



Communication package #4

PerformtoWin:

Functional empowerment in
Generation

Dusseldorf, May 14, 2009, Project team

Intranet-News as of May 11, 2009

Leuchtturmproj nächste Phase

Verantwortlichkeiten

Die für die Erzeugung E.ON-Gesellschaften nächsten Schritte der Erzeugungsgeschäft: PerformtoWin-Leuchtturmproj, benannt, die innerhalb der Projektmannschaft z Grundüberlegungen ein abgestimmtes G

Die Verantwortlichk

- Global Fleetman
- Global Fleetman
- Global Fleetman
- Global Fleetman
- Übergreifendes Management aller Kraftwerkstnoten: Bernhard
- NBU (Neubaueinheit) und EEN (E.ON Engineering): Bob Taylor

Generation lighthouse project enters next phase

Project responsibilities assigned

The top managers responsible for generation at all European E.ON companies have come together at a joint workshop and agreed on the next steps for realigning the entire generation business. For the upcoming phase of this lighthouse project, the E.ON Board of Management has selected the managers who will work on the project together with the existing project team in order to further concretize general ideas and to develop an aligned overall concept.

The managers are:

- Global Fleetmanagement Hydro (Hydroelectric power plants): Gunnar Larsson
- Global Fleetmanagement CCGT (Gas-fired power plants): Klaus Hammer
- Global Fleetmanagement Nuclear (Nuclear power plants): Dirk Steinheider
- Global Fleetmanagement Steam (Coal-fired power plants): Dr. Ingo Luge
- Overall management of all power plant fleets: Bernhard Fischer
- NBU (New build unit) and EEN (E.ON Engineering): Bob Taylor

These managers are taking on their responsibilities with immediate effect.

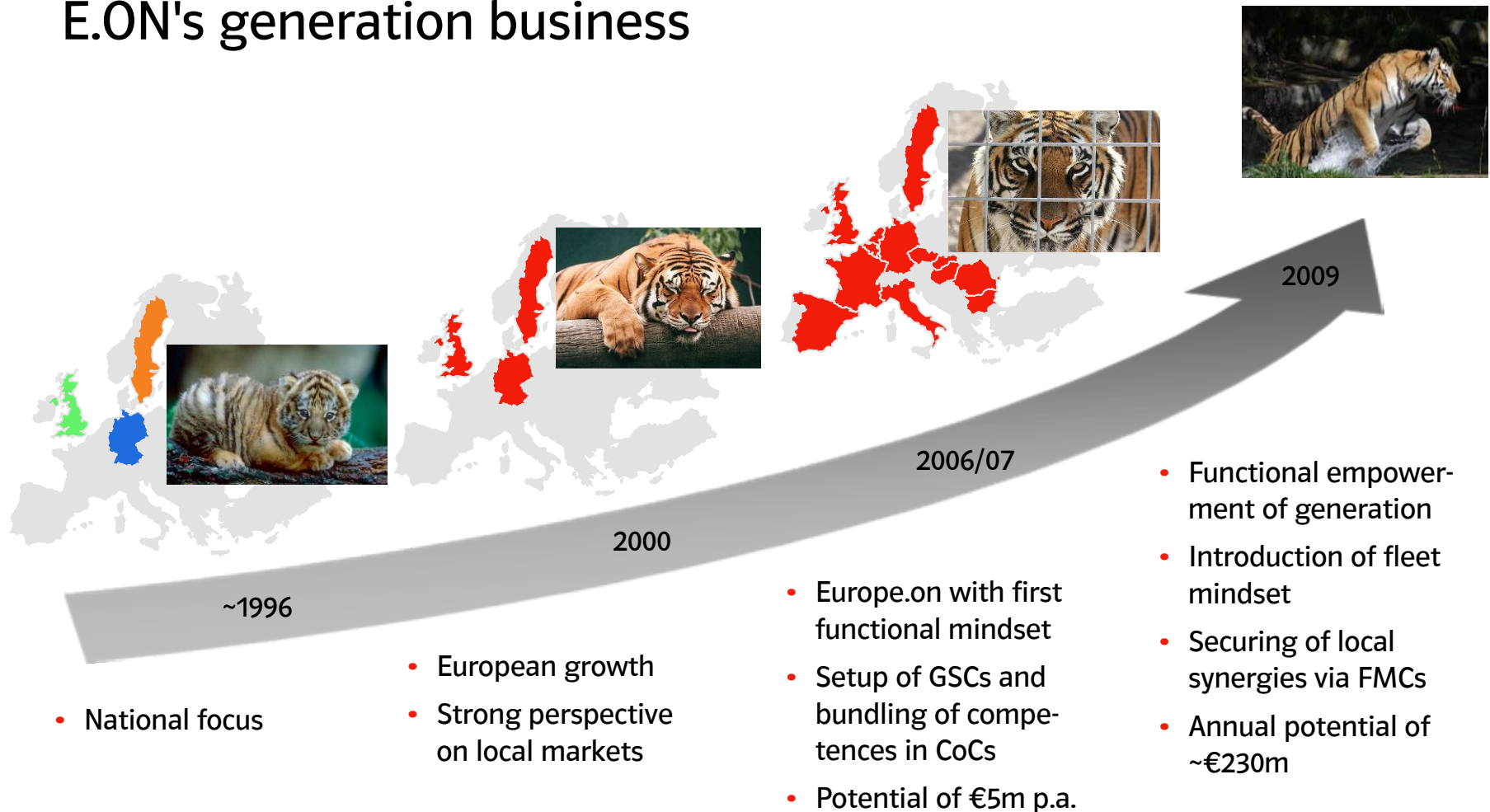
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Summarizing validation phase

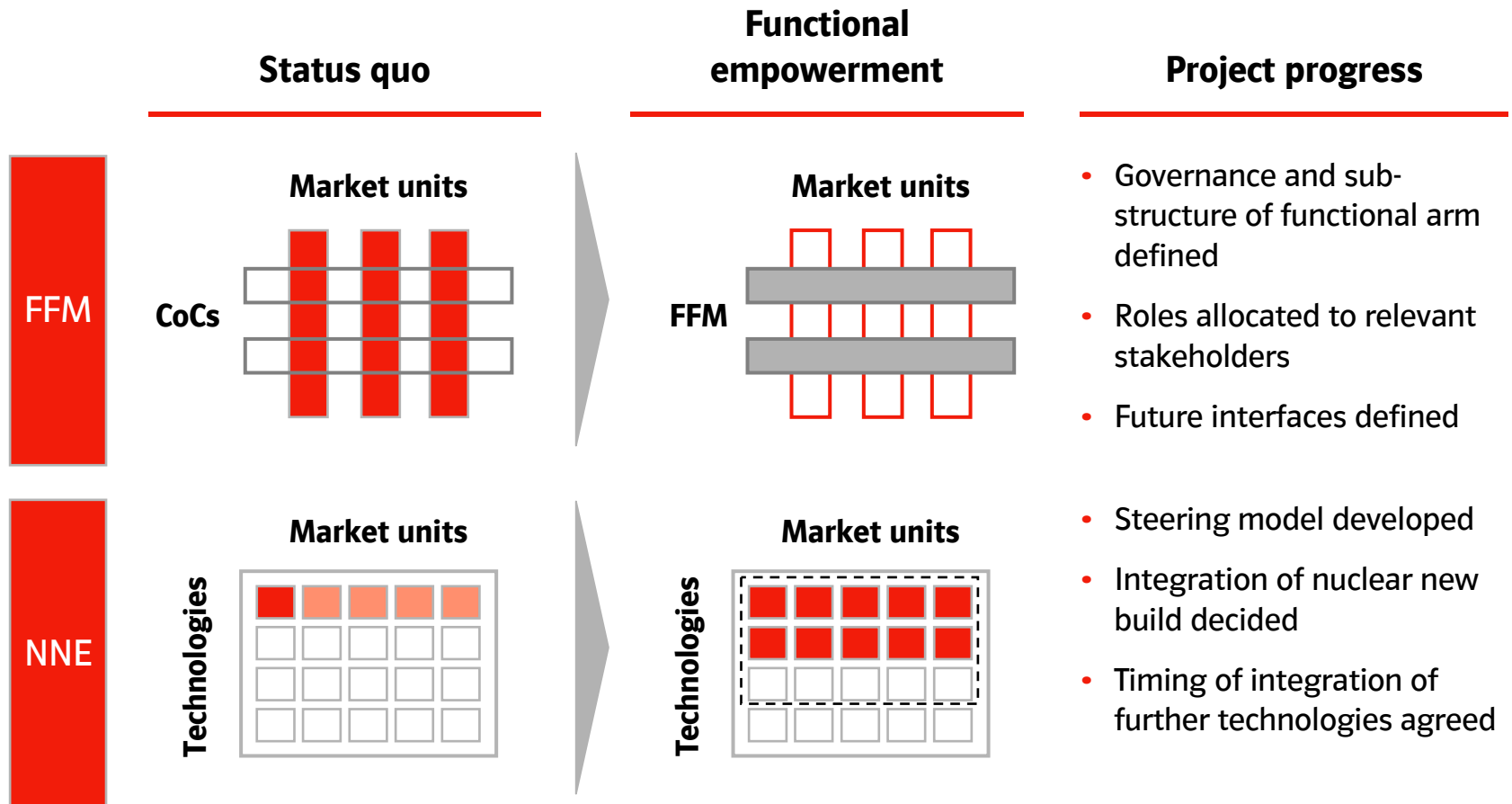
Presentations held during Generation Workshop in Zons, May 7 & 8, 2009

