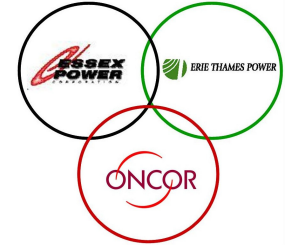


“Partnering” : Our Road Map to Efficient Electricity Distribution

February 18, 2004

Essex Power and Erie Thames Response to Market Changes



- Independently:
 - Restructured into Fixed Assets (LDC) and Network Services Corporations
 - Harmonized Rates
 - Developed Financial Planning Cycles to Support Customer, Shareholder, and Regulatory Commitments
 - Deployed Related Business Opportunities to Enhance Shareholder Value
 - Returned Dividend Payments to Municipal Shareholders
- Cooperatively:
 - Created Opportunities for Scale by Introducing Third Party Expertise and Partnering for Asset Management and Network Services Processes

Our Business Model

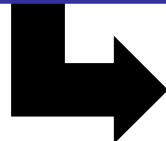


Asset Owner

Municipal Shareholders

Business excellence

- Focuses on business performance
- Values business strategies that create opportunity and manage risk
- Core competencies in forecasting and managing revenue and costs



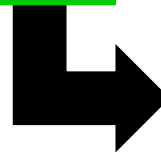
AO directs AM to meet asset performance goals

Asset Manager

LDC Manager

Asset excellence

- Focuses on performance of all assets (financial, physical, human etc)
- Core competencies in analysis, economic lifecycle and managing risk
- Leverages information technology to manage accurate and timely information



