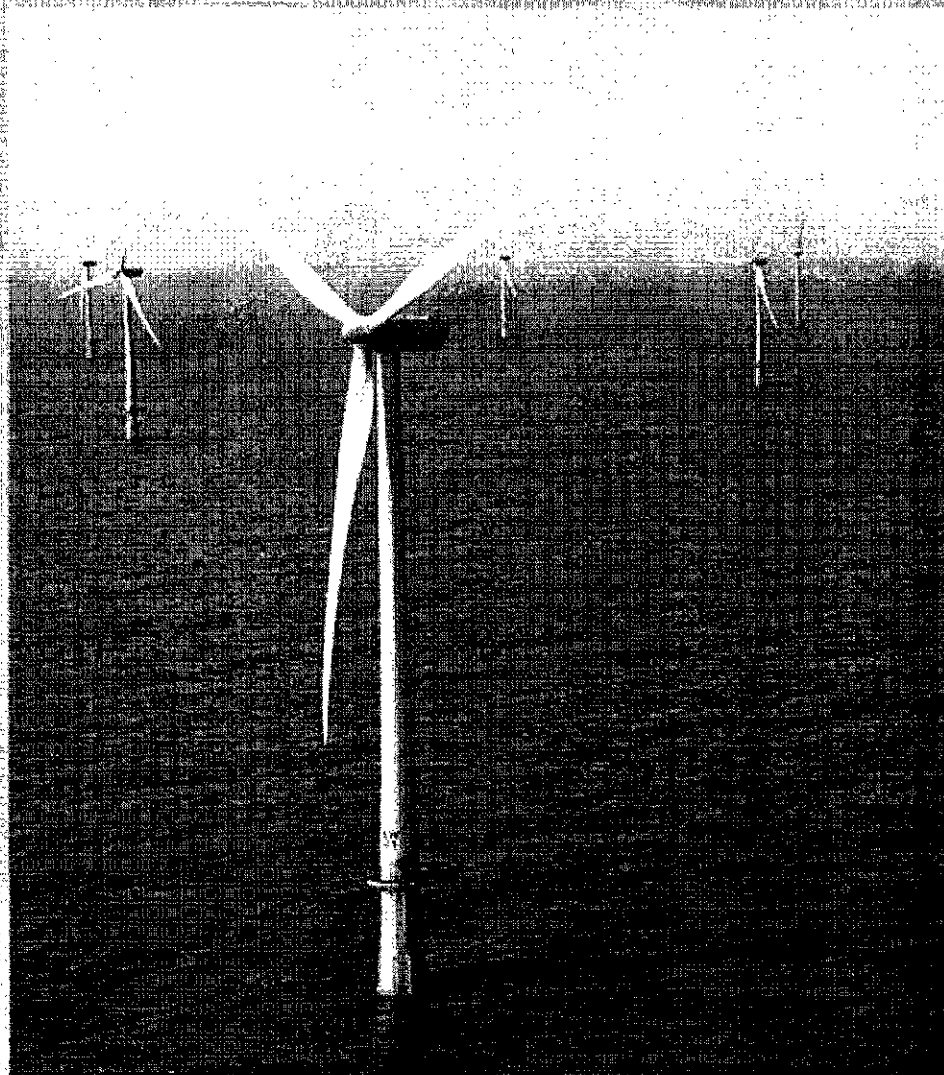
We contributed £7.4 million** to community causes through a combination of cash, time and in-kind support.

In North America, Direct Energy employees continued to take part in our 'Dollars for Doers' programme, with paid time off to volunteer. In the UK, we launched an initiative called 'Centrica Get Involved' enabling employees to take advantage of volunteering opportunities with paid time off from the Company.

* Data tolerance level of 10%. A further 8.3m tonnes of CO₂ emissions comes from UK purchased power.

** Cash, time and in-kind support in accordance with London Benchmarking Group model. This included a donation of £3 million to the British Gas Energy Trust, which supports vulnerable customers.

Securing a sustainable future



Blowing in the wind

Centrica is committed to renewable energy and has now opened two wind farms, the most recent being an offshore wind farm off the coast of Barrow.

The 90MW wind farm, a joint venture between Centrica and Danish energy company DONG, was opened in September 2006 and can supply power to around 65,000 homes and help save 200,000 tonnes of carbon dioxide emissions every year.

The Company's £60 million investment is part of the £750 million we plan to spend on renewable projects in the coming years and is a clear indication of how seriously we view the campaign against global warming.

Our onshore wind farm, at the Glens of Foudland in Aberdeenshire, is generating 80GWh of electricity per year.

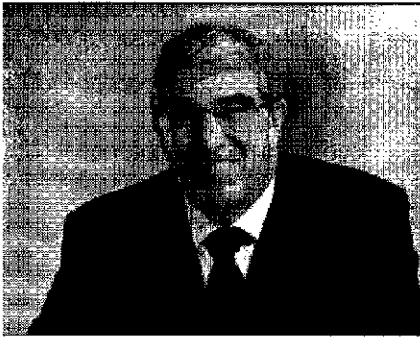
We are also set to develop two more offshore wind farms in the Greater Wash off the coast of Lincolnshire and will take a 50% share in the Braes of Doune onshore wind farm in Scotland, which started construction during the year.

Energy saving

Our Energy Savers Report, which can be accessed online, enables customers to save money and reduce their carbon dioxide emissions. Around 1.5 million customers have completed a report, and have received energy and environmental ratings as well as advice on a range of energy-saving measures.



Board of Directors



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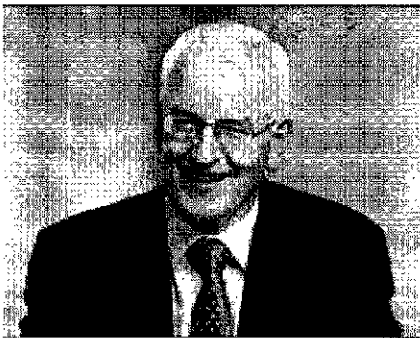
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Senior Management Team



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17

1. Roger Carr**Chairman (60) N.R**

Roger Carr joined the Board as a Non-Executive Director in 2001 and was appointed Chairman in May 2004. He is Chairman of Mitchells & Butlers plc, Deputy Chairman of Cadbury Schweppes plc and a senior adviser to Kohlberg Kravis Roberts & Co Ltd.

2. Sam Laidlaw**Chief Executive (51) D.E.N**

Sam Laidlaw joined Centrica plc as Chief Executive in July 2006. Between October 2006 and the end of February 2007 he assumed direct responsibility for British Gas Residential. He was previously Executive Vice President of the Chevron Corporation, Chief Executive Officer at Enterprise Oil and President and Chief Operating Officer at Amerada Hess. He is a Non-Executive Director of Hanson plc, a Trustee of the medical charity RAFT and a Director of the Business Council for International Understanding.

3. Helen Alexander CBE**Non-Executive Director (50) A.N.R**

Helen Alexander joined the Board in January 2003. She is Chief Executive of The Economist Group, a Trustee of the Tate Gallery and an Honorary Fellow of Hertford College, Oxford. Formerly, she was a Non-Executive Director of BT Group plc and Northern Foods plc.

4. Phil Bentley**Group Finance Director (48) D.E**

Phil Bentley joined Centrica plc as Group Finance Director in 2000, a position he held until the end of February 2007 when he was appointed Managing Director, British Gas. He was also Managing Director, Europe between July 2004 and September 2006. Formerly, he was Finance Director of UDV Guinness from 1999 and Group Treasurer and Director of Risk Management of Diageo plc from 1997. Previously, he spent 15 years with BP plc in various international oil and gas exploration roles. He is also a Non-Executive Director and the Chairman of the audit committee of Kingfisher plc.

5. Mary Francis CBE**Senior Independent Non-Executive Director (58) A.C.N.R**

Mary Francis joined the Board in June 2004 and was appointed Senior Independent Non-Executive Director in May 2006. She is a Non-Executive Director of the Bank of England, Aviva plc and St. Modwen Properties plc. She is a Director of Fund Distribution Ltd and a Trustee of the Almeida Theatre. She is a former Director General of the Association of British Insurers. She was previously a senior civil servant in the Treasury and the Prime Minister's Office.

6. Andrew Mackenzie**Non-Executive Director (50) A.N.R**

Andrew Mackenzie joined the Board in September 2005. He is Chief Executive, Industrial Minerals, at Rio Tinto plc. Previously, he spent 22 years with BP plc in a range of senior technical and engineering positions, and ultimately as Group Vice President, BP Petrochemicals.

7. Paul Rayner**Non-Executive Director (52)****A.N.R Australian citizen**

Paul Rayner joined the Board in September 2004. He has been Finance Director of British American Tobacco plc since January 2002. In 1991 he joined Rothmans Holdings Ltd in Australia, holding senior executive appointments, and became Chief Operating Officer of British American Tobacco Australasia Ltd in September 1999.

8. Jake Ulrich**Managing Director, Centrica Energy (54)****C.E US citizen**

Jake Ulrich was appointed to the Board in January 2005. He was appointed Managing Director, Centrica Energy in 1997. He assumed responsibility for the Group's activities in Continental Europe in September 2006. Between 1994 and 1997 he was Managing Director of Accord Energy Ltd, a joint venture between Natural Gas Clearinghouse (NGC) and British Gas plc. He previously worked for NGC, Union Carbide Corporation and the OXY/Mid Con/Peoples Energy Group.

9. Paul Walsh**Non-Executive Director (51) A.N.R**

Paul Walsh joined the Board in March 2003. He is Chief Executive of Diageo plc, having previously been its Chief Operating Officer and having served in a variety of management roles. He is a Non-Executive Director of Federal Express Corporation, a Governor of the Henley Management Centre and Deputy Chairman of the Prince of Wales International Business Leaders Forum.

Key to membership of committees

- A Audit Committee
- C Corporate Responsibility Committee
- D Disclosure Committee
- E Executive Committee
- N Nominations Committee
- R Remuneration Committee

10. Grant Dawson**Group General Counsel and Company Secretary C.D.E**

Grant Dawson has been Group General Counsel and Company Secretary of Centrica since the demerger from British Gas plc in February 1997, having joined British Gas in October 1996.

14. Mark Crosbie**Director of Corporate Strategy, Development and M&A**

Mark Crosbie was appointed Director of Corporate Strategy, Development and M&A in May 2003. Mark joined Centrica in August 2000 from UBS.

11. Deryk King**Managing Director, Centrica North America C.E**

Deryk King is responsible for all of Centrica's activities in North America. He joined Centrica in 1998 as Senior Adviser and Projects Director, responsible for the Company's European initiatives.

15. Lois Hedg-peth**Energy Director, British Gas Residential**

Lois Hedg-peth joined Centrica in September 2002 as the President of U.S. Operations. In July 2005, she joined British Gas as Energy Director.

12. Anne Minto OBE**Group Director, Human Resources C.E**

Anne Minto was appointed Group Director, Human Resources in October 2002. Prior to that she was Director, Human Resources for Smiths Group plc, a position which she held since early 1998.

16. Catherine May**Group Director of Corporate Affairs C**

Catherine May joined Centrica as Director of Corporate Affairs in September 2006 having previously been Group Director of Corporate Relations for Reed Elsevier.

13. Chris Weston**Managing Director, British Gas Services C.E**

Chris Weston was appointed Managing Director, British Gas Services in June 2005. Prior to this he was Managing Director, British Gas Business from January 2002.

17. Ian Peters**Managing Director, British Gas Business C**

Ian Peters joined Centrica in 2002 to lead Goldfish after extensive financial services experience. Ian became Managing Director, British Gas Business in June 2005.

Summary Financial Statements

Summary Group Income Statement

Year ended 31 December	2006			2005		
	Results for the year before exceptional items and certain re-measurements (£m)	Exceptional items and certain re-measurements (£m)	Results for the year (£m)	Results for the year before exceptional items and certain re-measurements (£m)	Exceptional items and certain re-measurements (£m)	Results for the year (£m)
Continuing operations						
Group revenue	16,450	-	16,450	13,448	-	13,448
Cost of sales	(12,649)	-	(12,649)	(9,793)	-	(9,793)
Re-measurement of energy contracts ⁽ⁱ⁾	-	(916)	(916)	-	456	456
Gross profit	3,801	(916)	2,885	3,655	456	4,111
Operating costs	(2,362)	(331)	(2,693)	(2,180)	(11)	(2,191)
Share of profits/(losses) in joint ventures and associates, net of interest and taxation ⁽ⁱ⁾	3	(15)	(12)	38	(1)	37
Group operating profit	1,442	(1,262)	180	1,513	444	1,957
Net interest expense ⁽ⁱ⁾	(183)	37	(146)	(145)	-	(145)
Profit from continuing operations before taxation	1,259	(1,225)	34	1,368	444	1,812
Taxation on profit from continuing operations	(543)	363	(180)	(706)	(138)	(844)
Profit/(loss) from continuing operations after taxation	716	(862)	(146)	662	306	968
Discontinued operations	(9)	-	(9)	11	34	45
Profit/(loss) for the year	708	(862)	(154)	673	340	1,013
Attributable to:						
Equity holders of the parent	707	(862)	(155)	672	340	1,012
Minority interests	1	-	1	1	-	1
	708	(862)	(154)	673	340	1,013
(Loss)/earnings per ordinary share from continuing and discontinued operations:						
Basic			(2.5)			27.4
Diluted			(2.3)			27.0
Adjusted basic	19.4			18.2		
Interim dividend paid per share			3.15			3.10
Final dividend proposed per share			8.90			7.40

	2006	2005
Directors' emoluments	5,159	4,839

(i) Certain re-measurements included within operating profit comprise re-measurement arising on our energy procurement activities and re-measurement of proprietary trades in relation to cross-border transportation or capacity contracts. In our business we enter into a portfolio of forward energy contracts which include buying substantial quantities of commodity to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IAS 39. Fair valuing means that we apply the prevailing forward market prices to these contracts. The Group has shown the fair value adjustments separately as certain re-measurements as they are unrealised and non-cash in nature. The profits arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements. Certain re-measurements included within interest comprise re-measurement of the publicly traded units of The Consumers' Waterheater Income Fund. All other re-measurement is included within results before exceptional items and certain re-measurements.

As permitted by IAS 1, Presentation of Financial Statements, certain items are presented separately as exceptional, where they are material to the result for the period and are of a non-recurring nature. Items which may be considered material and non-recurring in nature include disposals of businesses, business restructuring and the renegotiation of significant contracts and asset write-downs. We intend to follow such a presentation on a consistent basis in future periods. Items are considered material if their omission or mis-statement could, in the opinion of the Directors, individually or collectively, affect the true and fair presentation of the Financial Statements.

Summary Group Balance Sheet

31 December	2006 £m	2005 £m
Non-current assets	5,672	6,229
Current assets	5,407	7,061
Current liabilities	(5,519)	(6,395)
Net current (liabilities)/assets	(112)	666
Non-current liabilities	(3,918)	(4,453)
Net assets	1,642	2,442
Shareholders' equity	1,585	2,386
Minority interests in equity	57	56
Total minority interests and shareholders' equity	1,642	2,442

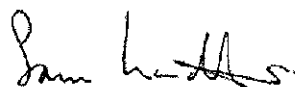
Summary Group Statement of Recognised Income and Expense

Year ended 31 December	2006 £m	2005 £m
(Loss)/profit for the year	(154)	1,013
Net (expense)/income recognised directly in equity	(120)	202
Transfers	(198)	(49)
Total recognised income and expense for the year	(472)	1,166
Change in accounting policy - adoption of IAS 32 and IAS 39	-	(343)
Total recognised income and expense since last report	(472)	823
Total income and expense recognised in the year is attributable to:		
Equity holders of the parent	(473)	1,165
Minority interests	1	1
	(472)	1,166

Summary Group Cash Flow Statement

Year ended 31 December	2006 £m	2005 £m
Net cash flow from operating activities	737	1,144
Net cash flow from investing activities	(720)	(529)
Net cash flow from financing activities	(597)	(335)
Net (decrease)/increase in cash and cash equivalents	(580)	280
Cash and cash equivalents at 1 January	1,177	885
Effect of foreign exchange rate changes	(5)	12
Cash and cash equivalents at 31 December	592	1,177

The Summary Financial Statements on pages 16 to 17 were approved and authorised for issue by the Board of Directors on 22 February 2007 and were signed on its behalf by:



Sam Laidlaw
Chief Executive



Phil Bentley
Group Finance Director

Financial terms explained

Group revenue

Revenue represents earnings receivable for goods and services provided, excluding the Group's share of revenue from joint ventures and associates.