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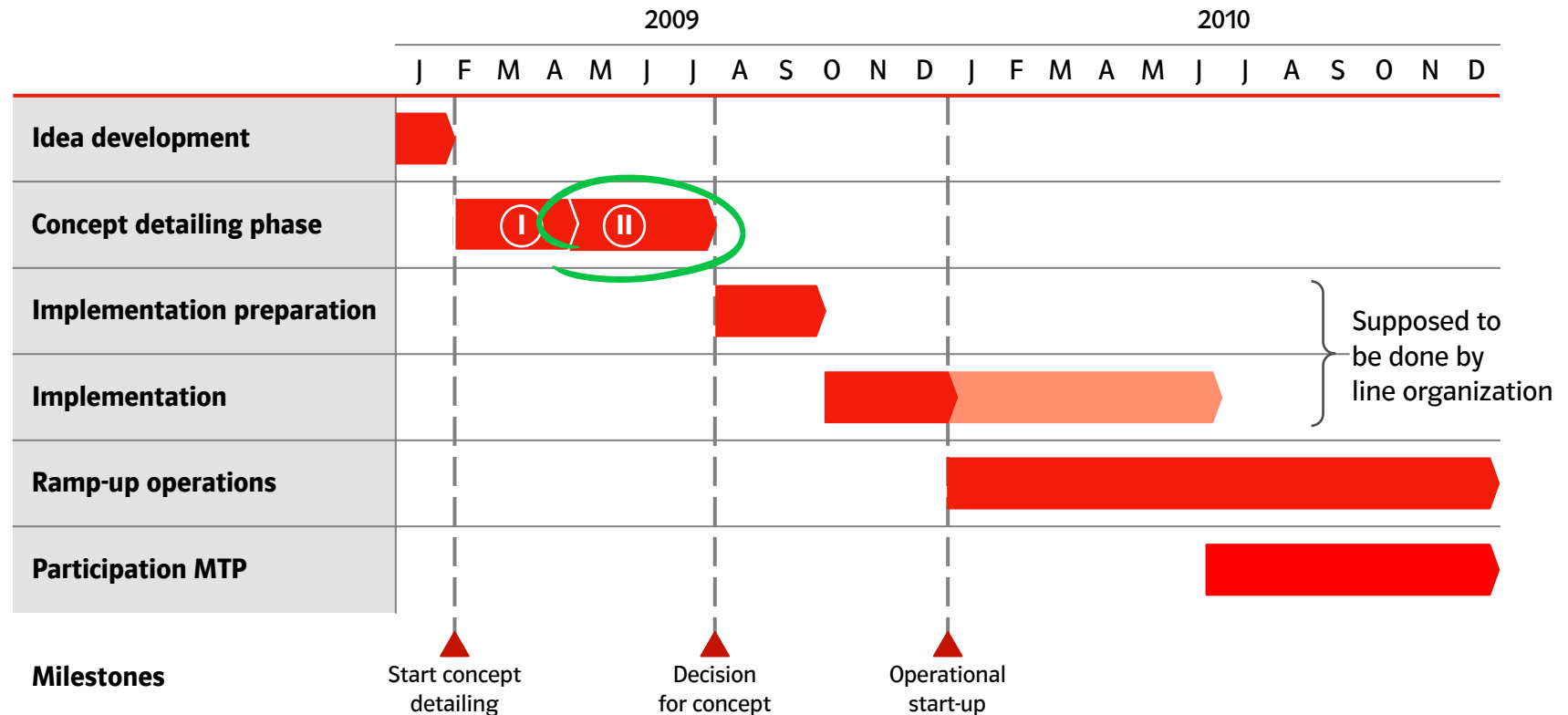
Functional empowerment to unleash full potential of E.ON's generation business



Functional empowerment of two main value creating levers in Generation



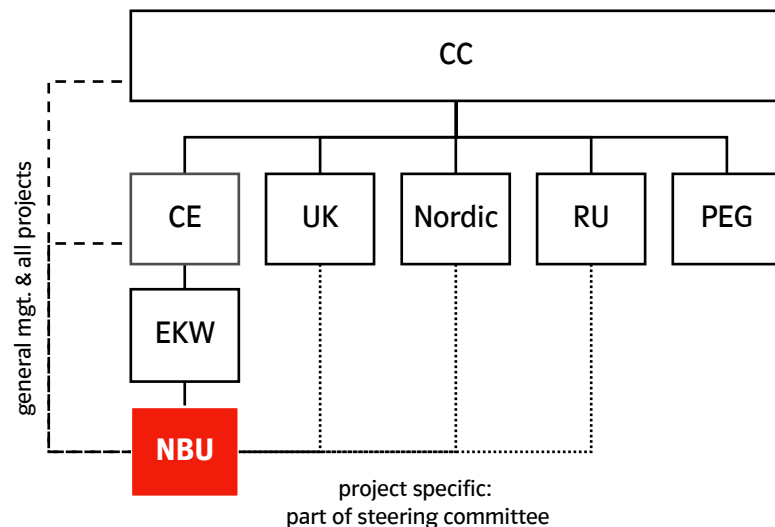
We are now entering phase II of concept detailing



Flexible planning of implementation phase

NBU: Further empowerment of NBU promises synergies across MUs and technology types

New build unit installed in europe.on



----- Functional report

Benefits through further empowerment

First experience gained:

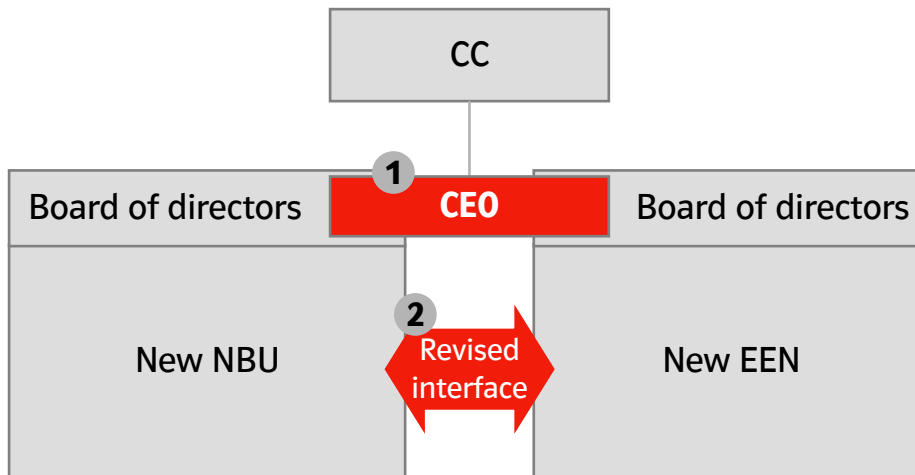
- NBU established as competent partner for fossil new build
- Successful knowledge transfer, based on operational experience of EKW

Further empowerment of NBU:

- Leverage synergies and utilize scale effects between project organizations across all MUs and technology types
- Foster even stronger cooperation with EEN to profit from operational view and expertise

Two major changes for NBU and EEN: Joint steering by CC and revised interface

Organizational setup



Description

- 1 Joint steering by CC by dedicated executive as CEO of both units (with operative responsibilities)
- 2 Revised interface between project management and engineering service
 - New NBU as flexible provider of new build project management services, with clear focus on owner's perspective, and potentially wider range of technologies
 - New EEN with clear focus as engineering service provider, ensuring synergies between engineering of new build, O&M support, and R&D

Revision of interface and role allocations clarified and decided in workshop, following a clear rationale

Interface problems

Unclear allocation of roles and tasks at NBU/EEN interface, especially during the process steps

- Technical handling,
- Site management,
- Product quality,
- Commissioning,

and ambiguity about the role of the "technical specialists" during project execution

Revision of interface with clear rationale

All reallocations of roles and responsibilities follow a clear 3-fold rationale:

1. All PM expertise and responsibility is bundled within NBU – e.g., all project core team members report to NBU
2. All engineering services and detailed engineering expertise are bundled within EEN
3. No additional functions to cover NBU/EEN interface during a project

New new build unit: Integration of nuclear and large hydro new build activities planned

Function Project type		New build project-mgmt.	Engineering functions New Build Operations		R & D ¹
Generation	Fossil	Joint steering of NBU and EEN			Analysis postponed ⁴
	Nuclear	Integration depending on status of projects ; implementation plan '09			
	Large hydro	Integration when large-scale project is to be realized			
	Offshore wind/CSP	Analysis ongoing			
Gas	Large-scale projects (e.g. LNG)	Analysis postponed ⁴			
Generation	Waste	No integration			
	CHP ³	Analysis ongoing			
	Small hydro/Onshore wind	No integration			

Level of relevance for new NBU:

-  High immediate potential to profit from synergies by integration in new NBU
-  High potential to profit from synergies on medium time-scale
-  Expected synergies smaller than disadvantages

1. No new-build project development 2. Mainly Offshore wind parks – early discussion with ECR needed
3. Heat production leading 4. Assessment starts in next project phase

E.ON generation business with untapped potential

Areas for improvement in current setup



Advantages from fleet cannot be realized

- Consensus driven decision making by smallest denominator in committees
- Weak accountability/responsibility of generation management for fleet targets



CoC lacks impact beyond transparency

- Detached from local asset management
- No cross MU management support
- Predominantly information hub
- Standardization, strategy and target setting dominated by MU/BU
- Europe.on goals not achieved



Vague functional reporting lines

- No dedicated heads of committees
- Reporting via MU participants

Benefits from new functional target setup



Value added by utilizing technology-specific synergies across MUs through GFM/FMCs; e.g.

- Consistent maintenance strategy
- Realizing the best projects in technology-specific fleet
- Operation as one portfolio with an improved risk management profile
- Best practice sharing and plant improvements within technology-specific fleet
- Common strategic spares mgmt.