AM assigns activities to NS

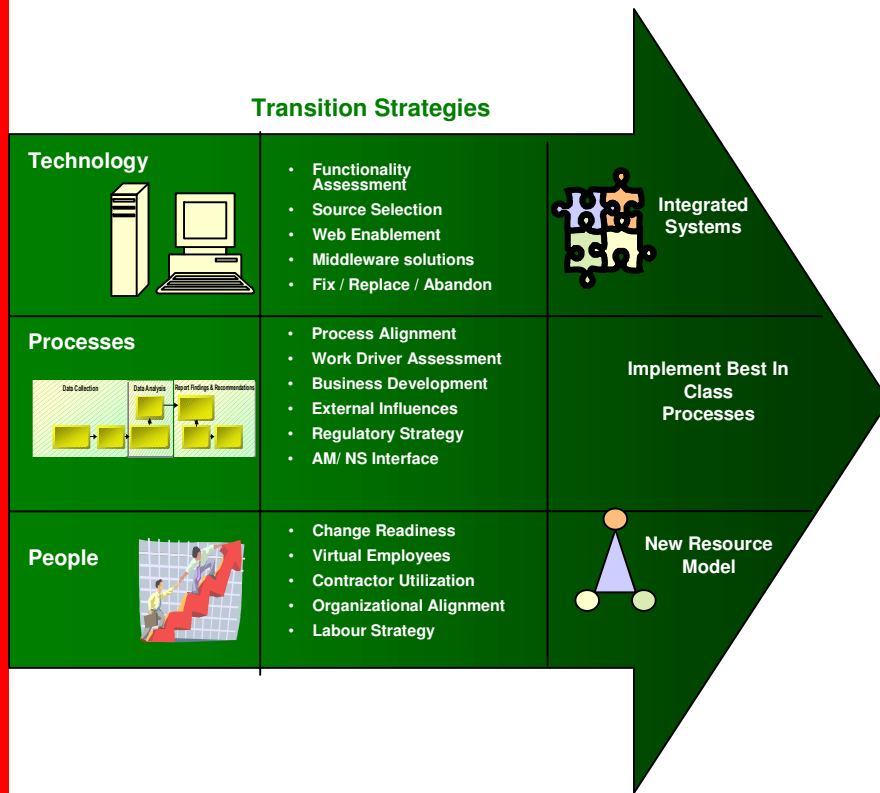
Network Services

Essex & Erie Thames Service Companies

Service excellence

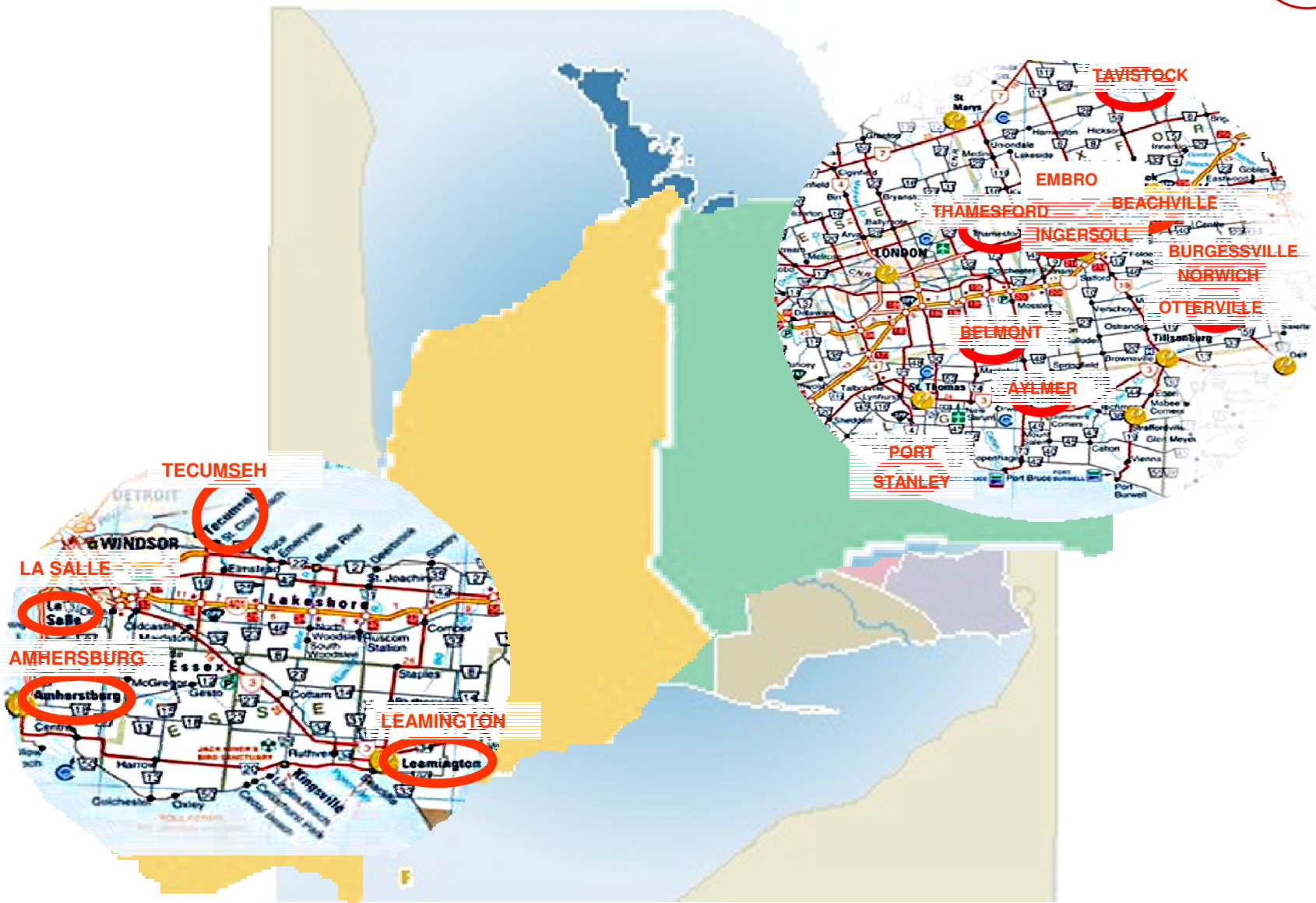
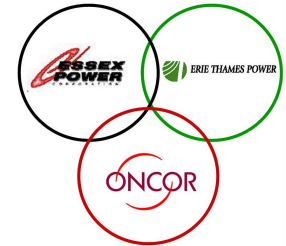
- Focuses on efficient and responsive service delivery
- Values customer service and the quality of the work
- Core competencies in work management and operating acumen