Profit/(loss) for the year attributable to equity holders of the parent. Loss or profit earned in the year either deducted from reserves or available to pay dividends and to re-invest in the business.

Discontinued operations

The net results, after tax, of significant businesses that have been disposed to previous years (the AZ and Ontrak).

Loss/earnings per ordinary share

Basic
Loss made of £155 million divided by the weighted average number of ordinary shares in issue during the year of 3,613 million.

Diluted

As per basic but assuming the issue of new ordinary shares on exercise of share options which have been granted, but only if the loss per share is increased or earnings per share is decreased.

Adjusted basic

Loss for the year, adjusted to remove exceptional items and certain re-measurements, of £262 million, divided by the average number of shares in issue.

Cash flow from operating activities

Net cash generated in the year from the provision of gas and electricity to our customers, from the sale of goods and services and from the payment of administrative and operating expenses, including taxation.

Cash flow from investing activities

Cash flows arising in the year from activities including purchase and sale of assets, investments in and dividends received from joint ventures and associates, and investments and disposal of land and buildings.

Cash flow from financing activities

Cash flows arising from borrowings, dividends and issued and buy-back of shares and equity.

Cash and cash equivalents

Comprise the Group's cash deposits, net of overdrafts, and short-term deposits which can be accessed within three months without penalty.

Independent auditors' statement to the members of Centrica plc

We have examined the Summary Financial Statements of Centrica plc which comprise the Summary Group Income Statement, Summary Group Balance Sheet, Summary Group Statement of Recognised Income and Expense, Summary Group Cash Flow Statement and the Summary Remuneration Report.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Review and Summary Financial Statements in accordance with United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statements within the Annual Review and Summary Financial Statements with the full Annual Financial Statements, the Directors' Report (comprising the Directors' Report – Business Review and the Directors' Report – Governance) and the Remuneration Report, and its compliance with the relevant requirements of section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statements and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statements. This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. Our reports on the Company's full Annual Financial Statements describe the basis of our audit opinions on those Financial Statements and the Remuneration Report.

Opinion

In our opinion the Summary Financial Statements are consistent with the full Annual Financial Statements, the Directors' Report (comprising the Directors' Report –

Business Review and the Directors' Report – Governance) and the Remuneration Report of Centrica plc for the year ended 31 December 2006 and comply with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors,
London 22 February 2007

Full Report and Accounts

The auditors have issued an unqualified report on the Annual Financial Statements and Remuneration Report containing no statement under section 237 (2) or section 237 (3) of the Companies Act 1985. The auditors report in respect of consistency between the Directors' Report and the Group Financial Statements is also unqualified.

These Summary Financial Statements are a summary of the full Centrica Annual Report and Accounts and the narrative reports contain information from the Directors' Report but not the full text of that report. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group and of its policies and arrangements concerning the Directors' remuneration as would be provided by the full Report and Accounts.

The full Report can be downloaded from our website at www.centrica.com or can be obtained for 2006 and/or future years, free of charge, by contacting the Centrica shareholder helpline (see page 21 for contact details).

Dividends

An interim dividend for 2006 of 3.15 pence per share was paid on 15 November 2006. The Directors recommend that, subject to approval at the AGM, a final dividend of 8 pence per share will be paid on 13 June 2007 to those shareholders registered on 27 April 2007. This would make a total ordinary dividend for the year of 11.15 pence per share (2005: 10.5 pence per share).

Corporate Governance

The Group is committed to the highest standards of corporate governance. Throughout the year, the Company fully complied with the provisions of the Combined Code on Corporate Governance (the 'Code') save for the early adoption of the 2006 revision to the Code as explained in the Summary Remuneration Report on

page 19. A report on how the principles were applied is set out in the Corporate Governance Report in the Annual Report and Accounts and is summarised below.

The Board

An effective Board of Directors leads and controls the Group. The Board, which met eight times during the year, has a schedule of matters reserved for its approval. This schedule and the terms of reference for the Board's primary committees (Executive, Audit, Remuneration, Nominations, Corporate Responsibility and Disclosure Committees) are available on request and on our website www.centrica.com. Membership of these committees is shown on page 15. The Board is responsible for:

- ▶ the development of strategy and major policies;
- ▶ the review of management performance;
- ▶ the approval of the annual operating plan, the financial statements and major acquisitions and disposals;
- ▶ the system of internal control; and
- ▶ corporate governance.

One of its meetings each year is substantially devoted to the development of strategy. Comprehensive briefing papers, including financial information, are circulated to each Director a week prior to Board meetings.

Board appointments, evaluation and training

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board which is described in the full Report and Accounts. During the year, the Board conducted, with the assistance of an independent external facilitator, JCA Group, a formal and rigorous evaluation of its own performance and that of its committees and individual Directors.

The Directors receive ongoing training including an induction programme tailored to meet the needs of the individual. At Board meetings, the Directors also receive regular updates on changes and developments to the business, legislative and regulatory environments.

Internal control

The Audit Committee reviews regular internal control reports, tracks issues, monitors performance against objectives and ensures necessary actions are taken to remedy any significant failings or weaknesses identified from those reports.

The Board of Directors, with the advice of the Audit Committee, has reviewed the effectiveness of the internal control system, as described above, operated throughout the period from 1 January 2006 to the date of this report, and is satisfied that the Group complies with the Turnbull Guidance on Internal Control.

Summary Remuneration Report

This is a summary of the full Remuneration Report, which is contained in the Annual Report and Accounts, copies of which are available from our website at www.centrica.com.

Composition and role of the Remuneration Committee

During 2006, the Remuneration Committee comprised Helen Alexander (Chairman), Mary Francis, Paul Rayner, Paul Walsh and, from 21 February, Andrew Mackenzie. Patricia Mann was a member of the Committee until 19 May and, by way of early adoption of the 2006 revision to the Combined Code on Corporate Governance (the 'Code'), Roger Carr was a member from 26 July. The Committee met seven times during 2006. The Remuneration Committee's terms of reference are available at www.centrica.com.

The Committee makes recommendations to the Board, within formal terms of reference, on the policy and framework of executive remuneration and its cost to the Company. The Committee is also responsible for the implementation of remuneration policy and determining specific remuneration packages for each of the Executive Directors.

During the year, Kepler Associates (Kepler) acted as independent executive remuneration adviser to the Company and the Committee, having been formally appointed in 2006.

Executive Directors' remuneration policy and framework

It is the role of the Committee to ensure that the Group's remuneration policy and framework provides competitive reward for its Executive Directors and other senior executives, taking into account the Company's performance, the markets in which it operates and pay and conditions elsewhere in the Group.

In constructing the remuneration packages, the Committee aims to achieve an appropriate balance between fixed and variable compensation for each executive. Accordingly, a significant proportion of the remuneration package depends on the attainment of demanding performance objectives, both short- and long-term. The annual bonus scheme is designed to incentivise and reward the achievement of demanding financial and business related objectives. Long-term share-based incentives are designed to align the interests of Executive Directors and other senior executives with the longer-term interests of shareholders by rewarding them for delivering sustained increased shareholder value.

In agreeing the level of base salaries and the performance-related elements of the remuneration package, the Committee considers the potential maximum remuneration that executives could receive. The Committee reviews the packages and varies individual elements when appropriate from year to year.

The Committee, assisted by Kepler and internal resource, conducted a thorough review of the Group's executive incentive arrangements in late 2005 and early 2006.

The purpose of this review was to ensure that the incentive arrangements: provided a strong alignment with the delivery of value to shareholders; reflected current best practice, while meeting the Group's particular business needs; and would enable the Group to continue to attract, retain and motivate high-calibre management in a highly-challenging business environment.

Following this review, the Committee proposed changes to the future policy and framework of executive remuneration arrangements in line with the above objectives and these were endorsed by shareholders upon the approval of new share-based incentive schemes at the 2006 AGM.

In 2006, executive remuneration comprised base salary, annual performance bonus, an allocation of shares under the new Long Term Incentive Scheme (LTIS), which was approved at the 2006 AGM and, as part of the transitional arrangements to the new policy, a grant of options in April under the Executive Share Option Scheme (ESOS). In 2007, executive remuneration will comprise the above, but participation in the new Deferred and Matching Share Scheme (DMSS), based on the annual performance bonus in respect of 2006, will replace the ESOS.

No further ESOS grants will be made on a regular basis, although the Committee will retain the discretion to make grants under the ESOS in the future if there are exceptional circumstances in which it considers it appropriate to do so.

As a result of the changes under the new policy, the Committee expects that total remuneration for median performance will remain unchanged, but that total remuneration for upper quartile performance will be increased in line with market practice.

As a matter of policy, the notice periods of the Executive Directors' service contracts do not exceed one year. The Committee exercised its discretion in respect of the appointment of Sam Laidlaw, whose service contract allows for an initial period of two years. This notice period will reduce to one year in July 2008.

The Committee believes that these arrangements are important in providing

a potential remuneration package that will attract, retain and continue to motivate Executive Directors and other senior executives in a marketplace that is challenging and competitive in both commercial and human resource terms. It is intended that this remuneration policy and framework, which is fully endorsed by the Board, will continue for 2007 and succeeding years.

Components of remuneration

For 2006, the maximum annual performance bonus payable to the Executive Directors should every single element of every objective be achieved in full was 125% of base salary. The current objectives comprise financial performance targets (64%) and business-related targets (36%). A bonus will be forfeited if the Committee considers overall performance to have been unsatisfactory.

In April 2006, options were granted to Executive Directors equal to 200% of base salary and, at the same or lower rates, to certain other senior executives.

The performance conditions for the ESOS are based on the extent to which growth in the Company's adjusted earnings per share (EPS growth) exceeds growth in the Retail Prices Index (RPI growth) over a three-year performance period.

In 2006, LTIS allocations equal to 150% of base salary were awarded to Executive Directors and, at lower rates to certain other senior executives. The release of allocations will be subject to performance conditions over a three-year period:

- ▶ half the shares in each allocation are subject to a performance condition based on the Company's EPS growth relative to RPI. To vest in full, EPS growth must exceed RPI growth by 30 percentage points or more over the performance period. No part of the award will vest if EPS growth fails to exceed RPI growth by at least 9 percentage points over the performance period. The proportion of the award that will vest will increase on a straight-line basis between 25% and 100% if EPS growth exceeds RPI growth by between 9 and 30 percentage points over the performance period; and
- ▶ the other half of the shares in each allocation are subject to a performance condition based on the Company's Total Shareholder Return (TSR) performance relative to the other 99 companies in the FTSE 100 on the date of award with vesting reducing on a straight-line basis from 100% for upper quintile ranking to 25% for median ranking performance.

Summary Reports continued

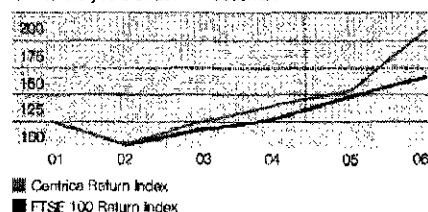
The Committee has determined that, for that part of the LTIS subject to the comparative TSR performance conditions, the most appropriate comparator group for the Company is the companies comprising the FTSE 100 at the start of the relevant performance period.

The initial award under the Deferred and Matching Share Scheme will be made in 2007 based on the 2006 annual bonus. 20% of the annual bonus payable to Executive Directors and other senior executives will be deferred automatically for a period of three years and invested in Centrica shares (deferred shares), during which time they cannot normally be withdrawn. Participants may elect to invest an additional amount in Centrica shares (investment shares) to be funded from actual bonus payable or the release of LTIS shares only which, when added to the value of the deferred shares, will bring the total amount invested up to 50% of the individual's maximum bonus

entitlement in respect of the preceding year. Deferred and investment shares will be matched with conditional shares (matching shares), which will be released upon the achievement, over a three-year period, of demanding three-year cumulative group economic profit performance targets.

The following graph compares the Company's TSR performance with that of the FTSE 100 Index for the five years ended 31 December 2006.

Total Return Indices – Centrica and FTSE 100 Index
for the five years ended 31 December



Other employment benefits

In common with other senior management, Executive Directors are entitled to a range of benefits, including a company car, life assurance, private medical insurance and a financial counselling scheme.

The Centrica Management Pension Scheme (a contributory final salary arrangement) was closed to new employees on 30 June 2003. Executive Directors in office prior to this date participated in that scheme during 2006. Alternative arrangements are made for new employees, including Executive Directors, after that date.

The Executive Directors are also eligible, on the same basis as other employees, to participate in the Company's HMRC-approved Sharesave and Share Incentive Plan.

Directors' emoluments, pension benefits and interests in shares

As at 31 December 2006

Executive Directors

	Total emoluments excluding pension 2006 £000 (£)	Total emoluments excluding pension 2005 £000 (£)	Accrued annual pension 2006 £ p.a. (£)	Beneficial interests in ordinary shares 2006	Total options under Sharesave 2006	Total options under the ESOS (iii) 2006	Total allocations under the LTIS (iv) 2006
Phil Bentley	1,136	932	107,500	460,880	5,161	2,447,779	606,064
Mark Clare ⁽ⁱ⁾	412	868	151,200	–	9,318	–	–
Sir Roy Gardner ⁽ⁱⁱ⁾	784	1,616	424,000	–	–	–	–
Sam Laidlaw ^(vi)	1,079	–	–	200,106	–	–	431,837
Jake Ulrich	1,102	881	186,800	719,341	–	2,559,895	613,998
	4,513	4,297					

Non-Executive Directors

Helen Alexander	60	55	–	2,520	–	–	–
Roger Carr	344	250	–	19,230	–	–	–
Mary Francis	56	50	–	981	–	–	–
Andrew Mackenzie	50	17	–	21,000	–	–	–
Patricia Mann ⁽ⁱⁱⁱ⁾	21	55	–	–	–	–	–
Paul Rayner	65	65	–	5,000	–	–	–
Paul Walsh	50	50	–	4,500	–	–	–
	646	542					

Total emoluments	5,159	4,839					
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- (i) Total emoluments for Executive Directors include all taxable benefits arising from employment by the Company, including the provision of a car, financial counselling, medical insurance and life assurance premiums.
- (ii) Accrued pension is that which would be paid annually on retirement at age 62, based on eligible service to 31 December 2006. Full details of the Directors' pension scheme arrangements can be found in the Annual Report and Accounts.
- (iii) Options were granted under the ESOS on 31 May 2001, 2 April 2002, 24 March 2003, 18 March 2004, 1 April 2005 and 3 April 2006.
- (iv) Allocations were made under the LTIS on, 1 April 2004, 1 April 2005, 3 April 2006 and 4 September 2006.
- (v) The aggregate value of shares vested to Executive Directors under the LTIS was £2,352,203. As at 22 February 2007, the beneficial shareholdings of Phil Bentley and Jake Ulrich had each increased by 102 shares and Sam Laidlaw had increased by 101 shares acquired through the Share Incentive Plan.
- (vi) Patricia Mann served as a Non-Executive Director until 19 May 2006. Sir Roy Gardner retired on 30 June 2006 and Mark Clare resigned on 30 September 2006. Sam Laidlaw joined the Company on 1 July 2006.
- (vii) On joining the Company, Sam Laidlaw received a payment of £300,000 of which £215,000 was paid by the Company into his personal pension plan, and the balance of £85,000 was paid in cash. A further £170,000 was also paid to him during the year, being a salary supplement of 40% of base pay in lieu of any pension provision.

