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**Initial Market Cap
& Dynamic Market Cap**

Forward Thinking Energy

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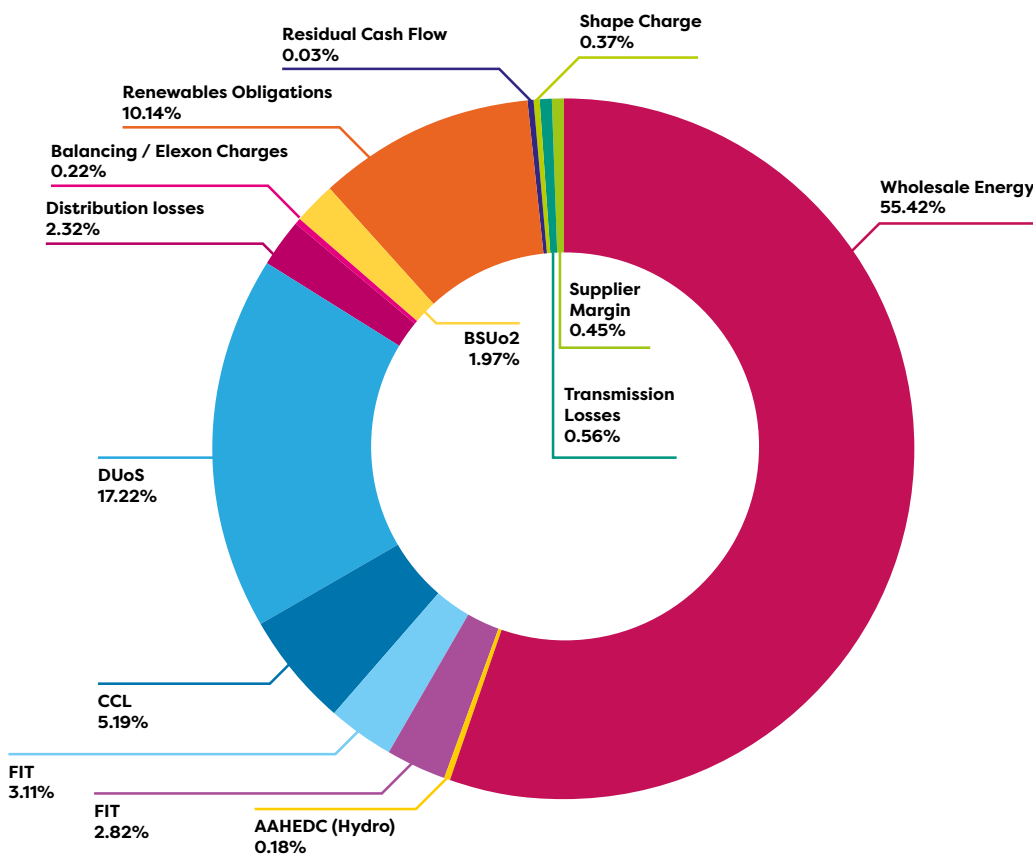
Cost of Energy

Delivered energy unit rates are made up of several elements, which can be broken down into two broad categories: commodity and non-commodity charges.

Commodity is the cost of the gas and electricity purchased from the wholesale energy market.

Non-commodity charges, also known as pass through charges, are industry charges such as transportation/distribution losses and green levies imposed by the government.

The diagram below shows the split of these charges



Risk Management

Commodity Cost Certainty

Benefit From Volatility

Individual Unit Rate

Assists In Developing Robust Budgets



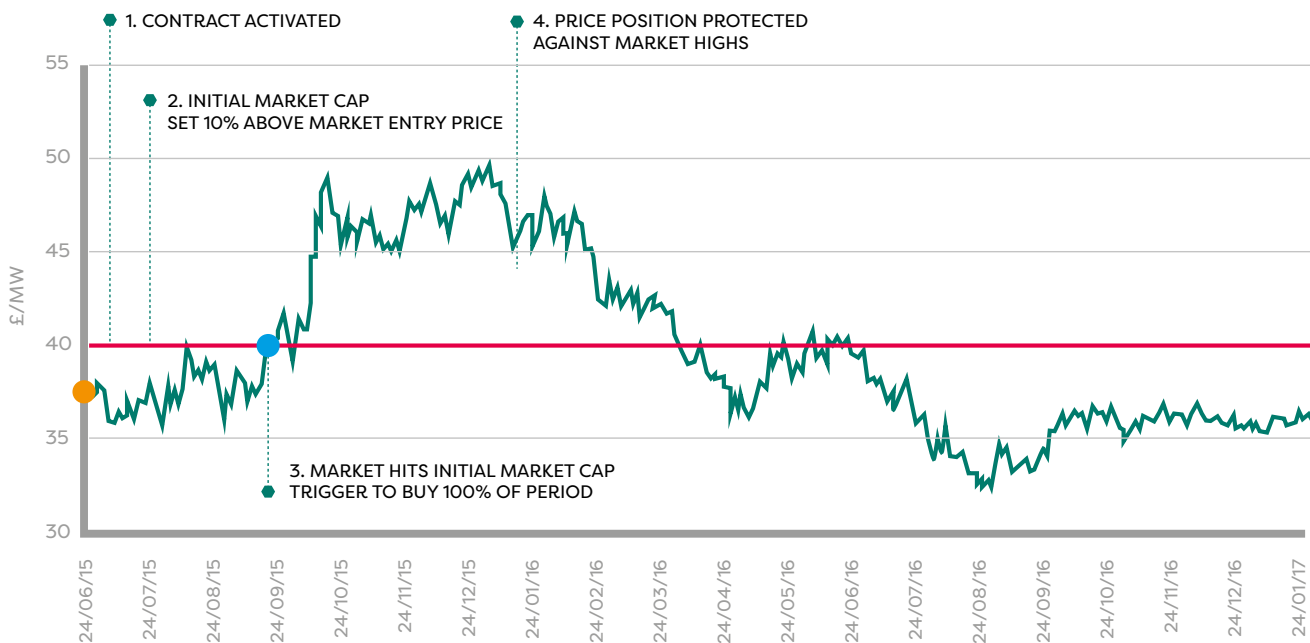
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Although LGE does not control non-commodity costs, our tendering services breaks down supply contracts to a component level. This enables scrutiny of all non-commodity costs, leading to more robust budgeting and forecasting. Furthermore, clients may also affect these charges by such activities as load shifting or Triad Management.

Commodity costs are determined by the wholesale market, key to success is market entry timing and optimisation. LGE's risk management strategies are designed to hedge client exposure, whilst maximizing optimisation opportunities.

Initial Market Cap (IMC)

LGE utilises the IMC to limit client maximum exposure to the commodity only price. The level of the cap is determined by the prevailing market price at the point at which LGE is authorised to trade. The level at which the IMC is set, is determined by the prevailing market price for a period plus ten percent typically (10%). Please see the diagram below.



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Dynamic Market Cap (DMC)

LGE utilises the DMC to allow end-users to benefit from positive movements in commodity prices. The DMC mimics a stop loss mechanism, which tracks the market down, whilst protecting against increases should prices rally. The DMC level is determined by the commodity only market low price for the period concerned, plus ten percent typically (10%). Please see the diagram below. Initially the IMC and DMC overlap, it is only when the market moves lower that they separate.