Significant Leverage Have Been Created By The Combination Of The Skills & Scale Of The Two Businesses With The Support Of Our Oncor Partner



Oncor Currently Supports 3.1 Million Electric Customers Internationally

There Are Significant Synergies Geographically, Culturally, & In Our Commitment To Our Municipal Shareholders

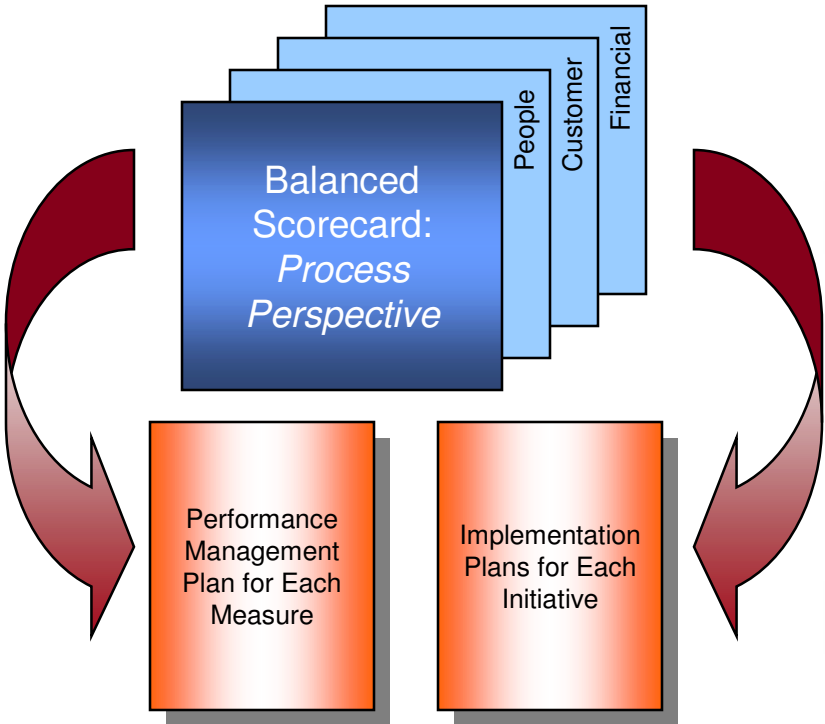


Inventory of Current Performance Management Framework



Outputs/Contents

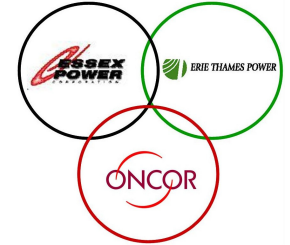
- Vision
- Mission
- Strategies



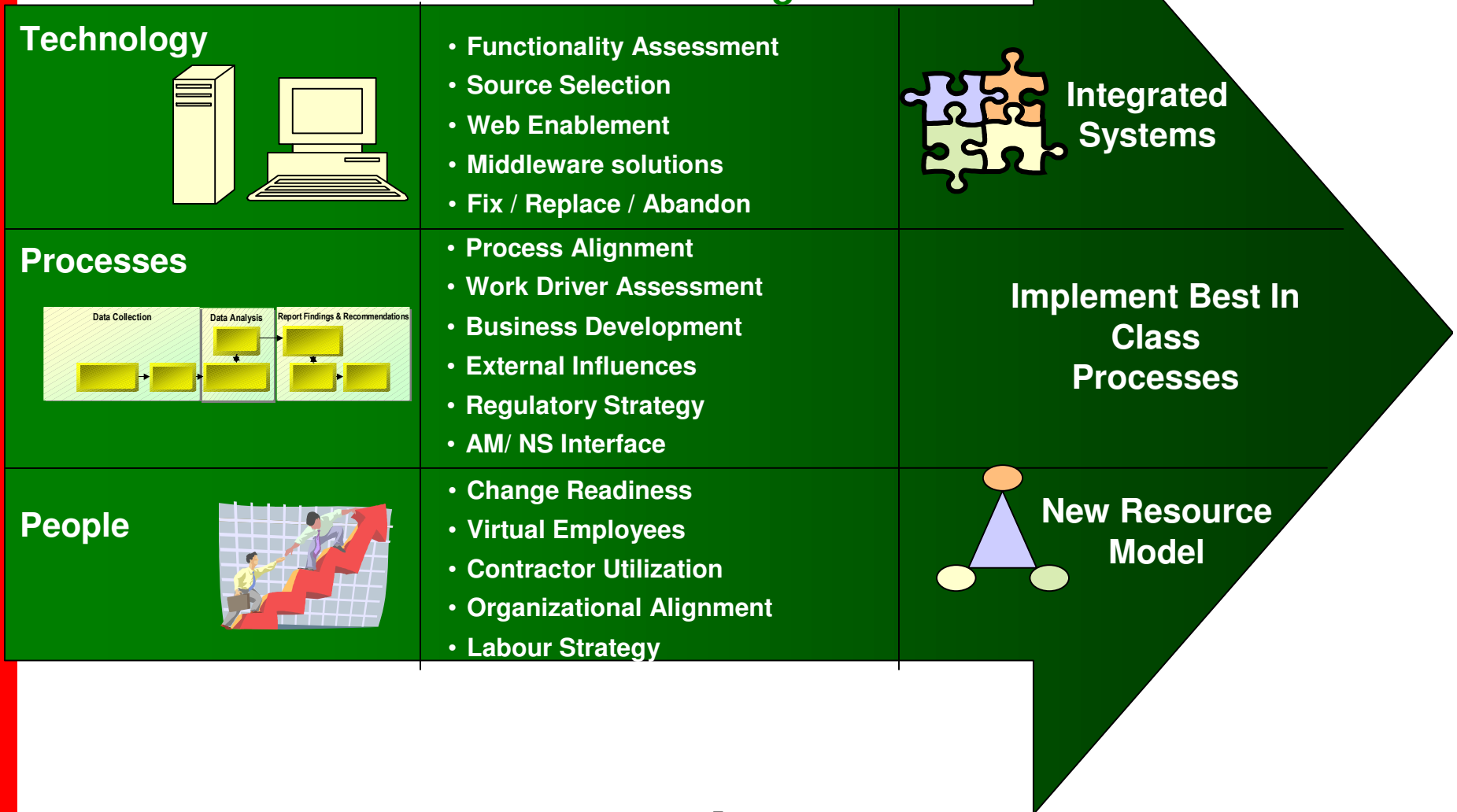
- Measures (KPIs) linked to goals defined in Business Plan
- Targets
- Initiatives

- Definitions for performance measures
- Basis for target setting
- Implementation plan for each initiative identified in the scorecard

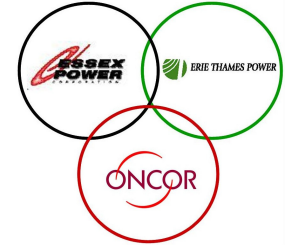
The Essex & Erie Thames Business Transformation will be Affected in Three Domains



Transition Strategies



Our Observations Regarding the OEB Review of Further Efficiencies in the Electricity Distribution Sector

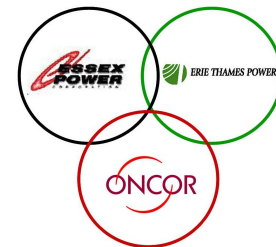


- **Issues of Efficiency Must be Better Understood:**

Currently no consistent benchmarking practices exist in Ontario, and few entities are held accountable to performance standards, either internally or externally. Without such a focus, the OEB has little basis for new actions aimed at correcting inefficiencies, since it is unclear where those inefficiencies exist.
- **Allowing Rate Adjustments Only Encourages Further Inefficiencies:**

Without comparison to peer group norms, the OEB has limited ability to judge the efficacy of current rates, nor the basis for judging appropriateness of adjustments. Further rate adjustments with accountability for performance only drive additional inefficiencies.
- **The Most Urgent Issue Is to Gain an Understanding the Current Performance of the Market:**

With a focus on performance rather than LDC structure, the OEB can identify the sources for creating efficiency in the market, and drive additional value to the customers through targeted regulatory oversight.



Questions & Discussion