Services for shareholders

Dividends

25 April 2007	Ex-dividend date for 2006 final dividend
27 April 2007	Record date for 2006 final dividend
14 May 2007	Annual General Meeting, Queen Elizabeth II Conference Centre, London SW1
13 June 2007	Final dividend payment date
2 August 2007	2007 interim results announced
14 November 2007	2007 Interim dividend payment date

Shareholder services

The Centrica website

The investor information section of the website contains up-to-date information for shareholders including the Company's latest results and key dates such as dividend payment dates. It also holds historical details such as past dividend payment dates and amounts, and a comprehensive share price information section. Visit www.centrica.com/shareholders

Centrica shareholder helpline

Centrica's shareholder register is maintained by Lloyds TSB Registrars, which is responsible for making dividend payments and updating the register.

If you have any query relating to your Centrica shareholding, please contact Lloyds TSB Registrars:

telephone: 0870 600 3985*

text phone: 0870 600 3950*

write to: Lloyds TSB Registrars,
The Causeway, Worthing, West Sussex
BN99 6DA

* call charges at national rate

The Centrica FlexiShare service

FlexiShare

Why not join FlexiShare, the convenient way to manage your Centrica shares without the need for a share certificate? You can benefit from low-cost dealing with quicker settlement periods and you can join the dividend reinvestment plan. There is no charge for holding your shares in the service, nor for transferring in or out at any time. Visit www.centrica.com/flexishare.

Accessibility

If you would like this Annual Review in a different format, such as large print, Braille, audio or digital (text CD or floppy disk), you can request these in the following ways:

Telephone

0191 438 6063

Text phone

0191 438 1122

Please note that these numbers should be used to order copies of alternative formats only. For general shareholder enquiries please use the shareholder helpline (details above).



Tired of all this paper?

Electronic communications

Recent changes in legislation mean that, subject to the necessary authority being passed at the forthcoming AGM, Centrica is now able to offer shareholders the opportunity to receive shareholder documentation via its website. These changes, introduced by the Government, recognise the increasing role that the internet plays in timely communications.

You may now choose either to:

- ▶ receive shareholder documentation by website communication by providing us with an email address (to do this, please go on line to www.centrica.com/ecomms); or,
- ▶ continue to receive shareholder documentation in hard copy (to do this, please complete and return the personalised prepaid form of election attached to the enclosed AGM proxy card so that it is received no later than 30 June 2007). If you do not return the form you will be taken, subject to the necessary authority being passed at the AGM, to have agreed to receive shareholder documentation via the website.

Shareholders who receive shareholder documentation from Centrica electronically can in future:

- ▶ view the Annual Report on the day it is published;
- ▶ have access to significantly greater volumes of information about Centrica;
- ▶ cast their AGM vote electronically;
- ▶ access details of their individual shareholding quickly and securely.

This new legislation provides shareholders, with the opportunity to access information in a timely manner and helps your Company to reduce both its costs and its impact on the environment.



Visit us at www.centrica.com

The Centrica website provides news and details of the Company's activities, plus links to our business sites. The shareholder section contains up-to-date information including the Company's latest results and dividend payment details. It holds current and historical share price information.

You may view a fully accessible online version of this Annual Review which can be customised to suit your own viewing preferences.

Other services available include:

- ▶ **Shareholder centre**
sign up to receive Centrica shareholder communications electronically.
- ▶ **Current share price**
daily and historical market data.
- ▶ **Online presentations and reports**
the latest Annual and Interim Reports and presentations to analysts.
- ▶ **Centrica news**
sign up to receive email alerts whenever a news release is published.
- ▶ **Investor tools**
up-to-date Company and industry data.

To view our Corporate Responsibility Report visit:
www.centrica.com/responsibility



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Centrica plc

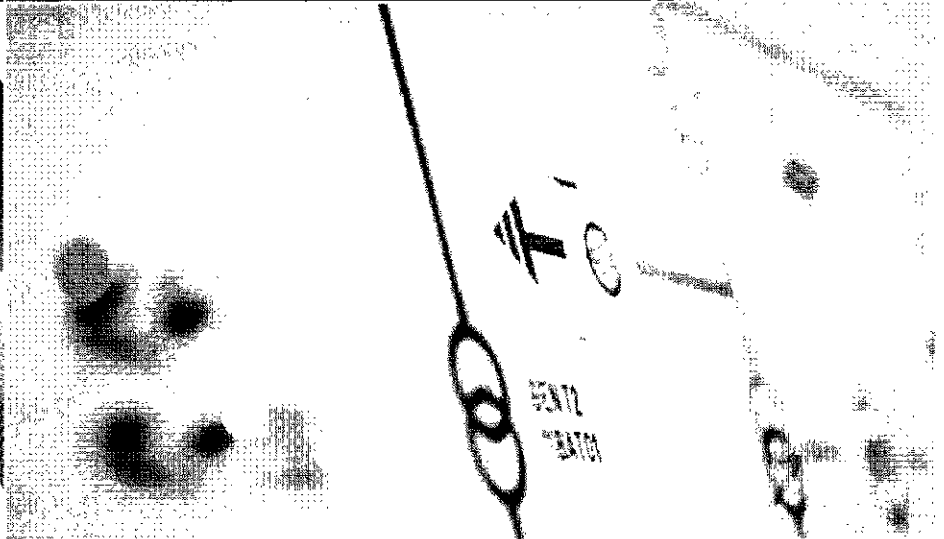
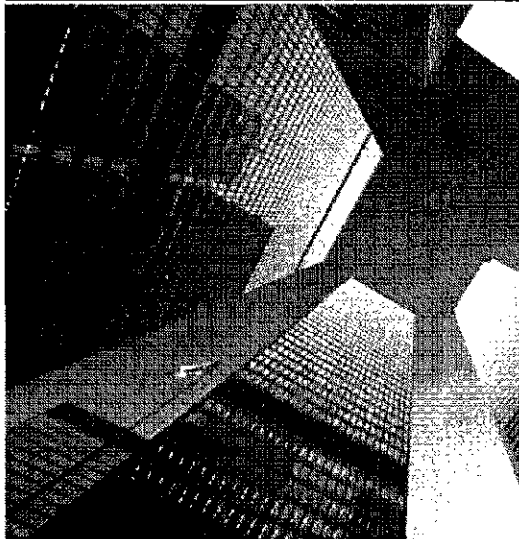
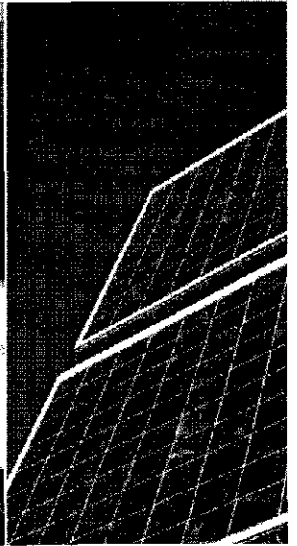
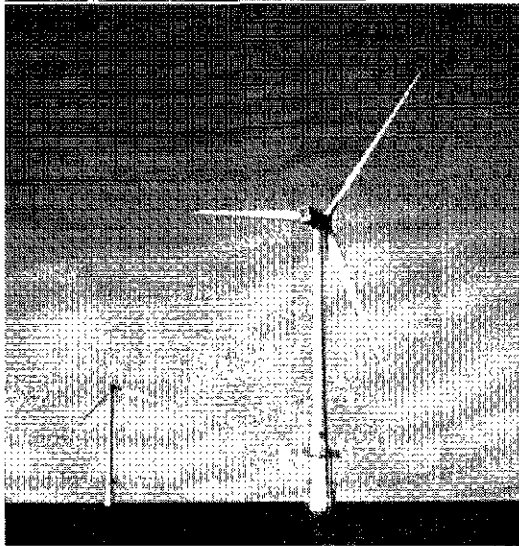
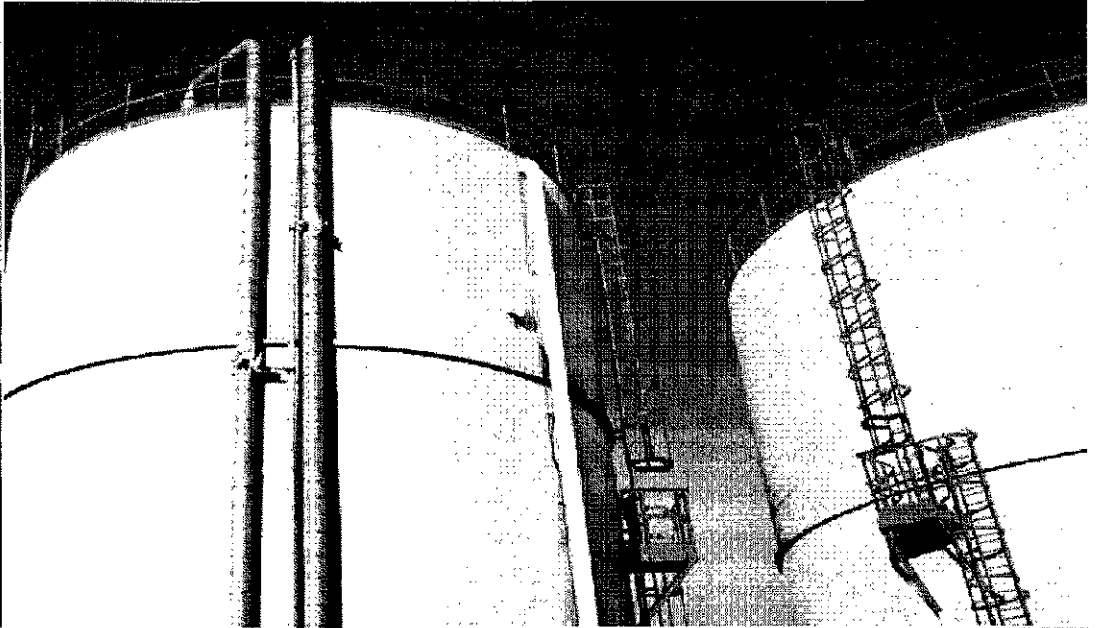
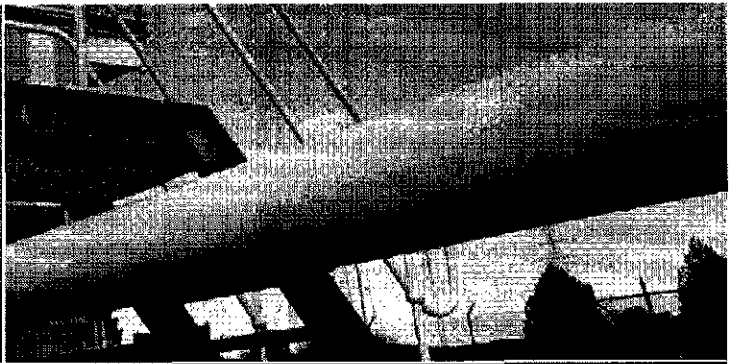
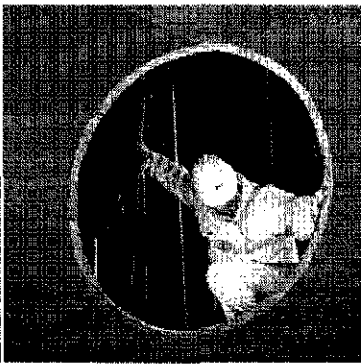
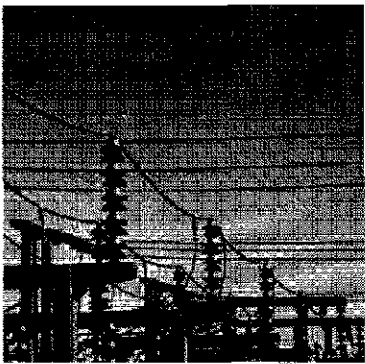
Company registered in
England and Wales no. 3033654
Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD
Tel 01753 494000
Fax 01753 494001
www.centrica.com



centrica

Annual Review and Summary
Financial Statements 2007

energy expertise



Our vision is to be a leading integrated energy company in our chosen markets.

We are energy experts. We source, generate, process, store, trade, save and supply energy and provide a range of related services.

We have strong brands and distinctive skills which we use to achieve success in our chosen markets of the UK, North America and Europe, and for the benefit of our employees, our customers and our shareholders.

**we source it
we generate it
we process it
we store it
we trade it
we save it
we supply it
we service it**

Our year in brief...

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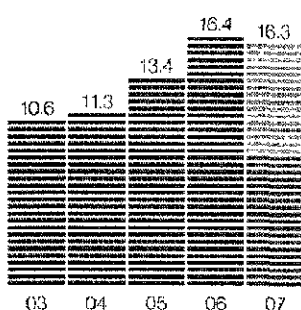
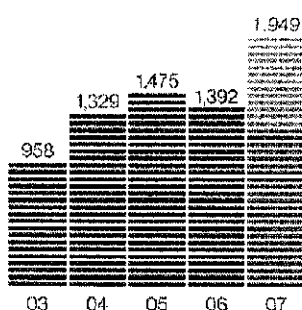
Everything you need to know to manage your shareholding

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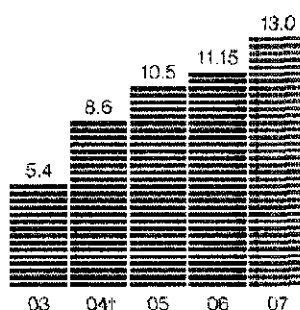
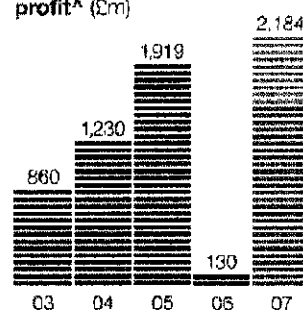
www.centrica.com/review07

Financial Highlights

Our performance

Group revenue[^] (£bn)Operating profit^{^*} (£m)

Dividend per share (pence)

Statutory operating profit[^] (£m)

— First half — Second half

Our markets and
proportion of
Group revenue

**17%**

increase in dividend

40%increase in operating profit^{^*}**£1.5bn**planned investment in
renewable energy assets**16m**British Gas Residential
customer accounts[^] from continuing operations^{^*} including joint ventures and associates, net of intangible asset amortisation, and before exceptional items and certain re-measurements.[†] excludes special dividend of 25p

The Group adopted IFRS with effect from 1 January 2005. The comparative data for 2004 has been restated accordingly. IAS 32 and IAS 39 were adopted with effect from 1 January 2005, and the comparative data for 2004 does not reflect the effect of these standards. Amounts in years prior to 2004 are presented in accordance with generally accepted accounting standards (GAAP) in the UK prevailing at the time. Turnover prior to 2004 excludes Added trading revenue.

All references to 'the prior year', '2006' and 'last year' mean the 12 months ended 31 December 2006 unless otherwise specified.

Throughout this Report references to British Gas include Scottish Gas.

Disclaimers

This Report does not constitute an invitation to undertake, subscribe for, or otherwise acquire or dispose of any Centrica shares. The Report contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Centrica plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements or forecasts. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

Chairman's
Statement

Securing shareholder value

“ We have achieved very strong financial results during another challenging year for UK energy retailers.”



Our year in focus

We have achieved very strong financial results during another challenging year for UK energy retailers.

New pipelines from Norway and the Netherlands, underpinned by long-term gas contracts with British Gas, began to bring additional supplies to the UK and helped to bring down gas prices at the start of the year.