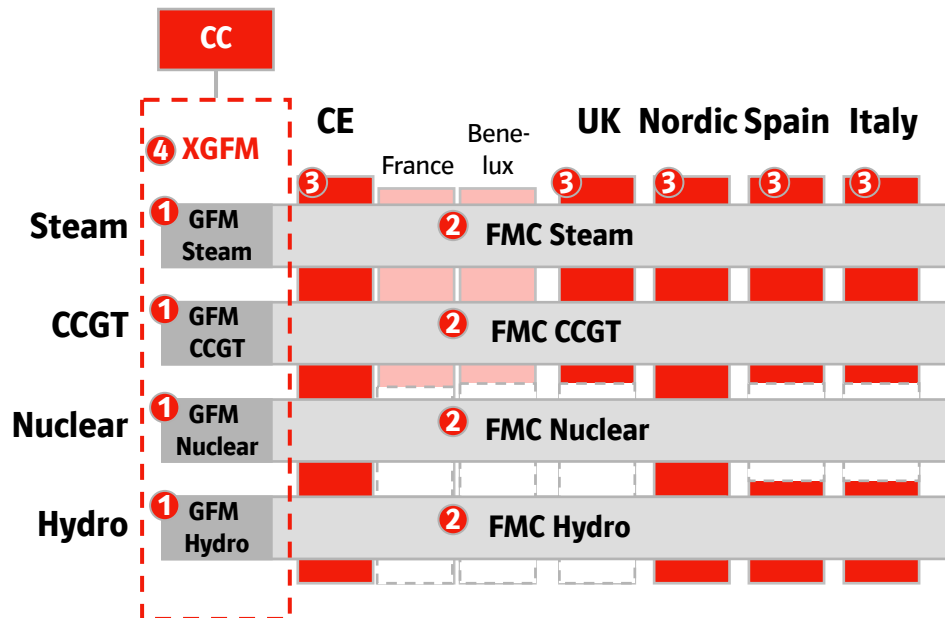


Additional value added by utilizing cross-technology and cross MU synergies through XGFM; e.g.

- Cross-technology and cross-MU budget allocation and investment planning
- Contract/supplier mgmt. across MUs and technologies
- Integrated development of FFM units

Roles of key functions in functional fleet management

Basic structure new Functional Fleet Management



Basic roles

- 1 GFM: Accountable for the success of a technology-specific fleet across MUs.
- 2 FMC: Responsible for the success of a technology fleet across MUs. Creating value added through increased cross MU synergies and continuous improvement within the technology.
- 3 MU/BU: Key role for securing operational success and development (e.g., Country specific guidance and service provision, stakeholder management and project development).
- 4 XGFM: Accountable for the success of the total generating fleet.

Roles of MU and FFM clearly distinguished

Ownership

Process allocation in current steering model

MU/BU

- Demand analysis, project development new build
- Political/public relations
- Permitting and regulatory affairs
- Crisis management
- HR, accounting, IT, legal
- Controlling, procurement (local, regional)

**FFM
(GFM/
FMC)**

- Selection and appointment of key positions in plants (esp. plant managers)
- Interface to EET
- Health, safety & environment
- Executing plant O&M (in year performance delivery of targets of tech. specific fleet)
- Steering plant O&M (target setting for technology specific fleet)
- MTP ownership, budget allocation, investment planning
- Maintenance strategy
- Plant optimization
- Controlling (focused on steering/MTP)
- Continuous improvement, plant assessment
- Risk mgmt. and project prioritization
- Contract/supplier management, procurement (complex, specs)

Plant manager accountable for plant O&M performance

Local/country

Plants

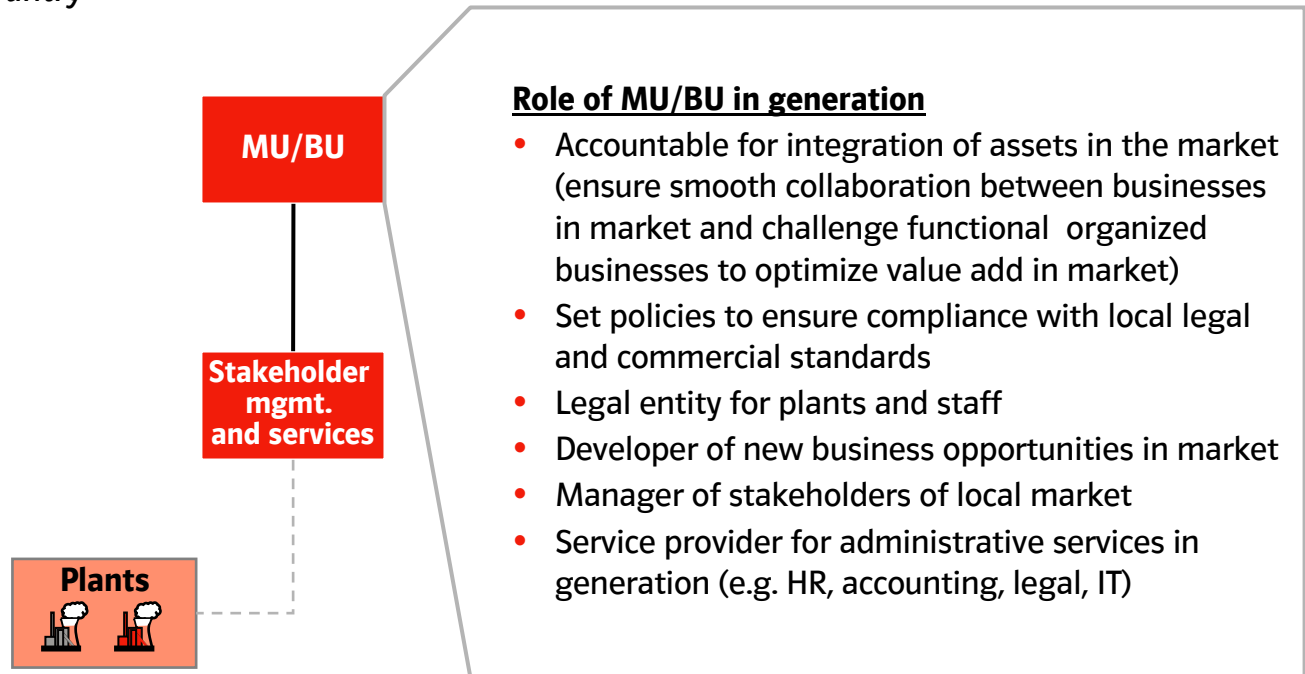


Role of plant managers

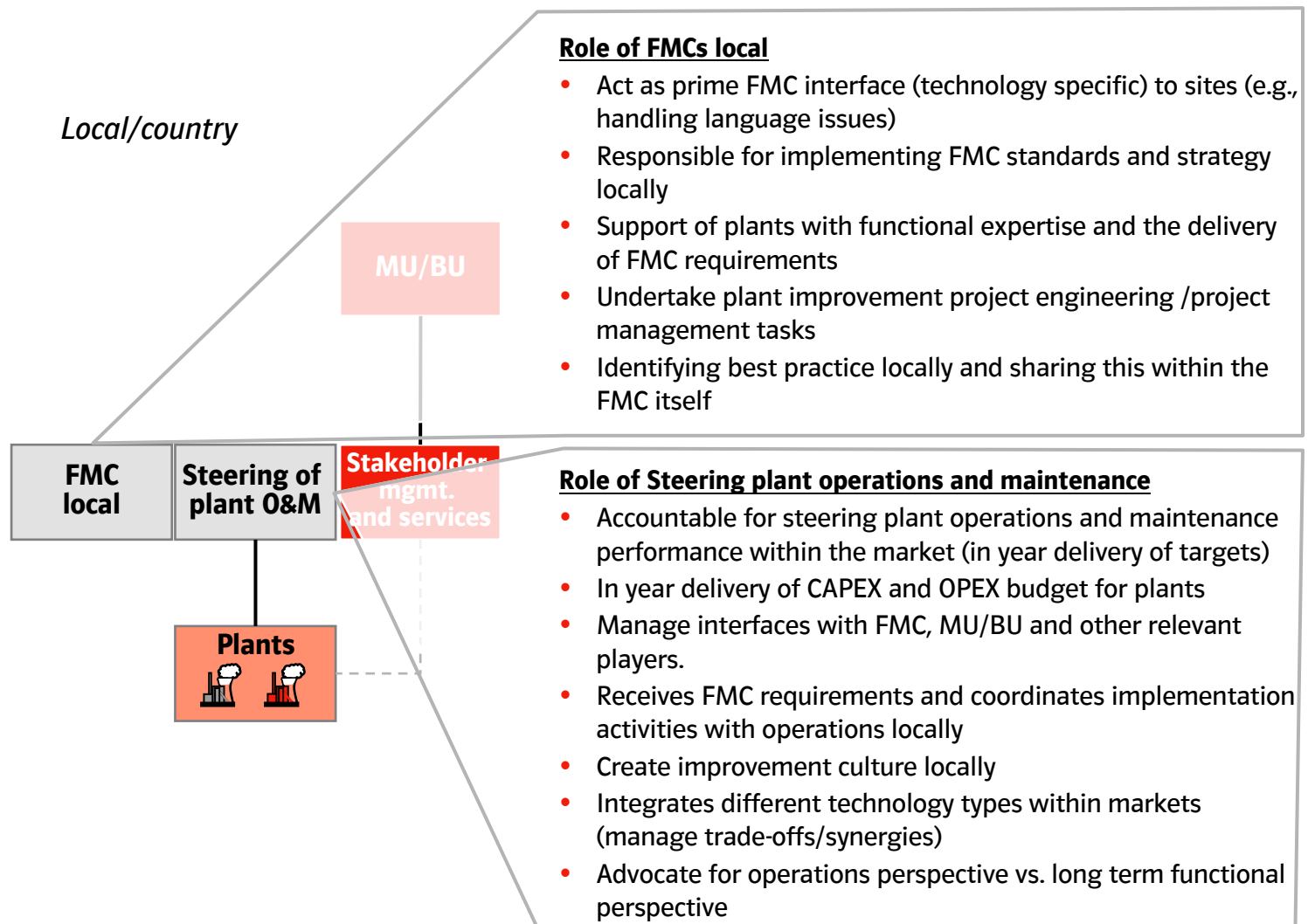
- Accountable for plant operations and maintenance performance (in year delivery of targets)
- In year delivery of CAPEX and OPEX budget for plant
- Reporting to Steering plant O&M
- Responsible as site owner for all site issues (including HSE, risks and regulatory issues) and final decision making on day-to-day O&M
- Driving continuous improvement of site technical, operational and commercial performance
- Implementation of FMC requirements and active input into best practice sharing
- Dealing with local authorities and local environmental issues

