



Securities

26th April 2005

Direct Energy Marketing Ltd
25 Sheppard Avenue West, Suite 1500
Toronto, Ontario, Canada
M2N 6S6

Attn: Mr Stuart Kaufman, Treasurer

Dear Stuart,

Re: Cost of Capital – Alberta Energy Board Tariff Rate Setting for Gas & Electricity

Background

Direct Energy Marketing Limited ("DEM") is in the process of applying for its Tariff Rate for its regulated utility businesses (power & gas sales – together "Businesses") with the Alberta Energy Board.

The rate application is based on a cost plus ROI formula. Included in the cost is an estimate of the cost of capital for the business on a stand-alone basis, without any financial support (implicit or explicit) from DEM's ultimate parent company, Centrica plc.

Request

DEM has requested that The Toronto-Dominion Bank ("TD"), as an independent third party, provide analysis and verification of what the cost of working capital would be if the Businesses were owned by DEM on a stand-alone basis.

Assessment

Given the information provided, as per the Financial Statements for the respective Businesses, TD would not provide working facilities on a standalone basis.

TD would opine that the intercompany loan balance shown in the latest Financial Statements, if converted to equity, or a subordinated intercompany shareholder loan, would then enable TD to provide working facilities on a stand alone basis.

With the additional equity and based on our review of the Canadian market, TD's assessment is that the Businesses would then be able to raise working capital funds at a Margin (or Bankers Acceptance Fee) of 85 basis points per annum, with a Standby Fee of 25 basis points per annum.

In addition we note that DEM would also need to include the cost of equity or a subordinated intercompany shareholder loan in order to calculate the total cost of capital for the Businesses.

Consent for Use of Letter

As per the Disclaimer Agreement between DEM and TD dated 18th April 2005, please accept this as TD's consent to allow the information in this letter to be used in support of the application to the Alberta Energy Board.

Yours sincerely,

Mark Cherry
Vice President & Director
The Toronto-Dominion Bank