Unfortunately the spectre of high wholesale prices reappeared in the second half of the year and this has continued into 2008. As a result we had to raise customer tariffs in January.

The management team worked diligently throughout 2007 to minimise the impact of rising wholesale energy prices, making substantial inroads into operating costs and extracting efficiencies where possible. But we must continue to invest in high quality energy assets to serve our UK and international customers; and this reinvestment can only be funded through the consistent delivery of reasonable and sustainable profits.

Dividend

The Board is proposing a final dividend of 9.65 pence for payment in June 2008 bringing our full-year dividend to 13.0 pence, which represents a 17% year-on-year increase.

Board changes

We changed the structure of our executive management team, with Phil Bentley assuming the role of Managing Director of British Gas, Jake Ulrich adding Europe to his responsibilities as Managing Director of our upstream activities and Nick Luff joining Centrica

from P&O as Group Finance Director. Under the leadership of Sam Laidlaw the team has already begun to make a real difference to both the short-term performance and the long-term prospects of Centrica.

Our employees

In a business such as Centrica, people are central to the delivery of better service and improving financial results. Our employees have worked hard to support the change in systems, working practices, organisation structure and management within the Company. I thank them all for their loyalty, hard work and dedication. It is a credit to them that British Gas Business and British Gas Services were both recognised in the Financial Times Top 50 'Best Workplaces for 2007'.

The future

We have set out a clear agenda for Centrica in the form of Sam Laidlaw's four strategic priorities and we will continue to focus on these as we move forward. Only by delivering against these priorities will we be able to satisfy our customers and reward our employees while maximising returns for our shareholders.

Roger Carr
Chairman

21 February 2008

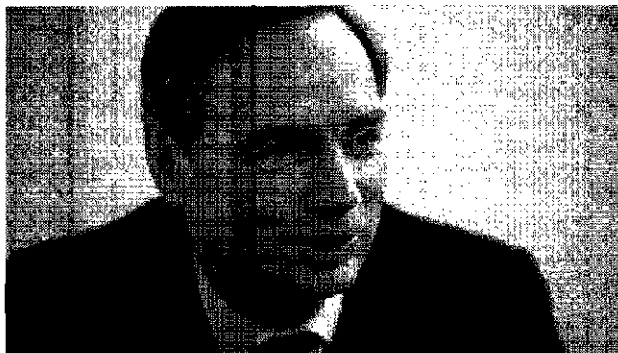
07

Chief Executive's
Review

Delivering our strategy

“ 2007 was a year of substantial achievement for Centrica during which we made further progress on addressing the key priorities for the business.

”



A year in review with Chief Executive, Sam Laidlaw

2007 was a year of two distinct periods. In the first half, wholesale energy prices in the UK were low. This was a result of increased gas supply through new gas pipelines and additional liquefied natural gas (LNG) facilities and reduced demand due to warm weather. Over two-thirds of our earnings came in this period.

During the second six months, however, the day ahead wholesale gas price rose sharply, averaging 56% higher than during the first half. This significantly reduced margins in our UK residential business.

Centrica operates in a complex, global industry that is facing some profound challenges, which will push up the price of energy long term. Our strategy is to create an integrated energy company, operating upstream by developing new sources of gas and power, and downstream with strong brands in a few chosen markets.

Downstream

We are the UK's largest energy supplier to residential customers and the largest domestic central heating and gas installation and maintenance company. We are one of the UK's largest producers and suppliers of wind energy and British Gas is one of the country's greenest energy brands. In April we set up British Gas New Energy to expand our offer in low-carbon products and services.

In our North American markets, we have more than 5 million customers. Our experience of deregulated markets in the UK and North America will stand us in good stead when European energy markets finally open up to competition.

Upstream

Upstream, we have long-term contracts for gas supplies to the UK from the North Sea, Norway and the Netherlands, as well as our own production, which now includes a number of North Sea gas fields acquired from Newfield UK Holdings Limited in October. In November, we bid for Rockyview Energy Inc in Alberta and completed the deal early in 2008. This adds an additional 43 billion cubic feet of gas to our Direct Energy business.

We are building our eighth gas-fired power station (at Langage in Devon) and two wind farms off the Lincolnshire coast which will have a combined capacity of 180MW. We already have interests in three operational wind farms which provide access to 188MW of renewable electricity and are seeking consent for a further 250MW farm.

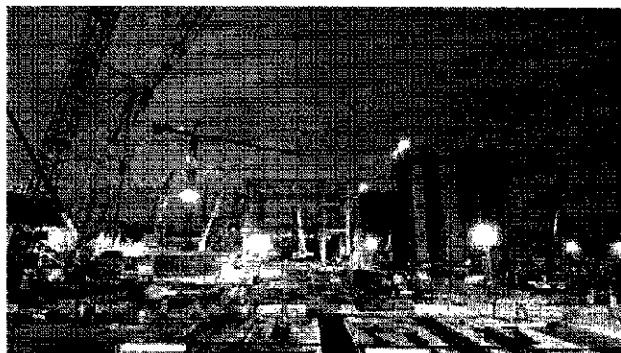
In Centrica Storage the creation of an innovative virtual storage product helped to drive a year of record profitability.

Strategy

In February 2007, I set out four priorities for Centrica that underpin how we run the business, and we have continued to focus on them.

In 2008, our critical short-term priority in transforming British Gas will be on improving our service to customers while delivering sustainable returns. We made good progress in 2007. Our service levels are improving and we removed £139 million of costs from the business. But we have more to do. We will remove an additional

Strategy



£60 million of operating cost and will also invest in the British Gas brand as not only a provider of energy but of energy efficiency advice and services.

We are making cost reduction central to our business culture and aim to become the most efficient energy supplier with the lowest cost per customer.

With wholesale energy costs still volatile, the importance of getting more of our gas and power from our own resources cannot be over-estimated. Our acquisition of the Newfield gas properties and the investments we are making in both renewables and gas-fired power generation are important steps in the right direction. This will be a key strategic priority in 2008.

We will increase our involvement in LNG and from October 2008 will have LNG import capacity at the Isle of Grain which will be able to supply approximately 6% of Centrica's annual gas demand.

In British Gas Business we will seek to maintain our current growth trajectory through ongoing development of our routes to market while also focusing on further enhancing the service we deliver.

In British Gas Services we will develop additional customer propositions to continue our rapid progress in the on-demand market, enabling us to further expand our customer base and to drive growth. Our new business British Gas New Energy is well positioned to supply energy efficiency products and services to our increasingly climate change aware customers.

In North America there is real potential to grow our business both organically and through acquisition. Near term prospects will be affected by the depth and length of any economic downturn but we will seek to minimise the impact through increasing the diversity of our business.

Europe remains challenging. This year we will concentrate on simplifying the ownership structure of SPE in Belgium as the merger of Suez and Gaz de France proceeds. We will also continue to grow our Belgian, Dutch and Spanish businesses and establish ourselves firmly in the industrial and commercial market in Germany.

In summary, we will be following the same path in 2008 as we have in 2007, guided by the same priorities that we have laid down. On the next two pages I will explain in more detail how we have performed against these priorities.

The UK market faces high wholesale energy prices and it is important that we remain single-minded in making our operations leaner and more efficient. But Centrica is a strong business with a clear sense of direction and the momentum to make the best of its unique strengths.

Sam Laidlaw

Sam Laidlaw
Chief Executive
21 February 2008

Go online



Visit our Annual Report and Annual Review online.
www.centrica.com/reports2007

Chief Executive's
Review continued

Delivering our strategy



Transform British Gas

Transforming British Gas is a priority because profitability and service levels at British Gas Residential, which is the core of our business, have historically been low and variable.

Progress

We led the industry in reducing prices, cutting them twice during 2007 by a total of 17% in electricity and by 20% in gas. We also established the lowest dual fuel tariff through our online Click Energy offer. However, because of higher wholesale energy prices in the second half of 2007, we had to increase retail tariffs in January 2008. Although this was disappointing, retail prices are still lower than at the same time in 2007. The 15% increase will help us to re-establish the profit margin we need to provide sustainable long-term earnings.

Having completed the move of all of our customers to our new billing system by March 2007, we concentrated on improving the service that had slipped during the process. Service levels improved significantly. As a result, we saw fewer complaints and customer losses. By December 2007, complaints to energywatch had fallen by 80% since April, and customer churn had also fallen sharply.

We continued to reduce operating costs within British Gas compared to 2006, and recovered the market share which we had lost during the first quarter to finish 2007 with 16 million customer accounts.

Strategy in action

- ▶ We led the industry in reducing prices in 2007
- ▶ We significantly improved our service levels
- ▶ We reduced our operating costs by £139 million

Sharpen up the organisation and reduce costs

If we are to compete domestically and internationally in the long term, we need to do what we do better, and at lower cost. Our goal is to be the most efficient energy supplier, with the lowest cost per customer.

Progress

Over the past year we have strengthened our executive team with several key appointments including a new Group Finance Director and a new Managing Director for British Gas. We looked at the structure of our operating businesses, and this resulted in changes within Centrica Energy, in our North American operation and within British Gas Residential (BGR) that have improved clarity and accountability.

Better business discipline has been introduced through systematic quarterly cost reviews of each business unit, a tighter capital allocation framework, and a new three-year planning horizon to focus performance.

And we have reduced costs significantly. For example, the restructuring of British Gas Services has removed £20 million of cost a year, and BGR is on track to deliver its £200 million cost reduction target. Some £139 million of cost savings were achieved in 2007 with the balance to come in 2008. During the year we moved 2,250 back-office jobs to India outsourcing a number of support services including many of the central finance, information system and human resource functions.

Strategy in action

- ▶ We have strengthened our executive team
- ▶ We have introduced new structures for our businesses in Direct Energy and in British Gas Residential
- ▶ We have reduced costs across the Group



Reduce risk through increased integration

In the UK we currently supply around 25% of the gas and 67% of our peak electricity requirements from our own resources or major contracts. We aim to reduce this risk by building a profitable upstream business to supply 50% of our gas needs.

Progress

In October 2007 we bought Newfield UK Holdings Limited with the potential to add 300 billion cubic feet of gas reserves in the North Sea. Further gas reserves were added by the acquisition in February 2008 of Rockyview Energy Inc in Alberta.

We obtained interests in licences in the UK, Norway and Trinidad bringing our total to 19. From the winter of 2010/11, we will also have access to a further 2.4 billion cubic metres (BCM) of liquefied natural gas import capacity at the Isle of Grain terminal in addition to the 3.4BCM available from October 2008.

Construction continues on our 885MW power station in Devon, which will increase our UK generation capacity to almost 5GW. We also began construction of the 180MW Lynn and Inner Dowsing wind farms off the coast of Lincolnshire and acquired a 50% share in the Braes of Doune wind farm in Stirlingshire in July. In Texas we concluded a new 170MW power purchase agreement that brings our total power offtake from Texas wind farms to 813MW.

Strategy in action

- ▶ We bought Newfield UK Holdings Limited
- ▶ We acquired exploration opportunities in the UK, Norway and Trinidad
- ▶ We continued to invest in renewable generation capacity
- ▶ We are building a new gas-fired power station in Devon

Build on our growth platforms

Centrica's growth businesses in the UK, North America and Europe have considerable potential for increasing the Group's profitability and our opportunities for providing low-carbon products and services.

Progress

British Gas Business delivered record profits*, a growing customer base and improving levels of customer satisfaction; while in British Gas Services, account numbers grew by 7% and operating profits* by 48% as service levels improved dramatically.

Our Direct Energy business in North America was restructured, delivering the targeted cost reductions and increased operating profit*, despite increased competitive pressures and a slowing US property market.

We more than doubled our operating profits* in Europe in 2007. In Belgium we added around 500,000 Wallonian customer accounts to our SPE-Luminus business, now established as the undisputed number two player. We also opened an office in Düsseldorf as a result of developments in Germany.

In April we created British Gas New Energy to operate in the increasingly important market for low-carbon products and services that is expected to grow exponentially in the coming years. And in North America, we formed a new group to focus on renewables. We also launched our first carbon neutral product across Canada.

Strategy in action

- ▶ We increased profits* considerably in all growth businesses
- ▶ We strengthened our positions in North America and Europe
- ▶ We launched British Gas New Energy to focus on low-carbon products and services

* from continuing operations

* including joint ventures and associates, stated net of interest and taxation, and before exceptional items and certain re-measurements

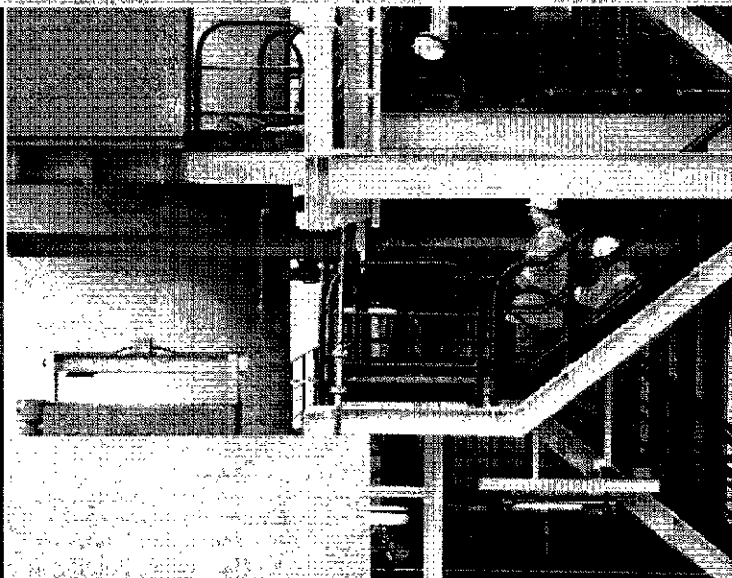
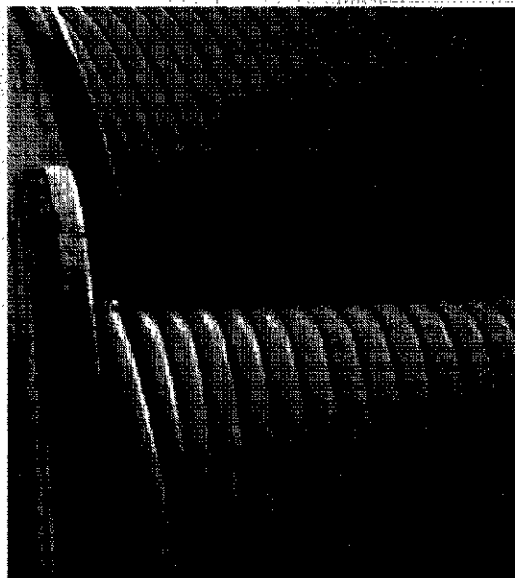


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WE
WE

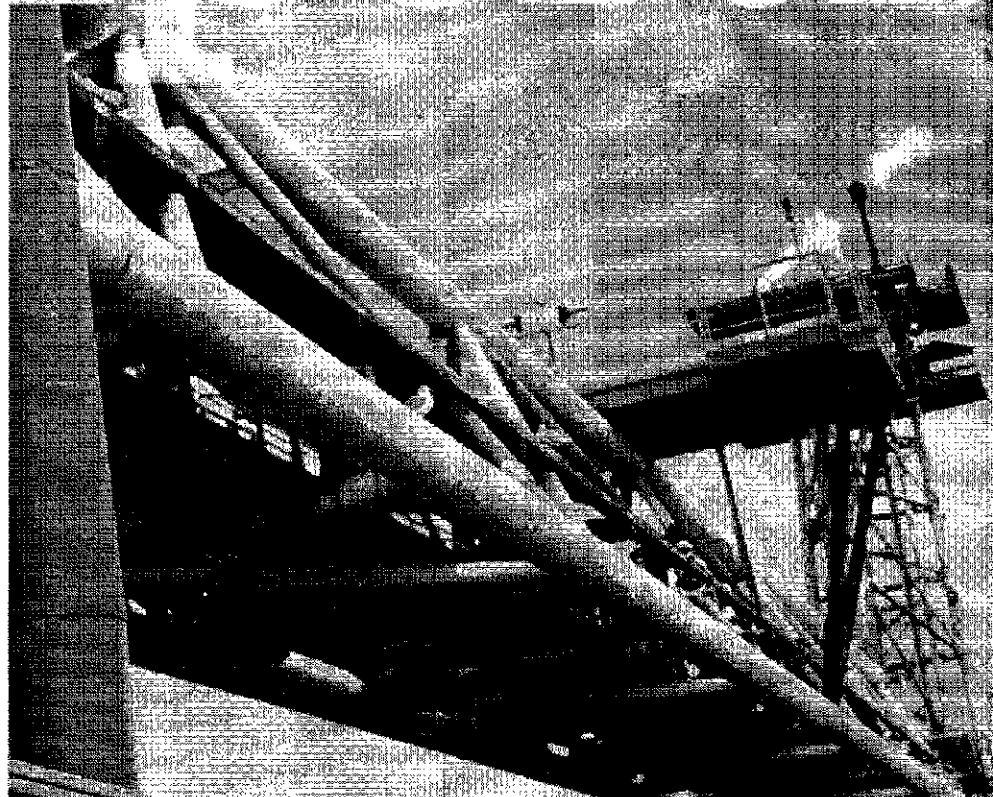
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WE
WE

We are energy experts - experts in producing energy from the natural world for people to use. We find, extract and supply it, increasingly from our own resources - our own gas fields, power stations and wind farms.

energy



Expertise



energy

**we store it...
we trade it...
we save it**

We buy and sell energy around the world, invest in renewable technologies and apply our expertise to helping our customers to use energy more efficiently. While deep beneath the North Sea, our Rough storage facility provides more than 70% of Britain's gas storage capacity.

centrica



At Address Energy, our customers are able to access our services from any time, anywhere. They make choices that reduce emissions too, and we're proud of it.