MU/BU accountable for integration of assets in the market

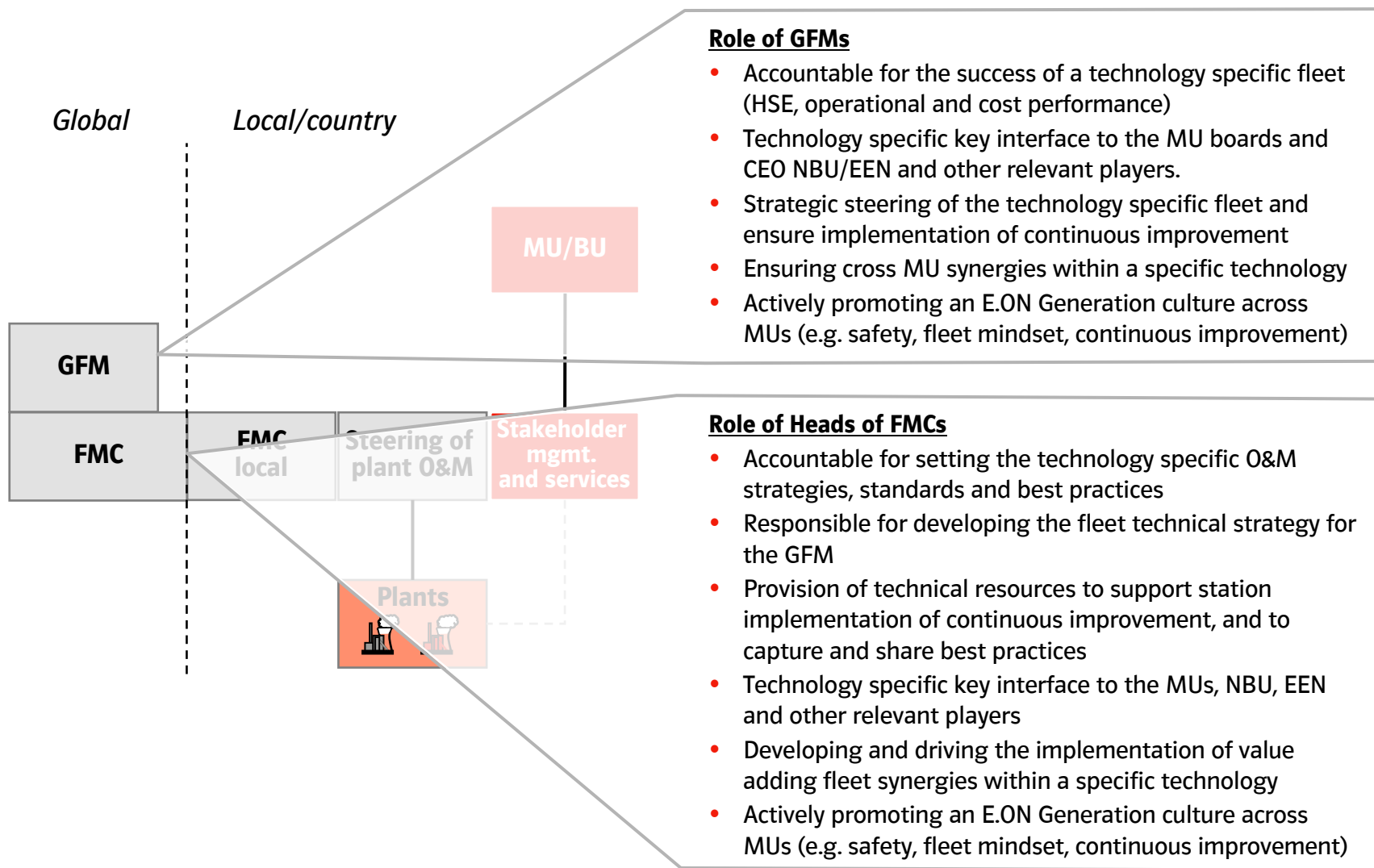
Local/country



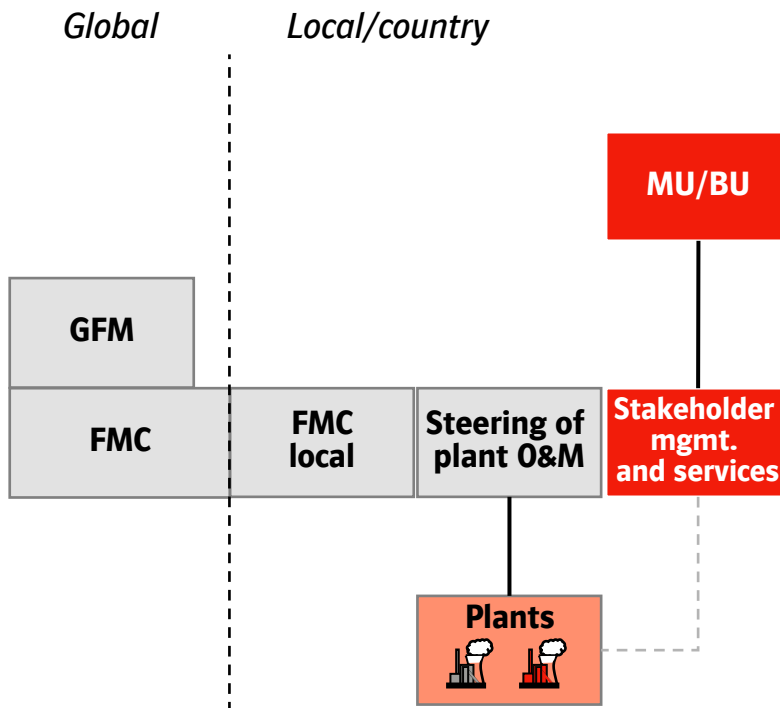
Functional arm is steering O&M in plants



GFM accountable for success of technology specific fleet



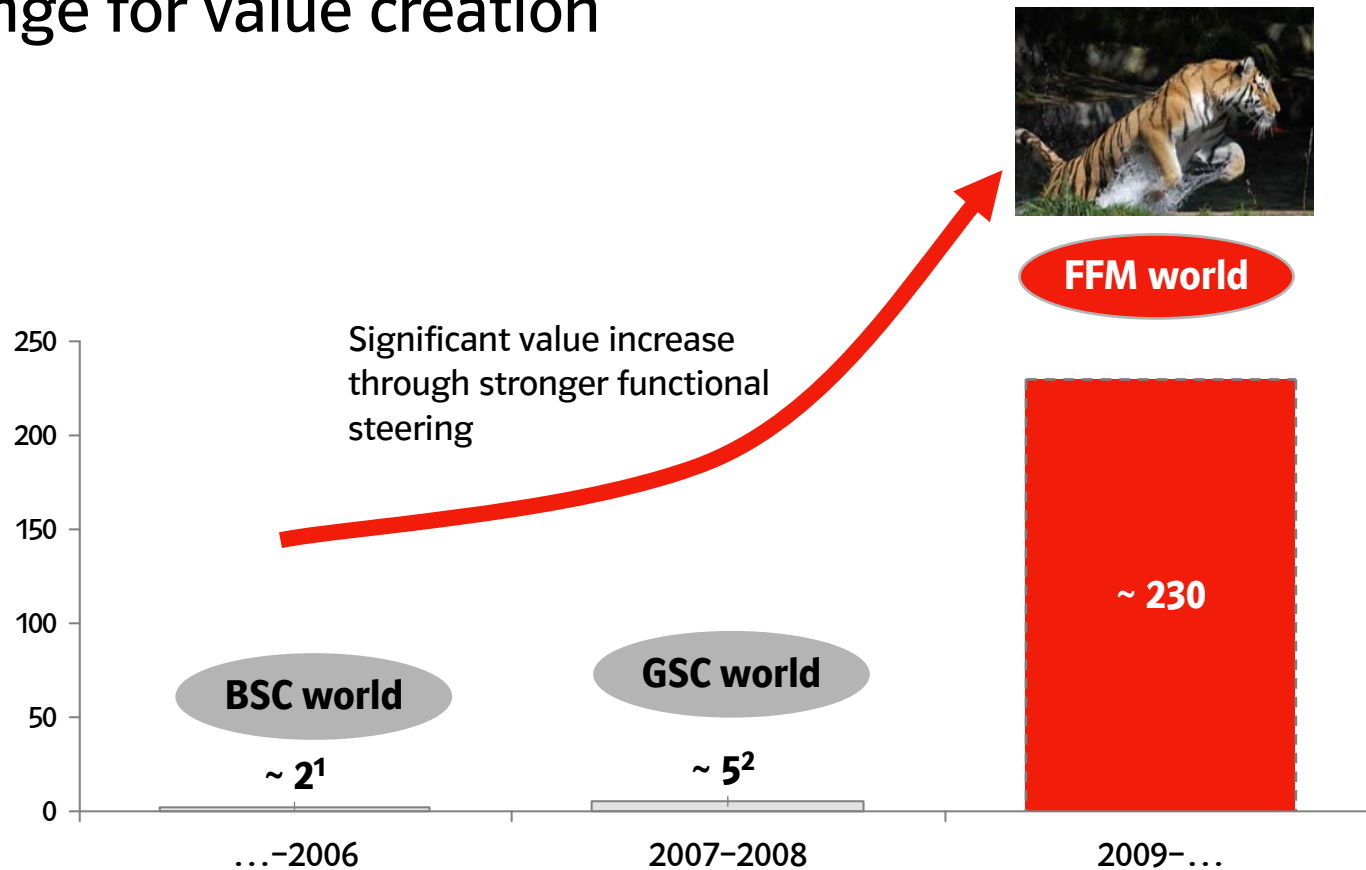
Functional steering model founded on key principles