Expertise

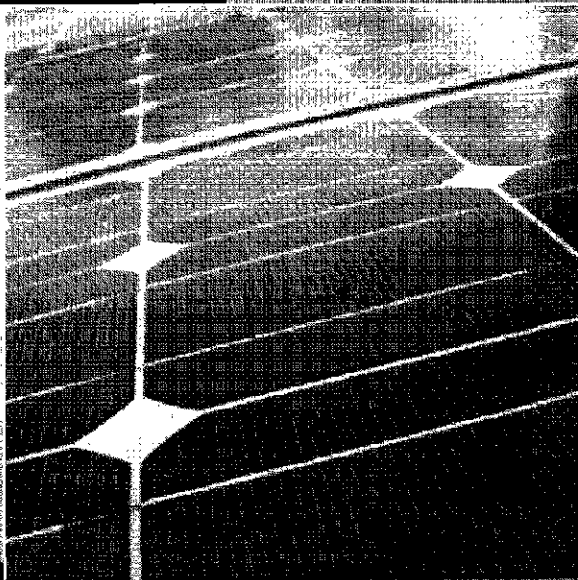
Overview

Our performance

Our financial statements

Shareholder information

► According to VVVF we are one of the greenest energy suppliers – and we've set up a new UK business to develop more low-carbon products.



energy

**we supply it...
we service it...
as energy experts**

“We are the largest UK gas and electricity retailer, and we have a growing presence in North America. Through our ability to supply, the services we provide and the expertise we possess, we can continue to build our business.”

centrica

► In seven years in North America, we have grown from nothing to a business with sales of £4 billion, 5 million customers and a great future.





Overview

Our performance

Our financial statements

Shareholder information



► We train and employ more gas engineers than anyone else in the UK. Facilities at our award-winning training academies are recognised as the best in the industry.

Operating Review

A strong business

Customers are central to all our operations. Our activities are focused on securing and delivering energy and offering a distinctive range of home and business energy solutions.



Revenue^ by business

(£m)

British Gas Residential	6,457
British Gas Services	1,279
British Gas Business	2,431
Centrica Energy	1,451
Centrica Storage	340
Direct Energy	3,992
European Energy	392

Operating profit^^ by business

(£m)

British Gas Residential	571
British Gas Services	151
British Gas Business	120
Centrica Energy	663
Centrica Storage	240
Direct Energy	187
European Energy	17

British Gas Residential

British Gas Residential has around 18 million customer accounts in the UK, and is the country's largest supplier of both gas and electricity to residential customers. We are also playing a leading role in providing customers with low-carbon products.

This was a strong year for British Gas Residential.

We delivered excellent financial results and reduced operating costs by £100 million. All energy revenue fell by 3% to £21.057 million due to lower average customer numbers and lower energy consumption because of warm weather. Operating profit increased to £571 million, up from £230 million. Most of this increase came in the first half of the year, when wholesale gas prices fell.

We were the first energy supplier to announce reduced prices for customers. We cut our prices by a total of 20% in gas and 17% in electricity in March and April.

We also improved our customer service which had suffered as we moved customers to a new billing system. By the end of the year complaints to energy watch had fallen by 80% from the high point in April 2007.

Our more competitive pricing and the improvements we've made to customer service helped us to stabilise our customer base in 2007. We are once again serving just over 18 million accounts.

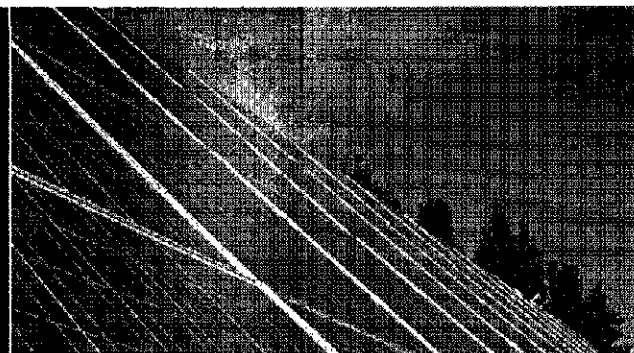
- ▶ We reorganised the business to improve accountability and performance
- ▶ We stabilised customer accounts at 16 million
- ▶ We increased our operating profit by \$178 million

www.britishgas.co.uk

British Gas

* including joint ventures and associates, stated net of interest and taxation, and before exceptional items and certain re-measurements

^ from continuing operations



British Gas Services

British Gas Services is the largest domestic central heating and gas appliance installation and maintenance company in the UK. We directly employ more than 9,000 engineers who also provide comprehensive maintenance and breakdown services for electrical white goods and home wiring. Our Dyno brand provides plumbing, drains and home security services across the UK.

During 2007, we increased the number of customer product holdings by 7% to 7.6 million, and revenue was up by 16% at £1,279 million.

We increased the number of customers who take our Homecare Flexi product, improved what we offer online and focused on cross-selling our products. We also strengthened our position in the on-demand market, with the number of central heating repairs for non-contract customers increasing by 19% to 414,000.

Operating profit* grew by 48% to £151 million due to the strong growth in higher margin care products, together with cost and overhead savings. Profitability also grew in the central heating installation business as the number of installations, including those for the Scottish Executive, increased by 24% to 113,000.

Our strong financial and operational performance was supported by improvements in customer service and engineer deployment, which provide a strong platform for continued growth.

- We increased our operating profit* by 48%
- We delivered improved levels of customer service

www.britishgas.co.uk



British Gas New Energy

We launched British Gas New Energy as a separate business in April 2007 to supply the growing UK market for low-carbon and energy efficient products and services.

In July 2007 we launched 'Zero Carbon' our greenest tariff available to domestic customers, which is linked to carbon offsets certified by the United Nations.

Now, in addition to loft and cavity wall insulation, our engineers are able to install solar panels, and our Green Streets challenge aims to highlight the positive impact simple energy efficiency products and behaviours can have in reducing UK domestic CO₂ emissions.

In January 2008 we bought a £20 million equity stake in Geres Power, which is developing combined heat and power (CHP) units for domestic use. They will operate as central heating boilers, but will also generate low-carbon electricity in the home, cutting energy bills and carbon footprints.

During the year we delivered on our Energy Efficiency Commitment ahead of schedule and under budget.

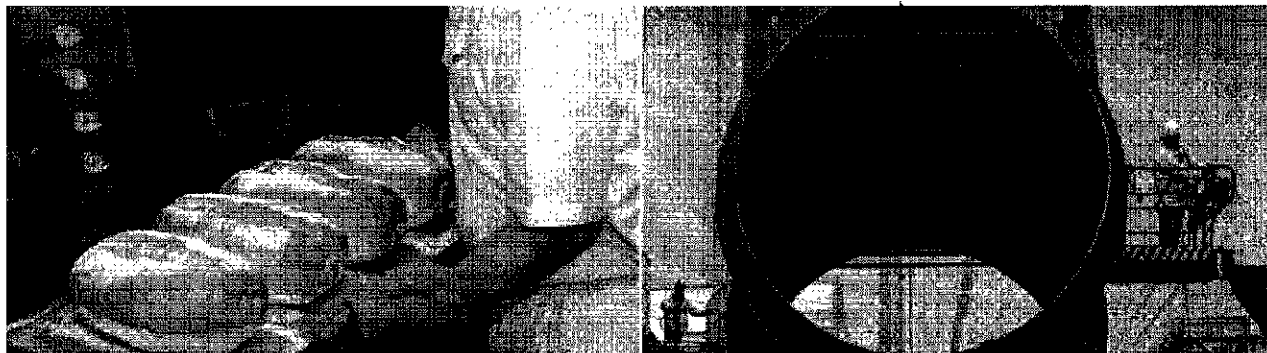
- We provided more than 17 million energy efficiency products to UK households
- We launched two industry-leading green energy tariffs

www.britishgas.co.uk



Operating Review continued

A strong business



British Gas Business

British Gas Business sells gas, electricity and energy-related services – including carbon-offsetting – to small, medium and large corporate businesses. The introduction of our dedicated account managers has helped to improve levels of customer service.

Against a backdrop of volatile gas prices we delivered a record financial result, grew our customer base and continued to improve customer satisfaction.

Revenue increased by 6% to £2,491 million. This was because of price changes during 2006 and 2007, higher customer numbers in both fuels and higher electricity consumption by our increased number of large corporate customers. Customer supply point numbers increased by 2% to 954,000 on a strong sales performance and high contract renewal rates, particularly in the small business sector.

Operating profit* was up 38% to £120 million. This was mainly due to the widening of margins during contract renewals, and the positive effect of falling wholesale gas prices. Operating margins in the year rose to 4.9% (2006: 3.8%).

In customer service we are now seeing positive results from having dedicated account managers, and during the year we improved the level of customer satisfaction across the business.

- We continued to have high contract renewal rates
- We increased the number of customer supply points by more than 2%
- We increased our operating margins

www.britishgasbusiness.co.uk

British Gas Business

* Including joint ventures and associates, divided net of interest and taxation, and before exceptional items and certain re-measurements

Centrica Energy

Centrica Energy sources the gas and electricity we supply to our residential and business customers in the UK and Europe. This comes from our own upstream gas production, electricity generation and renewable energy operations, and through the management of our gas and electricity purchase contracts and wholesale energy trading.

The day ahead wholesale gas price in the UK fluctuated between a low of 13 pence per therm (p/therm) in April and a high of 59 p/therm in December. This is what price volatility means.

Low wholesale prices in the first quarter of the year reduced operating profit for gas production and development by 53% to £429 million.

However, during the year we added 114 billion cubic feet equivalent (bcfe) to our gas reserves of which 67 bcfe came from the purchase of Newfield UK Holdings Limited in October.

Electricity generation was up by 36% on 2006, and we made good progress with our new plant at Langage in Devon, which should begin operations early in 2009.

We bought 50% of the 72MW Braes of Doune wind farm for £42 million and spent £104 million on the ongoing development of the two 60MW Lynn and Inner Dowsing wind farms, as well as securing further valuable gas import capacity at the Isle of Grain LNG terminal.

- The acquisition of Newfield added 67 bcfe to our gas reserves
- We generated 36% more electricity

www.centricaenergy.com

**centrica
energy**



Centrica Storage

Centrica Storage owns and operates the UK's largest gas storage facility. We sell gas storage and other services to a wide range of gas market participants including Centrica Energy.

Ongoing investment in our Rough storage facility to improve its injection and withdrawal capabilities enabled us to sell significant volumes of additional space, and generate additional revenue, particularly from our new virtual storage product, V.Store. This product has the equivalent rights to a Standard Bundled Unit (SBU) but delivery of gas is guaranteed to the National Balancing Point. This guarantee meant that the product could be sold at a substantial premium to the price of an SBU.

Operationally Rough performed well, delivering injection and production availability of more than 98%. This was achieved at the same time as improving our health and safety performance. A review undertaken by the Health and Safety Executive placed Rough in the top quartile of all North Sea installations surveyed.

A record operating profit* of £240 million reflected both the increase in the average SBU price for the year, and the continued growth in non-SBU revenue.

- ▶ We delivered strong financial results
- ▶ We launched a new virtual storage product

www.centrica-sl.co.uk

European Energy

We are involved in power generation, energy management and retail energy supply, particularly in the increasingly interconnected energy markets of north western Europe.

Our European Energy business more than doubled its operating profit* to £17 million.

We increased our total energy customer base in Belgium to 1.4 million, and in the Netherlands (through our Oxxio brand) we now supply 754,000 customer accounts. During the year we installed around 75,000 smart meters and are working with the regulator to ensure Oxxio's meters are compatible with future industry standards. We also entered into a 20-year tolling contract with Intergen for a 400MW gas-fired power station in Rijnmond, near Rotterdam, which is expected to be commercially operational by summer 2010.

In January 2007 we re-branded our Spanish operation from Lused to Centrica Energia. As market conditions improved we re-entered the Spanish electricity supply market and have already contracted 0.9TWh of annual consumption.

As a result of developments within the German energy market we opened an operation in Düsseldorf selling to the commercial supply market through Centrica Energie GmbH.

- ▶ We increased our customer base in Belgium
- ▶ We re-entered the Spanish electricity market
- ▶ We agreed a 20-year tolling contract for a new gas-fired power station in the Netherlands

www.luminus.be www.oxio.nl

www.centricaenergia.es

www.centrica-energie.de

centrica
storage

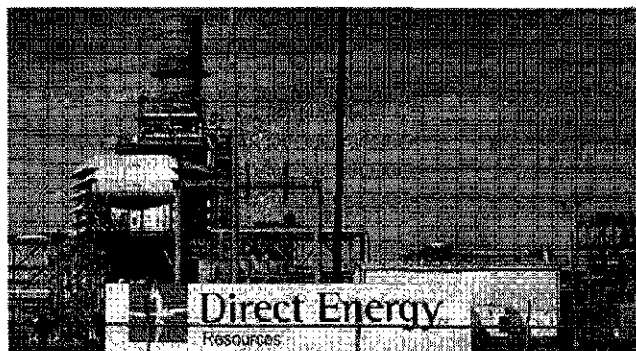
luminus

oxio

centrica
energia

Operating Review continued

A strong business



Direct Energy

Our Direct Energy brand is one of North America's largest energy and energy service providers, with over 5 million residential and business customers in Canada and the US. We own and operate gas reserves in Canada, and electricity generation capacity in Texas.

Direct Energy performed well during a year in which we continued to develop our activities beyond mass market energy supply. We restructured into four pan-North American operations to drive growth and efficiencies of scale through shared operations.

Excluding the negative impact of exchange rate movements, Direct Energy delivered top and bottom line growth. While reported revenue^A was down 1.4% at £3.99 billion, underlying revenue^A was up 4.9%.

Reported operating profit^A was up 6% at £187 million, with underlying profit^A before exchange rate movements up more than 15%.

The **mass markets energy business**, which comprises gas and electricity sales to residential and small commercial customers, experienced difficult trading conditions, particularly in Ontario and Texas where customer numbers fell. However, by the end of the year numbers were growing again.

Revenue was down 12% to £2,437 million and operating profit was 22% lower at £123 million.

Commercial and industrial energy comprises gas and electricity sales to medium and large-sized businesses, public institutions and government. Rapid growth in this segment continued during the year with volumes up 13% and 24% in gas and electricity respectively.

Reported revenue was up 15% to £978 million with underlying revenues up 24%. The business moved into profit during the second half as volumes grew and it recorded a £1 million profit for the full year.

Home and business services had a good year despite the housing recession in the US. Customer numbers grew by 3.5% to over 2 million for the first time. The acquisition in January of MASE, a service provider for white goods, enabled us to launch an appliance protection and repair business across Canada.

Reported revenue^A was down 7% to £351 million, although it remained flat on an underlying basis. Following restructuring of the business services operation and increased focus on cost control to improve competitiveness, operating profit^A almost doubled to £17 million.

Our **upstream and wholesale energy** business delivered operating profit^A of £46 million, up 142% on the year with strong contributions from our power stations, wind power contracts as 439MW of new capacity came onstream, wholesale energy auctions and proprietary trading.

Power generated increased by 14% while gas production was broadly unchanged. By the end of 2007, through our ongoing drilling programme, we had replaced 117% of the gas we produced.

Early in 2008 we acquired Rockyview Energy Inc of Alberta for around £57 million, in line with our strategy of increasing the overall level of vertical integration within Direct Energy.

- ▶ We delivered another successive year of profit growth
- ▶ We made continued progress on diversification of the business

www.directenergy.com

^A Including joint ventures and associates, stated net of intangibles and taxation, and before exceptional items and certain re-measurements.
^B From continuing operations.

Corporate Responsibility Review

“ We are securing sustainable energy supplies while demonstrating leadership on climate change and social programmes. ”

Mary Francis CBE
Senior Independent Director and Chairman,
Corporate Responsibility Committee



Understanding and managing the impact of our operations on society and the environment helps us to win business advantage and deliver value to our shareholders. We maintain close dialogue with employees, customers, policy-makers, investors and wider stakeholders to ensure we are alert to their opinions and evolving trends.

Our Corporate Responsibility Committee, chaired by Mary Francis CBE, oversees Centrica's corporate responsibility strategy and activities on behalf of the Board.

Taking responsibility

In 2007 Sam Laidlaw launched an initiative to communicate our business principles to our employees and business partners. Our principles describe the standards we expect of ourselves and those we work with.

Tackling climate change

Reducing carbon emissions, while securing future energy supplies for our customers, is a significant challenge. In 2007 we launched a new business unit – British Gas New Energy – to lead our low-carbon strategy in the UK while, in North America, Direct Energy formed a cross-business climate change team.

British Gas launched 'Zero Carbon'¹, our greenest tariff available to domestic customers, and Direct Energy extended its carbon neutral gas programme after a successful launch in British Columbia. To ensure we maintain our leading low-carbon position in the UK, we are investing in high-efficiency gas-fired power stations and offshore wind farms. We have also set targets to reduce the carbon dioxide emissions from our UK power generation activities.

Supporting vulnerable customers

Although UK retail energy prices were lower in 2007 than in the previous 12 months, fuel poverty continued to be an issue. In March 2007 British Gas received widespread recognition from government and industry groups following our £32 million commitment to 'Essentials', the UK's largest social tariff on the energy market.

Focusing on health and safety

The health and safety of our employees, customers and others who could be affected by our activities is a top priority for us. A concerted campaign to improve incident reporting in our main

UK customer-facing businesses led to an overall increase in accident incidence rates in 2007. A detailed internal review has identified opportunities to reinforce our approach and we will continue to target a year-on-year 4% reduction in time lost from injuries.

Valuing our people

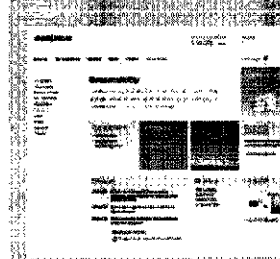
More than 84% of employees responded to our engagement survey and we recorded an increase of 3% in our overall score. We received awards for our age awareness activities in the UK and our workplace flexibility programme in North America. Female trainees accounted for 13% of all those recruited by the British Gas Engineering Academy in 2007.

Investing in communities

By understanding our impact on the communities in which we work, we can develop successful partnerships to mutual benefit. In 2007 we contributed £5.2 million² to community causes and employees volunteered more than 18,000 hours. We invested a further £76 million³ in social programmes for our vulnerable customers. In June, a memorial service was held for those who lost their lives in the Morecambe Bay helicopter tragedy on 27 December 2006. The first donation from the fund, set up in memory of those who died, was made to North West Air Ambulance.

- 1 Zero Carbon is the name of the tariff. We offset the CO₂ emissions from the gas and electricity customers consume using carbon offsets certified by the United Nations.
- 2 Cash, time and in-kind support in accordance with London Benchmarking Group model, including a donation of £1.1 million to the British Gas Energy Trust, which supports vulnerable customers.
- 3 Combined cost of voluntary and mandatory programmes to support vulnerable customers in the UK.

Go online



More detailed information will be published in our 2007 Corporate Responsibility Report in May 2008.
www.centrica.com/responsibility

Governance

Board of Directors and Executive team



Board of Directors

1. Roger Carr

Chairman (61) * †

Roger Carr joined the Board as a Non-Executive Director in January 2001. He was appointed Chairman of the Board in May 2004 and is Chairman of the Nominations Committee. He is Chairman of Mitchells & Butlers plc, Deputy Chairman of Cadbury Schweppes plc and a senior adviser to Kohlberg Kravis Roberts & Co Ltd. In June 2007, he was appointed Non-Executive Director of the Court of the Bank of England.

2. Sam Laidlaw

Chief Executive (52) ■ ♦ *

Sam Laidlaw joined Centrica plc as Chief Executive in July 2006. He is Chairman of the Executive Committee and the Disclosure Committee. He was previously Executive Vice President of the Chevron Corporation, Chief Executive Officer at Enterprise Oil and President and Chief Operating Officer at Amerada Hess. In January 2008 he was appointed a Non-Executive Director of HSBC Holdings plc. Until August 2007 he was a Non-Executive Director of Hanson plc. He is Trustee of the medical charity RAFT and a Director of the Business Council for International Understanding.

3. Helen Alexander CBE

Non-Executive Director (51) ▲ * †

Helen Alexander joined the Board in January 2003 and is Chairman of the Remuneration Committee. She is Chief Executive of The Economist Group, a Trustee of the Tate Gallery and an Honorary Fellow of Hertford College, Oxford. In September 2007 she was appointed a Non-Executive Director of Rolls-Royce plc. Formerly, she was a Non-Executive Director of BT Group plc and Northern Foods plc.

4. Phil Bentley

Managing Director, British Gas (49) ■ ♦

Phil Bentley joined Centrica plc as Group Finance Director in November 2000, a position he held until the end of February 2007 when he was

appointed Managing Director, British Gas. He was also Managing Director, Europe between July 2004 and September 2006. Formerly, he was Finance Director of UDV Guinness from 1999 and Group Treasurer and Director of Risk Management of Diageo plc from 1997. Previously, he spent 15 years with BP plc in various international oil and gas exploration roles. He is also a Non-Executive Director and the Chairman of the Audit Committee of Kingfisher plc.

5. Mary Francis CBE

Senior Independent Director (59) ▲ ■ * †

Mary Francis joined the Board in June 2004 and is Senior Independent Director and Chairman of the Corporate Responsibility Committee. She is a Non-Executive Director of Aviva plc, St. Modwen Properties plc and Alliance & Leicester plc, and a Director of the Almeida Theatre. She is a former Director General of the Association of British Insurers, a former Non-Executive Director of the Court of the Bank of England and was a senior civil servant in the Treasury and the Prime Minister's Office.

6. Nick Luff

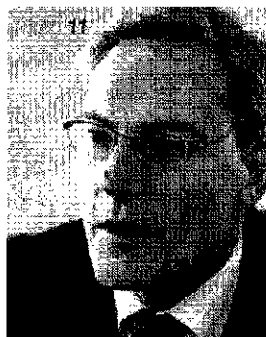
Group Finance Director (40) ♦ ♦

Nick Luff joined Centrica plc as Group Finance Director in March 2007. He was previously Chief Financial Officer of The Peninsular & Oriental Steam Navigation Company (P&O) and has held a number of other senior financial roles at P&O having qualified as a chartered accountant at KPMG. He is a Non-Executive Director of QinetiQ Group plc.

7. Andrew Mackenzie

Non-Executive Director (51) ▲ ■ * †

Andrew Mackenzie joined the Board in September 2005. In November 2007 he was appointed Group Executive and Chief Executive Non Ferrous at BHP Billiton, a position he will take up during 2008. From 2004, he was with Rio Tinto plc, latterly as Chief Executive Diamonds and Minerals. Previously, he spent 22 years with BP plc in a range of senior technical and engineering positions, and ultimately as Group Vice President, BP Petrochemicals. From 2005 to 2007 he was Chairman of the Board of Trustees of the think tank, Demos, and he remains a Trustee.



8. Paul Rayner
Non-Executive Director (53) ▲ * †
Australian citizen

Paul Rayner joined the Board in September 2004 and is Chairman of the Audit Committee. He has been Finance Director of British American Tobacco plc since January 2002. In 1991 he joined Rothmans Holdings Ltd in Australia, holding senior executive appointments, and became Chief Operating Officer of British American Tobacco Australasia Ltd in September 1999.

9. Jake Ulrich
Managing Director, Centrica Energy (55) ◆

Jake Ulrich was appointed to the Board in January 2005. He was appointed Managing Director, Centrica Energy in 1997. He assumed responsibility for the Group's activities in continental Europe in September 2006. Between 1994 and 1997 he was Managing Director of Accord Energy Ltd, a joint venture between Natural Gas Clearinghouse (NGC) and British Gas plc. He previously worked for NGC, Union Carbide Corporation and the OXY/Mid Con/Peoples Energy Group.

10. Paul Walsh
Non-Executive Director (52) ▲ * †

Paul Walsh joined the Board in March 2003. He is Chief Executive of Diageo plc, having previously been its Chief Operating Officer and having served in a variety of management roles. He is a Non-Executive Director of Federal Express Corporation, a Governor of the Henley Management Centre and Deputy Chairman of the Prince of Wales International Business Leaders Forum.

Key to membership of committees

- ▲ Audit Committee
- Corporate Responsibility Committee
- Disclosure Committee
- ◆ Executive Committee
- * Nominations Committee
- † Remuneration Committee

Executive team

11. Grant Dawson
General Counsel and Company Secretary (48) ● ◆

Grant Dawson has been General Counsel and Company Secretary of Centrica since the demerger from British Gas plc in February 1997, having joined British Gas in October 1996.

12. Deryk King
Managing Director, Centrica North America (60) ■ ◆

Deryk King is responsible for all of Centrica's activities in North America. He joined Centrica in September 2000, having previously been Group Managing Director of Powergen plc.

13. Catherine May
Group Director, Corporate Affairs (43) ■ ◆

Catherine May joined Centrica as Group Director, Corporate Affairs in September 2006, having previously been Group Director of Corporate Relations for Reed Elsevier.

14. Anne Minto OBE
Group Director, Human Resources (54) ◆

Anne Minto was appointed Group Director, Human Resources in October 2002. Prior to that she was Director, Human Resources for Smiths Group plc, a position which she held since early 1998.

15. Chris Weston
Managing Director, British Gas Services (44) ◆

Chris Weston was appointed Managing Director, British Gas Services in June 2005. Prior to this he was Managing Director, British Gas Business from January 2002.

Summary Accounts

Summary Financial Statements

Summary Group Income Statement

Year ended 31 December	2007		2006 (restated) (ii)	
	Results for the year before exceptional items and certain re-measurements (i) £m	Exceptional items and certain re-measurements (i) £m	Results for the year before exceptional items and certain re-measurements (i) £m	Exceptional items and certain re-measurements (i) £m
Continuing operations				
Group revenue	16,342	–	16,342	–
Cost of sales **	(12,217)	–	(12,217)	–
Re-measurement of energy contracts *	–	244	–	(916)
Gross profit	4,125	244	4,125	(916)
Operating costs †	(2,190)	–	(2,190)	(331)
Share of profits/(losses) in joint ventures and associates, net of interest and taxation ‡	14	(9)	3	(15)
Group operating profit	1,949	235	1,938	(1,262)
Net interest expense *	(73)	–	(73)	–
Profit/(loss) from continuing operations before taxation	1,876	235	1,865	(1,262)
Taxation on profit from continuing operations	(75)	(60)	(549)	363
Profit/(loss) from continuing operations after taxation	1,123	175	1,316	(899)
Discontinued operations	1	209	6	37
Profit/(loss) for the year	1,124	383	1,322	(862)
Attributable to:				
Equity holders of the parent	1,122	383	1,320	(862)
Minority interests	2	–	2	–
	1,124	383	1,322	(862)
Earnings/(loss) per ordinary share from continuing and discontinued operations:				
Basic			41.0	(4.3)
Diluted			40.3	(4.3)
Adjusted basic	30.6		19.4	
Interim dividend paid per share			3.35	3.15
Final dividend proposed per share			9.65	8.00
£000				
Directors' emoluments			5,774	5,159

(i) Certain re-measurements included within operating profit comprise re-measurement arising on our energy procurement activities and re-measurement of proprietary trades in relation to cross-border transportation or capacity contracts. In our business we enter into a portfolio of forward energy contracts which include buying substantial quantities of commodity to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IAS 39. Fair valuing means that we apply the prevailing forward market prices to these contracts. The Group has shown the fair value adjustments separately as certain re-measurements as they are unrealised and non-cash in nature. The profits arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements.

As permitted by IAS 1, Presentation of Financial Statements, certain items are presented separately. The items that the Group separately presents as exceptional are items which are of a non-recurring nature and, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, the renegotiation of significant contracts and asset write-downs.

Exceptional items and certain re-measurements included within discontinued operations comprise the gain on disposal of The Consumers' Waterheater Income Fund and re-measurement of the publicly traded units of The Consumers' Waterheater Income Fund. All other re-measurement is included within results before exceptional items and certain re-measurements.

(ii) Restated to present costs incurred under the energy savings programmes in cost of sales and to present The Consumers' Waterheater Income Fund as a discontinued operation.

Summary Group Balance Sheet

31 December	2007 £m	2006 £m
Non-current assets	6,057	5,672
Current assets	5,798	5,407
Current liabilities	(5,417)	(5,519)
Net current assets/(liabilities)	381	(112)
Non-current liabilities	(3,056)	(3,918)
Net assets	3,382	1,642
Shareholders' equity	3,323	1,585
Minority interests in equity	59	57
Total minority interests and shareholders' equity	3,382	1,642

Summary Group Statement of Recognised Income and Expense

Year ended 31 December	2007 £m	2006 £m
Profit/(loss) for the year	1,607	(154)
Net income/(expense) recognised directly in equity	349	(120)
Transfers to income and expenses	280	(198)
Total recognised income and expense for the year	2,106	(472)
Total income and expense recognised in the year is attributable to:		
Equity holders of the parent	2,104	(473)
Minority interests	2	1
	2,106	(472)

Summary Group Cash Flow Statement

Year ended 31 December	2007 £m	2006 £m
Net cash flow from operating activities ^a	2,357	737
Net cash flow from investing activities ^a	(884)	(720)
Net cash flow from financing activities ^a	(888)	(597)
Net increase/(decrease) in cash and cash equivalents	595	(580)
Cash and cash equivalents at 1 January	592	1,177
Effect of foreign exchange rate changes	3	(5)
Cash and cash equivalents at 31 December	1,100	592

^a Net cash flow from operating activities includes cash inflows of £67 million (2006: £73 million) from discontinued operating activities, net cash flow from investing activities includes cash outflows of £80 million (2006: £25 million) from discontinued investing activities and net cash flow from financing activities includes cash outflows of £25 million (2006: inflows of £17 million) from discontinued financing activities.