Key principles

- GFM/FMC sets fleet and plants performance targets (budget, MTP, KPIs)
- GFM/FMC take the long- and medium-term decisions on engineering & maintenance strategies
- MU/BU integrates assets into market (stakeholder mgmt, HR, crisis mgmt, admin services)
- Role of plants not significantly changed for day-to-day operations (one clear reporting line locally)
- Local FMC (asset management) reports to GFM/FMC
- No change in legal structure; no substantial moving of staff

Functional empowerment in generation is the next step of change for value creation



¹ €0.75m cost reduction SCR catalyst procurement (fossil) & €1m cost saving in-house waste management (nuclear)

² €2.7m SCR catalyst management on existing fleet & €2m assumed annual savings from New Build Units SCR catalyst procurement ³ per year

Source: ¹ BSC chairman presentation Nov 2005 and Vorstandsvorlage 5.12.06 from Oliver Kasper ² GSC presentation 17.02.2009 ³ Functional Empowerment in Generation Infopackage 4 May 14, 2009

Let us actively shape E.ON's generation business together

This is a tremendous opportunity for every one of us to play an active role in forming the future of E.ON and to become a true part of the Corporation.

We all are part of the coming change – we have to lead and embrace it.

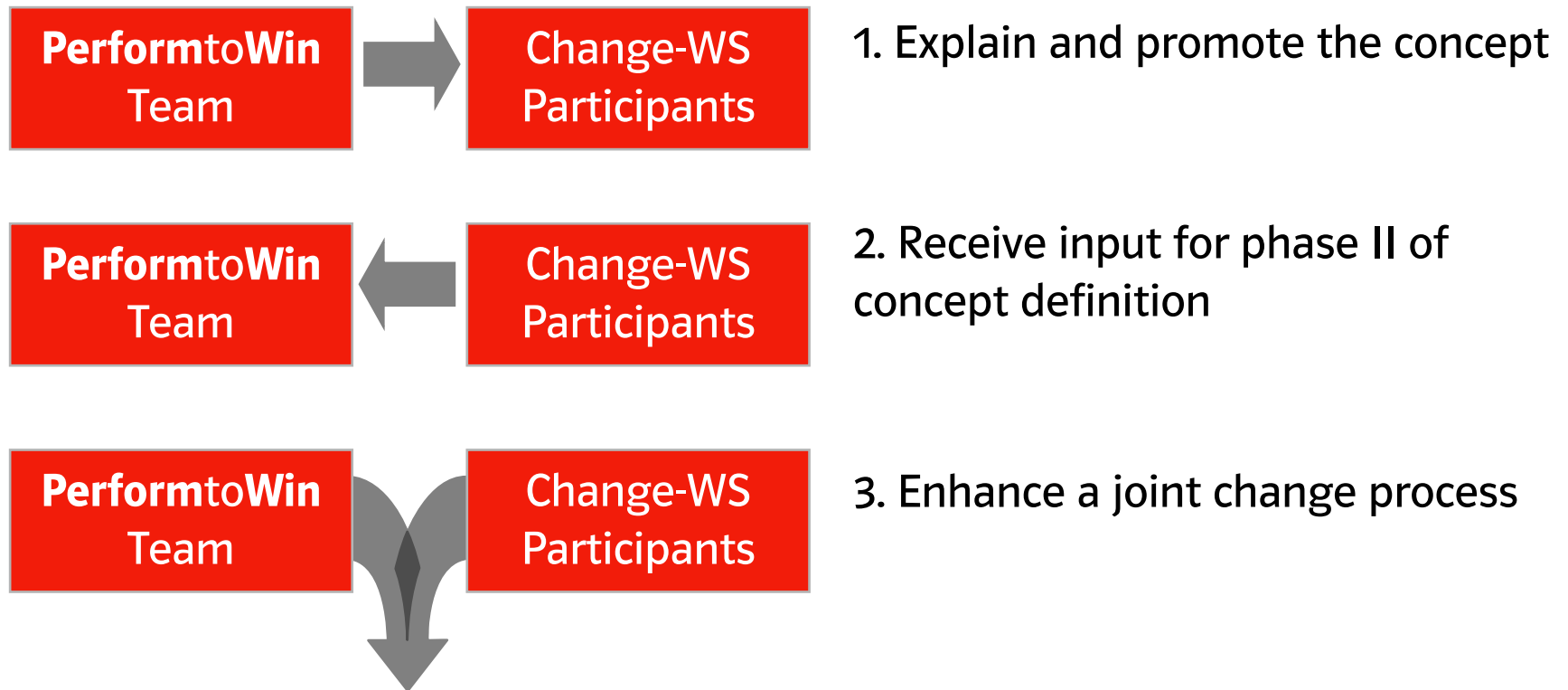
It is up to us to make a positive impact on our generation community by

- fostering internationalization,
- providing development opportunities for our employees,
- and creating a strong and trustful generation culture

We are paving completely new ways – let us bring out the best of E.ON and establish it as role model for the whole corporation.

We have the skills to drive change – let's do it !!!

Objectives of this change workshop



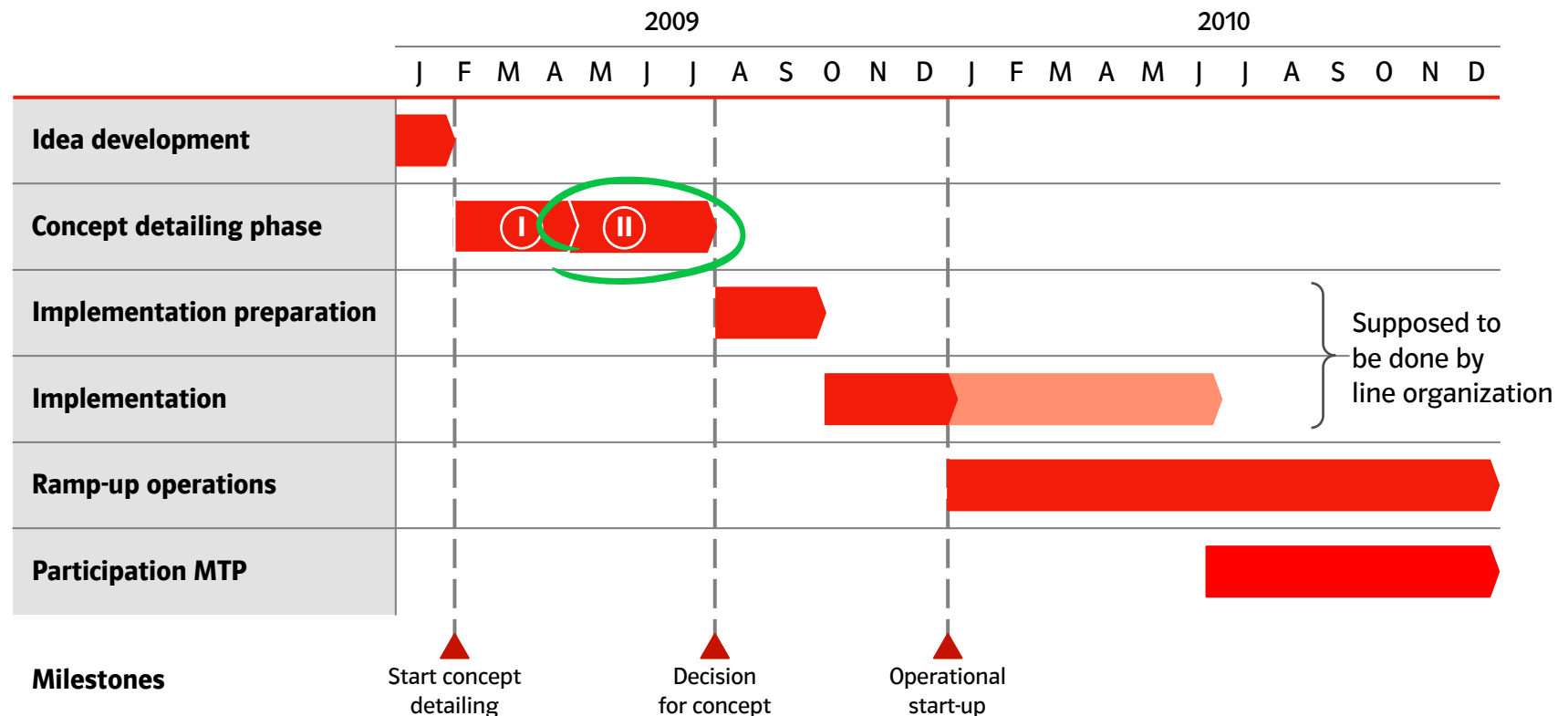
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We are now entering phase II of concept detailing

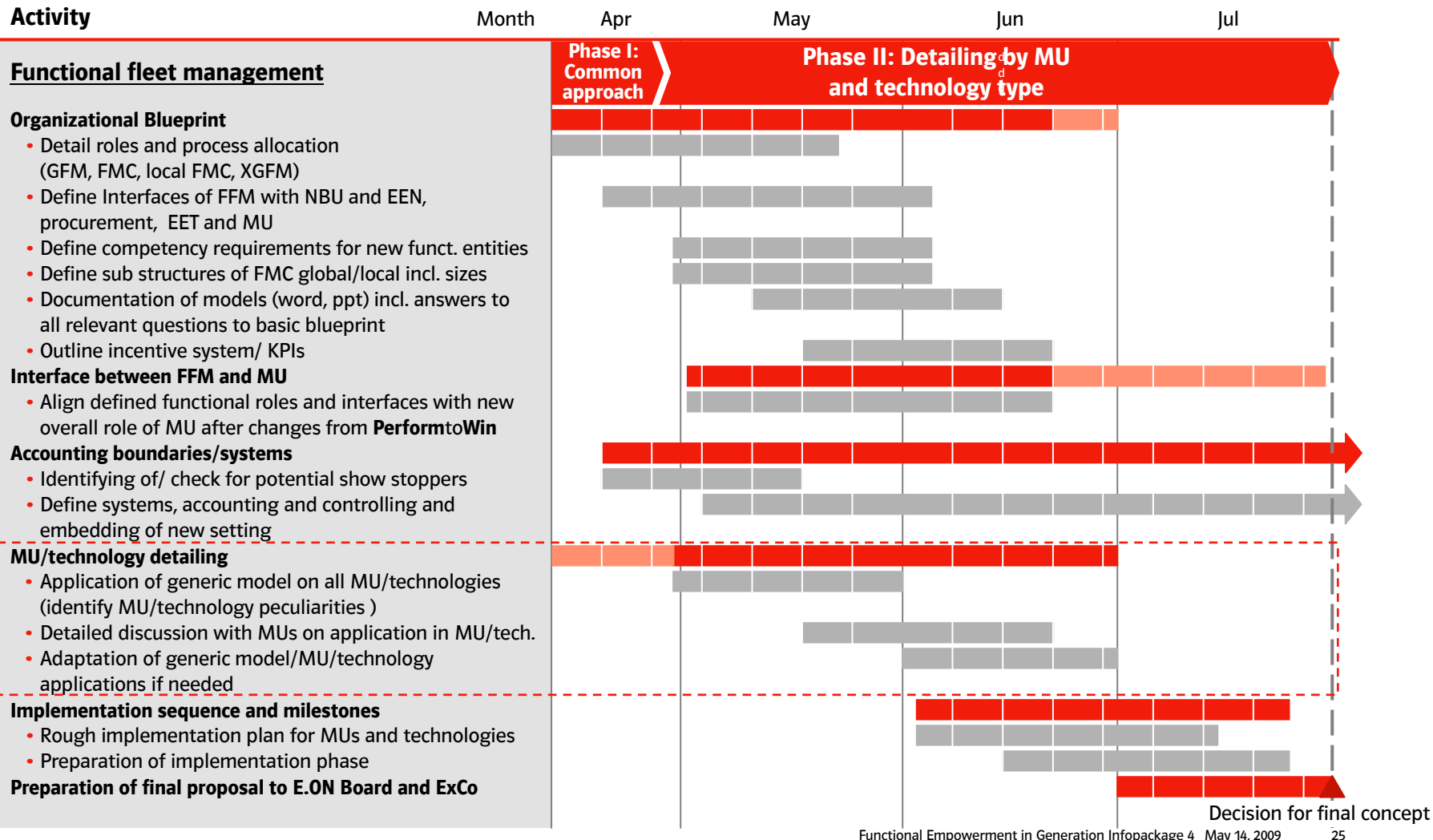


Potential nominees for new positions identified

(Nominees and positions see page 2 of this communication package)

- The potential nominees will play a vital role in the continued concept definition
 - Concept review, discussion, and decision within the decision board
 - Active involvement in preparation of concepts together with PerformtoWin project team (People of trust)
- The general setup of this project will remain unchanged
 - Project governance structure with ExCo, Steering Committee, Decision Board and Project Management
 - Setup of decision board remains the same (potentially to be extended by potential nominees for key roles)
 - Communication rules and confidentiality agreement

FFM: Project timeline phase II



Details on next pages

Heavy involvement of MU in application on MU/technologies

1 Application of generic model on all MU/technologies

- MU/BU is preparing proposal of application of decided model on MU/technology
- Project team will review the proposals
- Project team will work with the potential nominees on the blue print to identify the level and areas of flexibility

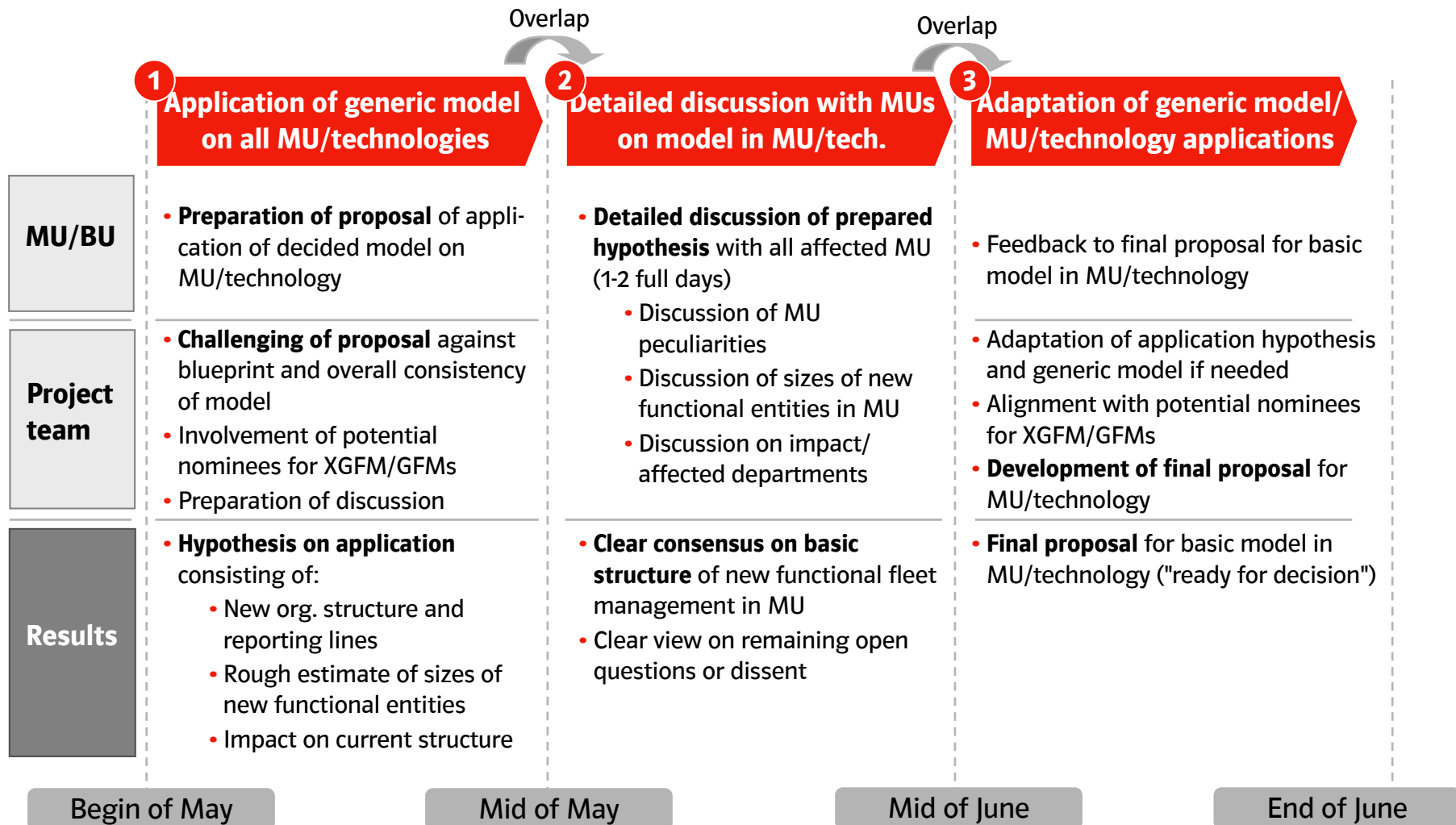
2 Detailed discussion with MUs on application in MU/technology

- 1-2 day visit of project team in each MU/BU
- Clear picture on consensus and open questions