The Summary Financial Statements on pages 22 to 23 were approved and authorised for issue by the Board of Directors on 21 February 2008 and were signed below on its behalf by:

Sam Laidlaw
Chief Executive

Nick Luff
Group Finance Director

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www.centrica.com/review07

Summary Reports

Independent auditors' statement to the members of Centrica plc

We have examined the Summary Financial Statements of Centrica plc which comprise the Summary Group Income Statement, Summary Group Balance Sheet, Summary Group Statement of Recognised Income and Expense, Summary Group Cash Flow Statement and the Summary Remuneration Report.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Review and Summary Financial Statements in accordance with United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statements within the Annual Review and Summary Financial Statements with the full Annual Financial Statements, the Directors' Report (comprising the Directors' Report – Business Review and the Directors' Report – Governance) and the Remuneration Report, and its compliance with the relevant requirements of section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statements and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statements. This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. Our reports on the Company's full Annual Financial Statements describe the basis of our audit opinions on those Financial Statements and the Remuneration Report.

Opinion

In our opinion the Summary Financial Statements are consistent with the full Annual Financial Statements, the Directors' Report (comprising the Directors' Report – Business Review and the Directors' Report – Governance) and the Remuneration Report of Centrica plc for the year ended 31 December 2007 and comply with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors,
London 21 February 2008

Full Report and Accounts

The auditors have issued an unqualified report on the Annual Financial Statements and Remuneration Report containing no statement under section 237 (2) or section 237 (3) of the Companies Act 1985. The auditors report in respect of consistency between the Directors' Report and the Group Financial Statements is also unqualified. These Summary Financial Statements are a summary of the full Centrica Annual Report and Accounts and the narrative reports contain information from the Directors' Report but not the full text of that report. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group and of its policies and arrangements concerning the Directors' remuneration as would be provided by the full Report and Accounts. The full Report can be downloaded from our website at www.centrica.com or can be obtained for 2007 and/or future years, free of charge, by contacting the Centrica shareholder helpline (see page 29 for contact details).

Dividends

An interim dividend for 2007 of 3.35 pence per share was paid on 14 November 2007. The Directors recommend that, subject to approval at the AGM, a final dividend of 9.65 pence per share will be paid on 11 June 2008 to those shareholders registered on 25 April 2008. This would make a total ordinary dividend for the year of 13.0 pence per share (2006: 11.15 pence per share).

Corporate Governance

The Board of Directors of Centrica plc is committed to the highest standards of corporate governance. Throughout the year ended 31 December 2007, the Company fully complied with the provisions set out in Section 1 of the Combined Code on Corporate Governance (the 'Code'). A report on how the Code's principles were applied is set out in the Corporate Governance Report in the full Annual Report and Accounts and is summarised below.

Board of Directors

An effective Board of Directors leads and controls the Group, and has a schedule of matters reserved for its approval. This schedule and the terms of reference for the Executive, Audit, Remuneration, Nominations, Corporate Responsibility and Disclosure Committees are available on request and on the Company's website at www.centrica.com.

The Board is specifically responsible for:

- ▶ the development of strategy and major policies;
- ▶ the review of management performance;
- ▶ the approval of the annual operating plan, the financial statements and major acquisitions and disposals;
- ▶ the Group's corporate responsibility arrangements including health, safety and environment matters;
- ▶ the Group's system of internal control; and
- ▶ corporate governance.

One of the Board's meetings is specifically devoted to the development of the Group's strategic direction. This is continually monitored and a half year review is presented to, and discussed by the Board.

Board appointments, evaluation and training

There is a formal, rigorous and transparent procedure in place for the appointment of new Directors to the Board. This is described on page 39 of the full Annual Report and Accounts. In accordance with the Code and the Company's Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment to the Board and thereafter are subject to re-election every third year.

During the year the Board conducted a formal and rigorous performance evaluation of its own performance and that of its committees and individual Directors, with the assistance of an independent external facilitator, Egon Zehnder International. The evaluation report concluded that the Board and its committees continue to operate effectively and builds upon the progress of previous years.

An induction programme tailored to meet the needs of individual Directors is provided for each new Director. Directors also receive training and updates throughout the year.

Internal control

The Audit Committee reviews regular internal control reports, tracks issues, monitors performance against objectives and ensures necessary actions are taken to remedy any significant failings or weaknesses identified from those reports.

The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the system of internal control, for the period from 1 January 2007 to the date of this report, and is satisfied that the Group complies with the Turnbull Guidance. The Board will continue to routinely challenge the management to ensure the system of internal control is constantly improving.

Summary Remuneration Report

This is a summary of the full Remuneration Report, which is contained in the Annual Report and Accounts, copies of which are available from our website at www.centrica.com.

It is the responsibility of the Remuneration Committee to make recommendations to the Board on the policy, framework and cost of executive remuneration, and the implementation of remuneration policy and determining specific remuneration packages for each of the Executive Directors. It consists exclusively of Non-Executive Directors and has access to the advice of external consultants.

Summary remuneration policy

The Committee ensures that the Group's remuneration policy and framework provides competitive reward for its Executive Directors and other senior executives, taking into account the Company's performance, the markets in which it operates and pay and conditions elsewhere in the Group. In constructing the remuneration packages, the Committee aims to achieve an appropriate balance between fixed and variable compensation for each executive through the following key elements:

- ▶ a significant proportion depends on the attainment of demanding performance objectives;

- ▶ Annual Incentive Scheme (AIS) incentivises and rewards the achievement of demanding objectives; and
- ▶ long-term share-based incentives align interests with the longer term interests of the shareholders.

The Committee reviews the packages to ensure they continue to promote the achievement of strategic objectives while delivering shareholder value; reflect current best practice and meet the Group's business needs; and enable the Group to attract and retain high calibre management. Changes to the future policy and framework of executive remuneration arrangements were endorsed by shareholders at the 2006 AGM and fully implemented in 2007.

In 2007 executive remuneration comprised base salary, AIS, an allocation of shares under the Long Term Incentive Scheme (LTIS), and an allocation of shares under the new Deferred and Matching Share Scheme (DMSS). No Executive Share Option Scheme (ESOS) grants were made during the year, although the Committee retains the discretion to make grants under the ESOS in the future.

As a matter of policy, the notice periods in the Executive Directors' service contracts do not exceed one year. The Committee exercised its discretion in respect of the appointment of Sam Laidlaw on 1 July 2006 and Nick Luff on 1 March 2007. Each has a service contract that contains a notice period of two years, which will reduce to one year on the second anniversary of their respective date of appointment.

The Committee believes that these arrangements are important in providing a potential remuneration package that will attract, retain and continue to motivate Executive Directors and other senior executives in a marketplace that is challenging and competitive in both commercial and human resource terms. It is currently intended that this remuneration policy and framework, which is fully endorsed by the Board, will continue for 2008 and thereafter.

Components of remuneration

For 2007 the maximum bonus payable under the AIS to the Executive Directors, should every single element of every objective be achieved in full, was 125% of base salary. The current objectives comprise financial performance targets (64%) and business-related targets (36%). A bonus will be forfeited if the Committee considers overall performance to have been unsatisfactory.

In 2007 initial awards under the DMSS were made to Executive Directors and other Senior Executives. 20% of the AIS payable in respect of 2006 was deferred automatically for a period of three years and invested in deferred shares. Participants were given the opportunity to invest an additional amount in investment shares from their actual bonus, up to 50% of the individual's maximum bonus entitlement in respect of 2006. Initial arrangements in respect of Sam Laidlaw and Nick Luff were put in place. Full details can be found in the Annual Report and Accounts.

Deferred and investment shares were matched with conditional matching shares, which will be released upon the achievement of a performance target (see table on page 26). For the purposes of matching, the investment shares are grossed up for income tax and National Insurance contributions.

Governance
continued

Summary Reports continued

Released matching shares will be increased to reflect the dividends that would have been paid during the three-year performance period. In the event of a change of control the number of matching shares that vest will be subject to time-apportionment in line with best practice.

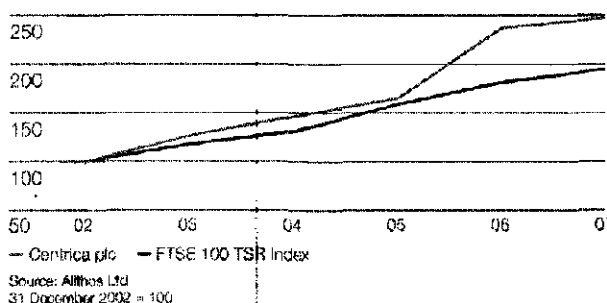
In 2007 LTIS allocations were awarded to Executive Directors equal to 200% of base salary and at lower rates to other senior executives. The release of allocations will be subject to the performance conditions set out in the table below.

Prior to 2006 allocations were made annually to Executive Directors and other senior executives under the old LTIS, in accordance with the remuneration policy adopted in 2001. Such allocations were subject to a performance condition as set out in the table below.

No grants of options were made during 2007 under the ESOS. The adjusted EPS performance conditions for the ESOS are set out below.

The graph opposite compares the Company's TSR performance with that of the FTSE 100 Index for the five years ended 31 December 2007.

Total Shareholder Return Indices – Centrica and FTSE 100 Index
for the five years ended 31 December 2007



The Centrica Management Pension Scheme (a contributory final salary arrangement) was closed to new employees on 30 June 2003. Executive Directors in office prior to this date participated in that scheme during 2007. Alternative arrangements are made for new employees, including Sam Laidlaw and Nick Luff, after that date.

The Executive Directors are also eligible, on the same basis as other employees, to participate in the Company's HMRC-approved Sharesave and Share Incentive Plan.

Performance Condition Summary**Deferred and Matching Share Scheme**

Award Year	Vesting Criteria	Performance Condition over three-year period
2007	100% of matching shares on three-year cumulative group economic profit (EP) performance targets	2:1 match will be achieved for cumulative EP growth of 25% or more. Zero matching for no cumulative EP growth. Vesting of matching shares will increase on a straight-line basis between points.

Long Term Incentive Scheme

Award Year	Vesting Criteria	Performance Condition over three-year period
2007	50% on EPS [†] growth against RPI growth	37.5%; full vesting for EPS [†] growth exceeding RPI growth by 30%. Zero vesting if EPS [†] growth fails to exceed RPI growth by 9%. Vesting will increase on a straight-line basis between 25% and 100% if EPS [†] growth exceeds RPI growth by between 9% and 30%. 12.5%; full vesting for EPS [†] growth exceeding RPI growth by 40%. Zero vesting if EPS [†] growth fails to exceed RPI growth by 20%. Vesting will increase on a straight-line basis between 25% and 100% if EPS [†] growth exceeds RPI growth by between 20% and 40%.
	50% on TSR against FTSE 100*	Full vesting for upper quintile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight-line basis for ranking between median and upper quintile.
2006	50% on EPS [†] growth against RPI growth	Full vesting for EPS [†] growth exceeding RPI growth by 30%. Zero vesting if EPS [†] growth fails to exceed RPI growth by 9%. Vesting will increase on a straight-line basis between 25% and 100% if EPS [†] growth exceeds RPI growth by between 9% and 30%.
	50% on TSR against FTSE 100*	Full vesting for upper quintile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight-line basis for ranking between median and upper quintile.
2004–2005	100% on TSR against FTSE 100*	Full vesting for upper quartile ranking. Zero vesting for sub-median ranking. Vesting will increase on a sliding-scale basis for ranking between median and upper quartile.

Executive Share Option Scheme

Award Year	Vesting Criteria	Performance Condition over three-year period
2001–2006	100% of options based on EPS [†] growth against RPI growth. Retesting for further two years for options granted up to and including April 2004.	Full vesting for EPS [†] growth exceeding RPI growth by 18%. Zero vesting if EPS [†] growth fails to exceed RPI growth by 9%. Vesting will increase on a straight-line basis between 40% and 100% if EPS [†] growth exceeds RPI growth by between 9% and 18%.

* The Committee has determined that, for the pre 2006 LTIS and for that part of the new LTIS subject to the comparative TSR performance conditions, the most appropriate comparator group for the Company is the Companies comprising the FTSE 100 at the start of the relevant performance period (the LTIS comparator group).

[†] EPS in this table represents the Group's adjusted earnings per share.

Directors' emoluments, pension benefits and interests in shares

As at 31 December 2007	Total emoluments excluding pension 2007 (£000) (i)	Total emoluments excluding pension 2006 (£000) (i)	Accrued annual pension 2007 (£ p.a.) (ii)	Beneficial interests in ordinary shares 2007 (iii)	Total matching shares under the DMSS 2007 (iv)	Total allocations of shares under the LTIS 2007 (v)	Total options under the Shareave 2007	Total options under ESOS 2007 (vi)
Executive Directors								
Phil Bentley	1,125	1,136	126,900	623,718	181,727	740,346	3,244	2,447,779
Sam Laidlaw (ii)	1,870	1,079	—	341,964	272,431	891,320	3,244	—
Nick Luff (ii)	989	—	—	200,255	169,871	276,545	—	—
Jake Ulrich	1,033	1,102	212,600	861,229	181,726	743,626	3,244	2,203,750
	5,017	3,317						
Non-Executive Directors								
Helen Alexander	69	60	—	2,520	—	—	—	—
Roger Carr	413	344	—	19,230	—	—	—	—
Mary Francis	84	56	—	981	—	—	—	—
Andrew Mackenzie	58	50	—	21,000	—	—	—	—
Paul Rayner	75	65	—	5,000	—	—	—	—
Paul Walsh	58	50	—	4,500	—	—	—	—
	757	625						
Past Directors								
Mark Clare	—	412	—	—	—	—	—	—
Sir Roy Gardner	—	784	—	—	—	—	—	—
Patricia Mann	—	21	—	—	—	—	—	—
	—	1,217						
Total emoluments	5,774	5,159						

(i) Total emoluments for Executive Directors include all taxable benefits arising from employment by the Company, including the provision of a car (Sam Laidlaw and Jake Ulrich were also provided with a driver for limited personal mileage), financial counselling, medical insurance and life assurance premiums.

(ii) Accrued pension is that which would be paid annually on retirement at age 62, based on eligible service to and pensionable salary at 31 December 2007. Sam Laidlaw is contractually entitled to a salary supplement of 40% of basic pay in lieu of any pension provision. This amounted to £349,180 in 2007 of which £168,760 (not included above) was paid directly by the Company into his personal pension plan. Nick Luff is contractually entitled to a salary supplement of 30% of basic pay in lieu of any pension provision. Full details of the Directors' pension scheme arrangements can be found in the Annual Report and Accounts.

(iii) Executive Directors' shareholdings above include those held in the Share Incentive Plan and the deferred and investment shares held in the DMSS. Full details of the DMSS can be found in the Annual Report and Accounts. As at 21 February 2008, the beneficial shareholdings of Phil Bentley and Jake Ulrich had each increased by 113 shares and those of Sam Laidlaw and Nick Luff had increased by 114 shares acquired through the Share Incentive Plan.

(iv) Allocations were made under the LTIS on 1 April 2005, 3 April 2006, 4 September 2006 and 4 April 2007. The aggregate value of shares vested to Executive Directors under the LTIS was £2,211,361.

(v) Options were granted under the ESOS on 31 May 2001, 2 April 2002, 24 March 2003, 18 March 2004, 1 April 2005 and 3 April 2006. The aggregate amount of gains made by Executive Directors on the exercise of share options was £615,839.

Go online



Visit www.centrica.com to view the full Annual Report and Accounts and Annual Review.

Why not join thousands of other shareholders who have registered to receive all future communications online?

Shareholder Information

Financial calendar

23 April 2008	Ex-dividend date for 2007 final dividend
25 April 2008	Record date for 2007 final dividend
12 May 2008	AGM, Queen Elizabeth II Conference Centre, London SW1
11 June 2008	Payment date for 2007 final dividend
31 July 2008	Announcement date for 2008 interim results
12 November 2008	Payment date for proposed 2008 interim dividend

Electronic communications and the Centrica website

At the 2007 Annual General Meeting (AGM), the Company passed a resolution allowing the Centrica website to be used as the primary means of communication with its shareholders. A shareholder consultation card was sent with the proxy forms to shareholders in March 2007 enabling them to choose to either:

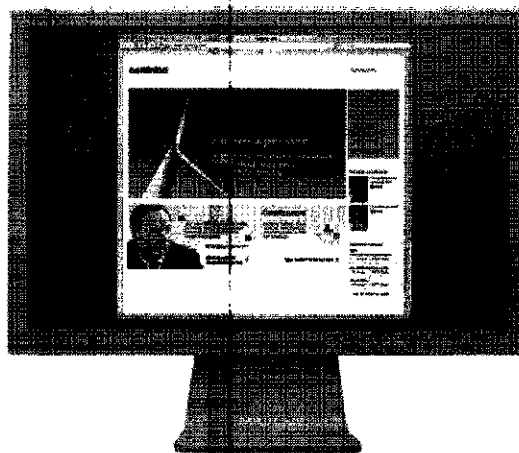
- ▶ receive shareholder documentation by website communication by providing an email address; or
- ▶ continue to receive shareholder documentation in hard copy by returning the personalised card attached to the AGM proxy form.

If the completed card was not returned, shareholders were deemed in accordance with the Companies Act 2006 to have agreed to receive shareholder documentation via the Centrica website. These shareholders, and those who positively elected for website communication, were sent, immediately prior to the publication date, a written notification that the 2007 shareholder documents are available to view on the Centrica website at www.centrica.com/reports2007.

The new electronic arrangements provide shareholders with the opportunity to access information in a timely manner and help Centrica to reduce both its costs and its impact on the environment.

The Centrica website at www.centrica.com provides news and details of the Company's activities, plus information on the share price and links to its business sites.

The investors' section of the website contains up-to-date information for shareholders including comprehensive share price information, financial results, dividend payment dates and amounts, and shareholder documents.



Register for electronic shareholder communication to:

- ▶ view the Annual Report and Accounts on the day it is published;
- ▶ receive an email alert when shareholder documents are available;
- ▶ cast your AGM vote electronically; and
- ▶ manage your shareholding quickly and securely online.

For more information and to register visit:
www.centrica.com/shareholders

Shareholder services

Centrica shareholder helpline

Centrica's shareholder register is maintained by Equiniti, which is responsible for making dividend payments and updating the register.

If you have any query relating to your Centrica shareholding, please contact our Registrar, Equiniti:

Telephone: 0871 384 2985*
Text phone: 0871 384 2255*
Email: centrica@equiniti.com

Write to: Equiniti
Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA

*Calls to these numbers are charged at 8 pence per minute from a BT landline. Other providers' telephony costs may vary.

A range of frequently asked shareholder questions is also available at **www.centrica.com/shareholders**.

Direct dividend payments

Make your life easier by having your dividends paid directly into your bank or building society account on the dividend payment date.

The benefits of this service include:

- ▶ there is no chance of the dividend cheque going missing in the post;
- ▶ the dividend payment is received more quickly as the cash is paid directly into the account on the payment date without the need to pay in the cheque and wait for it to clear; and
- ▶ a single consolidated tax voucher is issued at the end of each tax year, in March, in time for your self assessment tax return.

To register for this service, please call the shareholder helpline on 0871 384 2985* to request a direct dividend payment form or download it from **www.centrica.com/shareholders**.

The Centrica FlexiShare service

FlexiShare

FlexiShare is a 'corporate nominee', sponsored by Centrica and administered by Equiniti Financial Services Limited. It is a convenient way to manage your Centrica shares without the need for a share certificate. Your share account details will be held on a separate register and you will receive an annual confirmation statement.

By transferring your shares into FlexiShare you will benefit from:

- ▶ low-cost share-dealing facilities provided by a panel of independent share dealing providers;
- ▶ quicker settlement periods;
- ▶ no certificates to lose; and
- ▶ a dividend reinvestment plan – your cash dividend can be used to buy more Centrica shares (for a small dealing charge) which are then credited to your FlexiShare account.

Participants will have the same rights to attend and vote at general meetings as all other shareholders. There is no charge for holding your shares in FlexiShare, nor for transferring in or out at any time.

For further details about FlexiShare, please call the Centrica shareholder helpline on 0871 384 2985* or visit **www.centrica.com/flexishare**.

This report has been printed on Greencoat Plus Velvet, which is made from 80% recycled post-consumer fibre, 10% Total Chlorine Free virgin fibre and 10% Elemental Chlorine Free fibre. This paper has been independently certified according to the rules of the Forest Stewardship Council (FSC).



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Telephone: 0800 917 6564 Textphone: 18001 0800 917 6564

Please note that these numbers should be used to order copies of alternative formats only. For general shareholder enquiries, please use the shareholder helpline 0871 384 2985*.

Centrica plc Company registered in England and Wales no. 3033654
Registered office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD
www.centrica.com

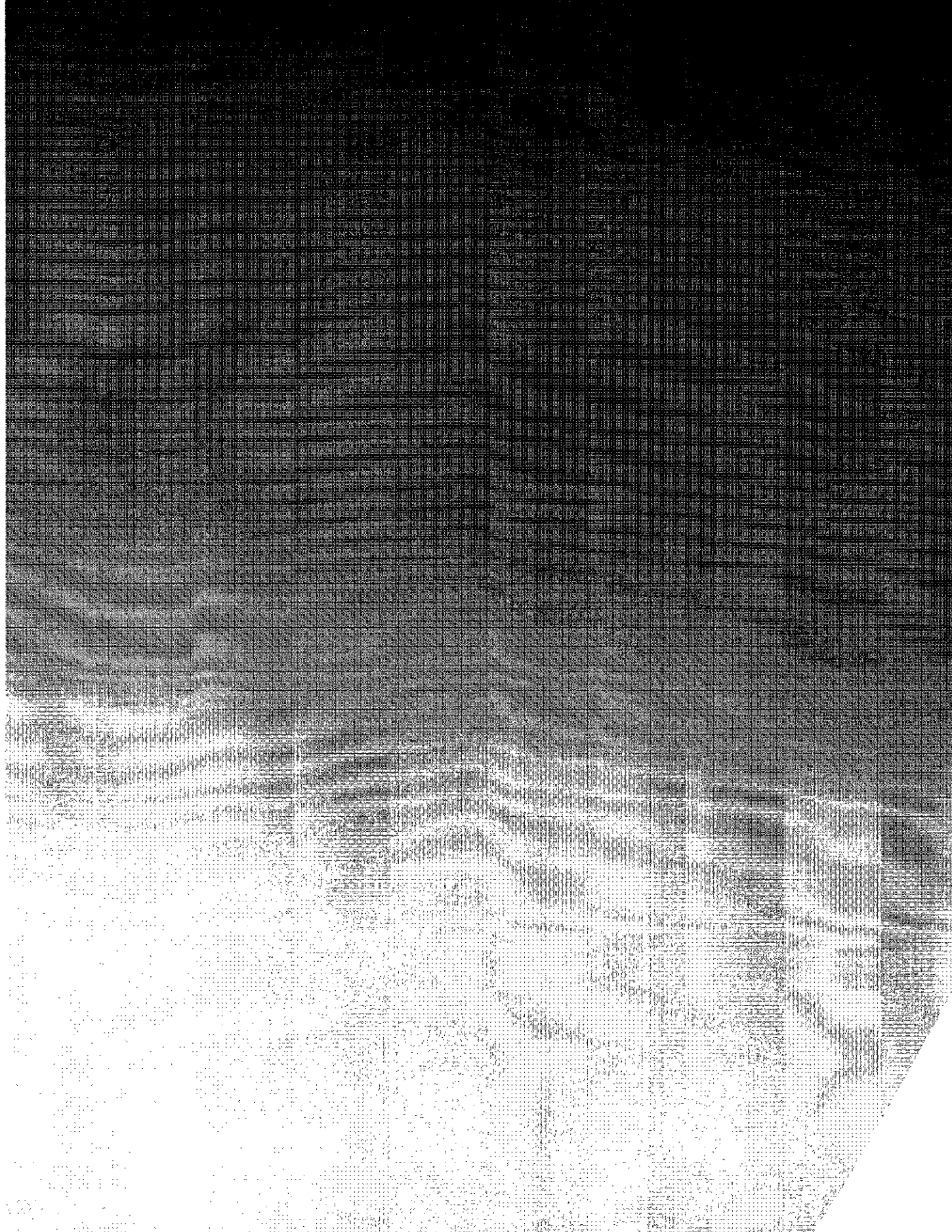


Exhibit C-2
SEC Filings

The corporate owner of Direct Energy Business, LLC is Direct Energy Services, LLC, an indirect wholly owned subsidiary of Centrica plc. Centrica plc is headquartered in Windsor, UK. As a foreign entity, Centrica is not subject to SEC jurisdiction, and thus does not have SEC filings.

Exhibit C-3
Financial Statements

Attached are the two most recent years (2006 and 2007) of audited financial statements for Direct Energy Business, LLC (fka Strategic Energy, LLC).

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Exhibit C-4
Financial Arrangements

Attached is a sample Guaranty issued by Direct Energy Business, LLC's ultimate parent company, Centrica plc.

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Exhibit C-5
Forecasted Financial Statements

Due to the recent acquisition of Direct Energy Business (formerly Strategic Energy) by Direct Energy Services, LLC, and the integration efforts related to same, forecasted financial statements are unavailable at this time. As soon as forecasted financial statements for Direct Energy Business become available, they will be provided under separate cover as a supplement to this application.

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Exhibit C-6
Credit Rating

Direct Energy Business does not maintain a credit rating by Dun & Bradstreet, nor does it maintain a senior debt rating from Duff & Phelps, Moody's Investors Service or Standard & Poors. Direct Energy Business relies on the credit ratings of its ultimate parent company, Centrica plc. The credit ratings of Centrica plc are included below.

Enter # for explanation. Enter # <GO> for historical ratings.

Related Functions Company Tree Ratings CREDIT PROFILE

Centrica PLC Page 1/1

MOODY'S		DBRS	
1) Outlook	STABLE	14) Senior Unsecured Debt	WR
2) Issuer Rating	A3	15) Short Term	WR
3) Senior Unsecured Debt	A3		
4) Short Term	P-2		
STANDARD & POOR'S			
5) Outlook	NFG		
6) LT Foreign Issuer Credit	A		
7) LT Local Issuer Credit	A		
8) ST Foreign Issuer Credit	A-1		
9) ST Local Issuer Credit	A-1		
FITCH			
10) Outlook	NEG		
11) LT Issuer Default Rating	A		
12) Senior Unsecured Debt	A		
13) Short Term	F1		

Australia 61 2 9277 8600 Brazil 5511 3048 4500 Europe 44 20 7530 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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Exhibit C-7
Credit Report

Direct Energy Business is not able to provide a credit report due to our arrangement with Dun & Bradstreet. Direct Energy Business is providing its D&B number, with which any interested party may request a copy of the credit report. Strategic Energy's D&B # is 80-077-0810.

Direct Energy Business, LLC
(fka Strategic Energy, LLC)

Exhibit C-8
Bankruptcy Information

Direct Energy Business, LLC (fka Strategic Energy, LLC) has had no reorganizations, protection from creditors or any other form of bankruptcy filings. The same is true of the Officers of Direct Energy Business, LLC, referenced on Exhibit A-10.

Exhibit C-9
Merger Information

Direct Energy Business, LLC (fka Strategic Energy, LLC) has undergone a change in corporate ownership. The former corporate parent of Direct Energy Business, LLC (fka Strategic Energy, LLC), as should be reflected in PUCO files, was Great Plains Energy, Inc. of Kansas City, MO. The new corporate owner is Direct Energy Services, LLC, an indirect wholly owned subsidiary of Centrica plc.

Regulatory approvals from FTC and FERC for this transaction were issued on May 2, 2008 and May 13, 2008, respectively. Approval from CFIUS was issued on May 28, 2008, and the transaction closed on June 2, 2008.

**Exhibit D-1
Operations**

Direct Energy Business maintains a 24-hour operation for buying and selling in both Retail and Wholesale markets. Direct Energy Business has the ability to purchase and sell power from the wholesale market on an hourly, daily, weekly and monthly basis. After buying or selling the power, Direct Energy Business then schedules the energy with the Control Areas. This process entails buying and scheduling transmission and ancillary services and properly creating and submitting NERC tags (via OATI software) to the Control Areas. Our Retail and Wholesale schedules are confirmed with the Control Areas to ensure flow prior to start and at the end of the schedule for verification of flow.

Exhibit D-2
Operations Expertise

Wildred Dancil

Senior Portfolio Manager (MISO and PJM)

Over four years electric operational experience

Over two years OASIS reservation process experience

Over two years NERC experience

Over three years experience working with rules and practices established by NERC

Previous Employment: CNG Retail Service Corp. – Senior Power Scheduler

Education: BS, Economics, Fairleigh Dickinson University

Thomas Foster

Manager of Real Time Trading

Over six years of operational, OASIS reservation process, and NERC experience

Over four years experience working with rules and practices established by NERC

Previous employment: Morgan Stanley - Financial Advisor

Education: BS, Finance, Indiana University of Pennsylvania

Power Coordination

The Power Coordinators group at Direct Energy Business includes 12 energy professionals with a combined 47 years of experience in energy scheduling and related issues. The group includes a five-person rotating shift providing **24-hour coverage** for scheduling changes, reserve implementation, curtailment orders and interruption plan implementation.

The contact information for the Power Coordination group is as follows:

Power Coordinators

Direct Energy Business, LLC

Two Gateway Center, 9th Floor

Pittsburgh, PA 15222

412-394-6500 (voice)

412-394-9731 (fax)

powercoordinators@sel.com

Exhibit D-3
Key Technical Personnel

Janet Scherer

Director of Data Operations

Over 20 years experience with EDI/programming/technical support

Previous Employment: Eaton Cutler-Hammer – Product Manager, Manager EDI & Tech Support

Education: B.S. Computer Science - University of Pittsburgh

Janet.Scherer@directenergy.com

412.394.6684

Direct Energy Business has the ability to transmit and store large volumes of data as demonstrated by our current activity in many markets. We have numerous solutions both through ESG and internally at Direct Energy Business to connect and send/retrieve data. To name a few:

- GISB secure internet protocol for point to point file exchange;
- Traditional EDI Van mailbox processing;
- FTP file exchange;
- Secure Website access and exchange of data;
- Email attachment (not preferred) exchange of data.

Direct Energy Business is fully equipped to exchange data with other market participants, based on our operations in existing markets in which Direct Energy Business is licensed/certified to do business (see Exhibit B-1). Direct Energy Business is a member in good standing with the following ISOs: PJM Interconnection, ISO-NE, NYISO, MISO, CAISO and ERCOT.

Direct Energy Business, LLC
(fka Strategic Energy, LLC)

Exhibit D-4
FERC Power Marketer License Number

Direct Energy Business, LLC's (fka Strategic Energy, LLC) FERC Power Marketer License number is **ER96-3107-000**.