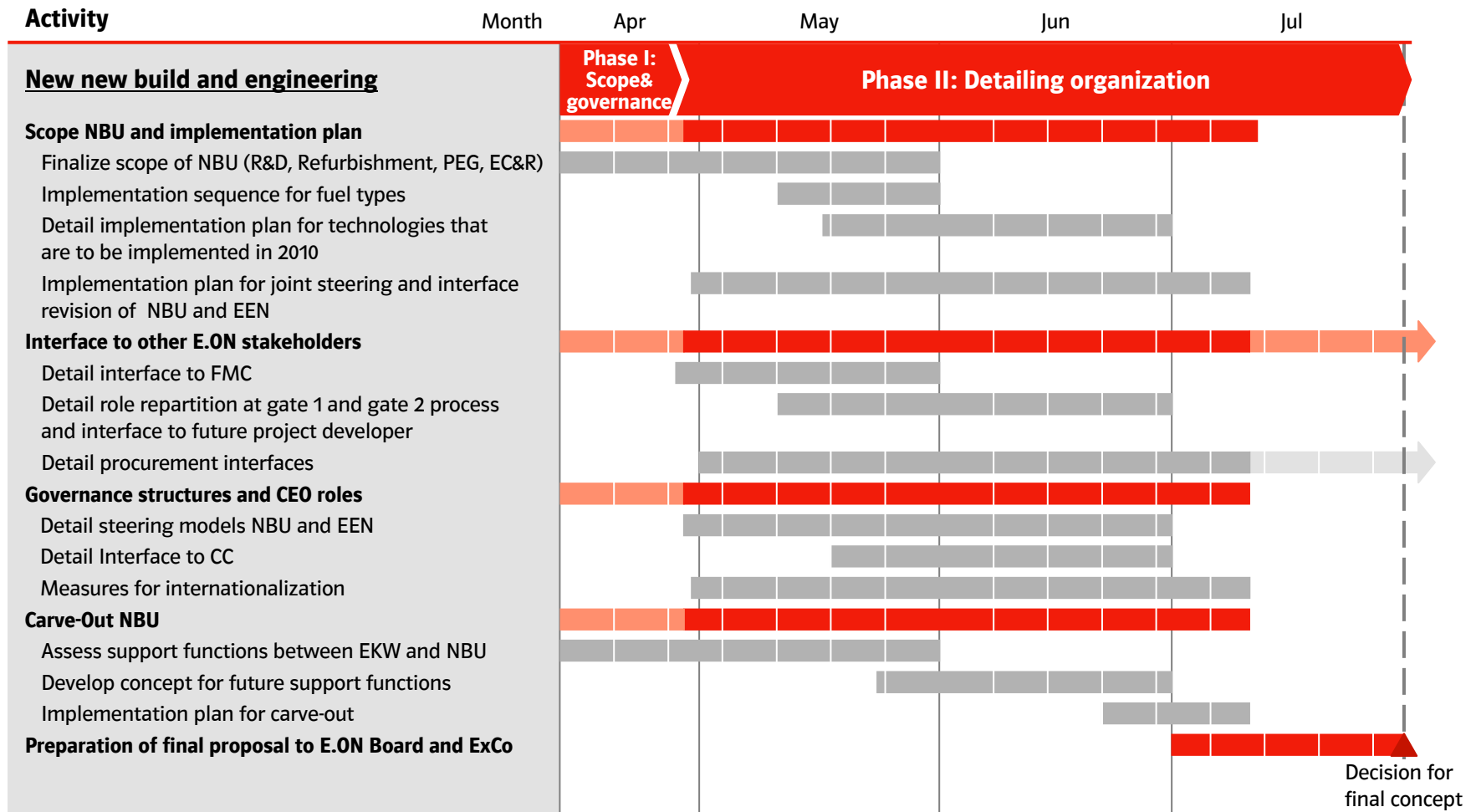
3 Adaptation of generic model/MU/technology applications if needed

- Project team adapts application hypothesis and generic model (if needed)
- Project team aligns with potential nominees for XGFM/GFM
- Project team develops final proposal for MU/technology considering overall consistency and gives this as feedback to MUs/BUs

Heavy involvement of MU in application on MU/tech. - details



NNE: Project timeline phase II

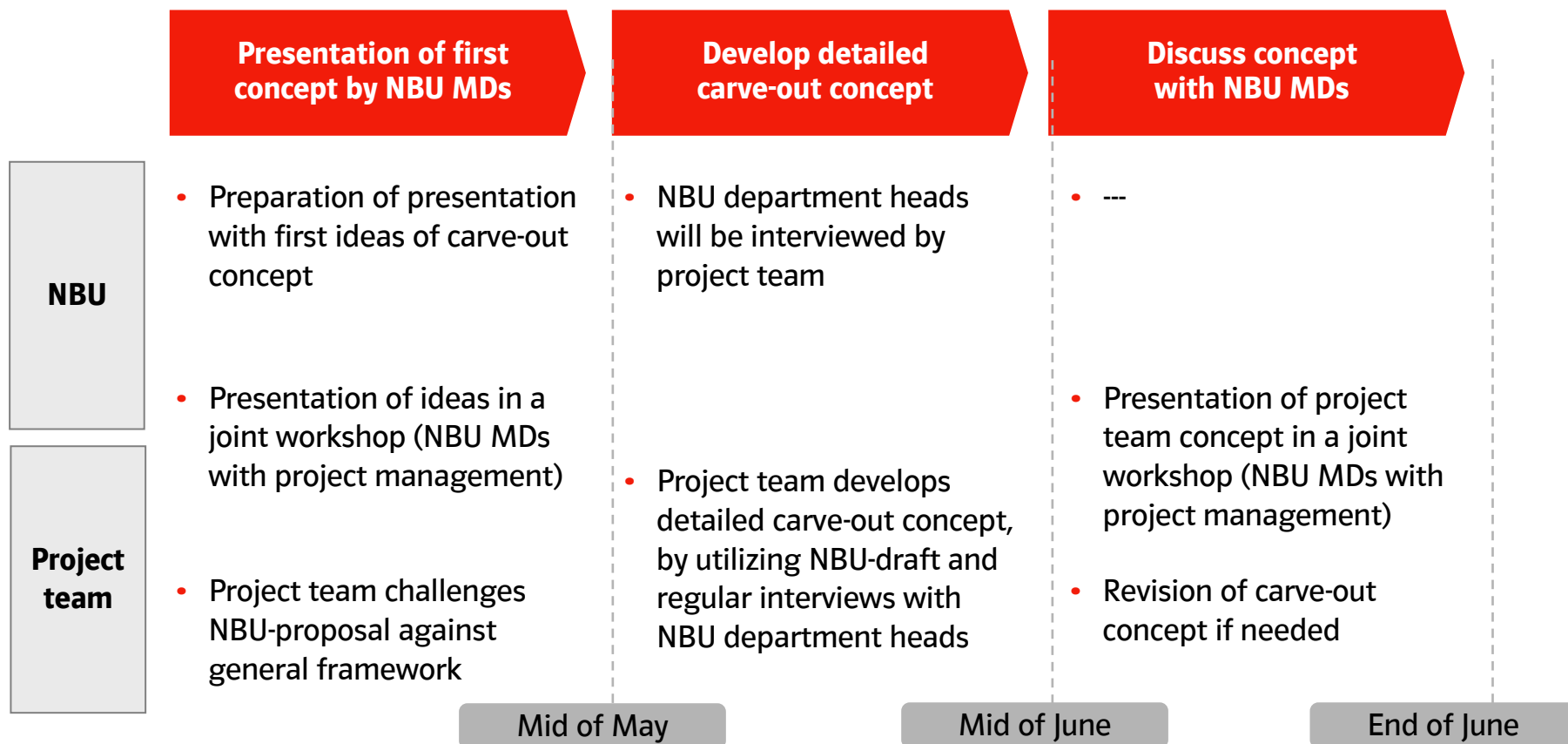


Note: Details on following pages

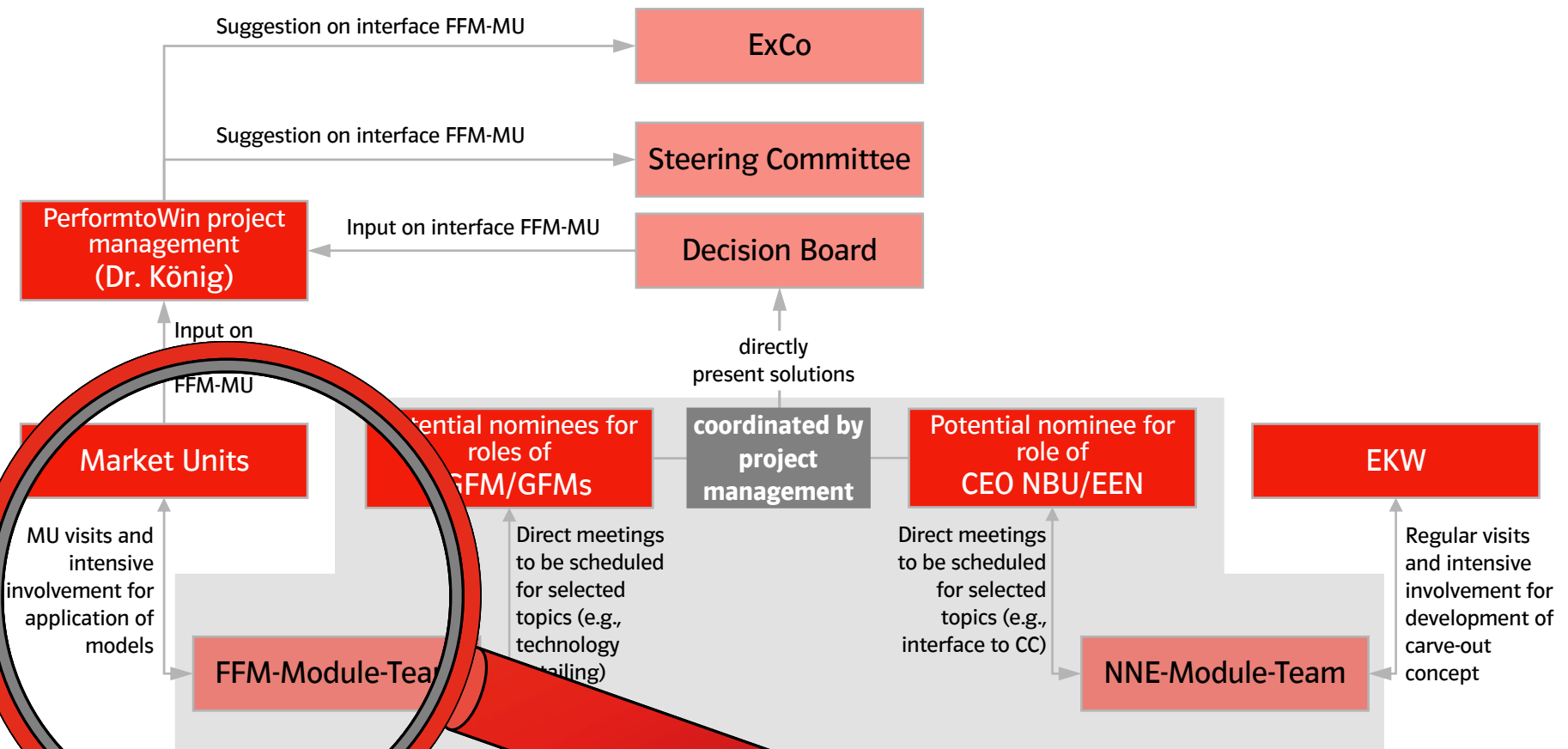
Topics require different working mode

Work stream	Tasks	Working mode
Scope NNE and implementation plan	- Finalize scope NNE in terms of functions (R&D) - Define scope of new unit in terms of projects (PEG, EC&R, Refurbishment) - Draft implementation plan NBU/EEN, and implementation sequence for fuel types	- Project team at Scheibenstraße in Düsseldorf - Concepts to be developed by project team in coordination with potential nominee for the CEO position - Decision structure as in phase I
Interface to other E.ON internal stakeholders	- Interface to FMC/MU, and project developer - Interface to procurement organization	
Governance structures and CEO roles	- Roles of MD of NBU and EEN - Interface to CC and GSC, adaptation of project steering structures (e.g., SC) - Measures for client orientation and internationality	
Carve-Out EKW	- Assessment of EKW resources working for NBU and vice versa - Development of future requirements of support functions - Develop implementation plan for carve-out	More direct contact with EKW: - MDs of NBU will present first concept to project management in workshop - Project team will challenges approach and utilize input for concept detailing

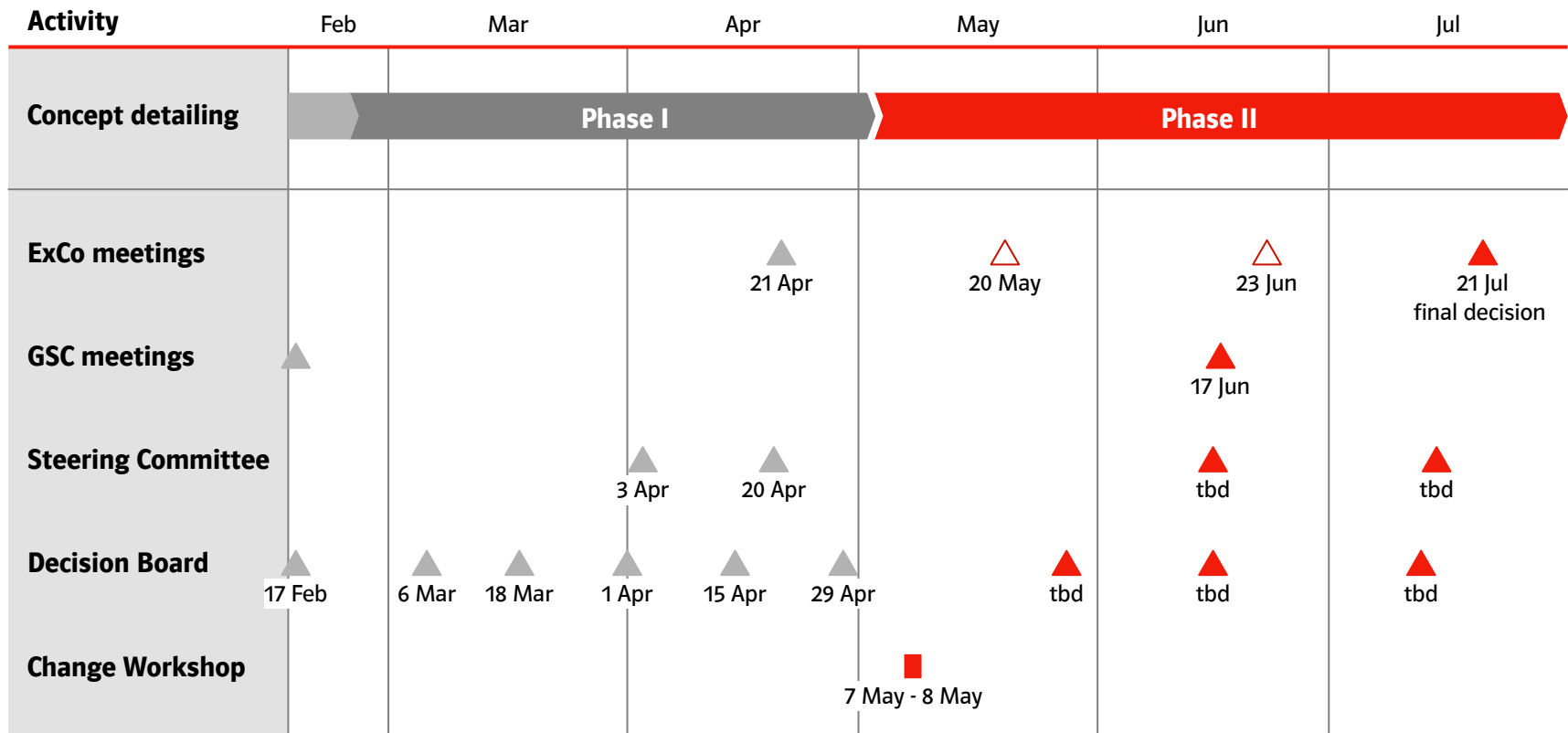
Development of carve-out concept will utilize NBU input



From now on, stronger involvement of key roles required



For phase II monthly decision boards are proposed



Deliverables for second project phase clearly defined

FFM

- Valuation of the potential available from further functionalization of the generation business
- Structure and organization for increased functionalization of the Generation business and the practical implementation in each of the MU/BU's and technologies
- An implementation plan and program

NBU

- Definition of the new and enlarged scope of the NBU and clarification of the roles of EEN/NBU
- Proposal for a new organizational structure of New NBU and New EEN
- Carve out plan of the NBU from EKW and an implementation plan for the formation of the new units

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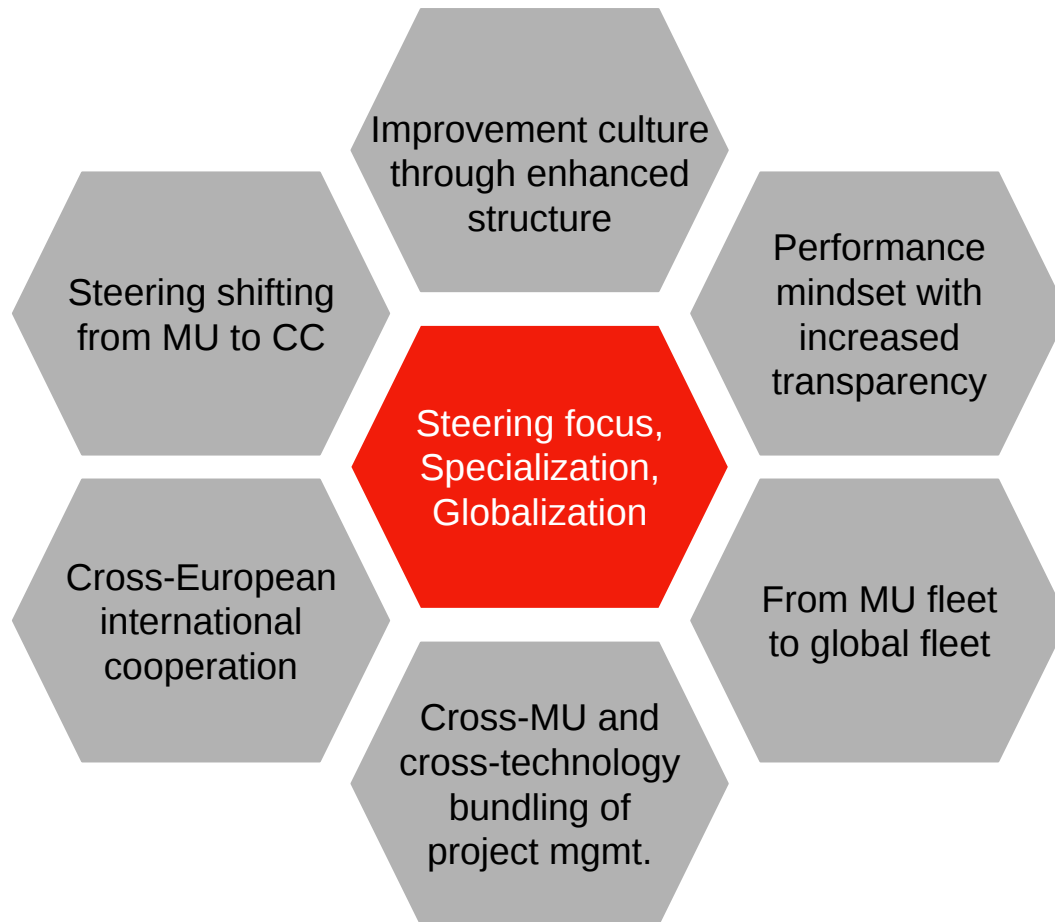
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Questions on change – and how to deal with it

- What in fact is changing?
- What is changed by "somebody"? What can we do ourselves?
- What exactly is success when it comes to change?
- Is there a need for managing the change?
- How can we support the change process? What do we need?
- How can we support our employees – and ourselves? Not only to understand but, moreover, to gain a positive attitude

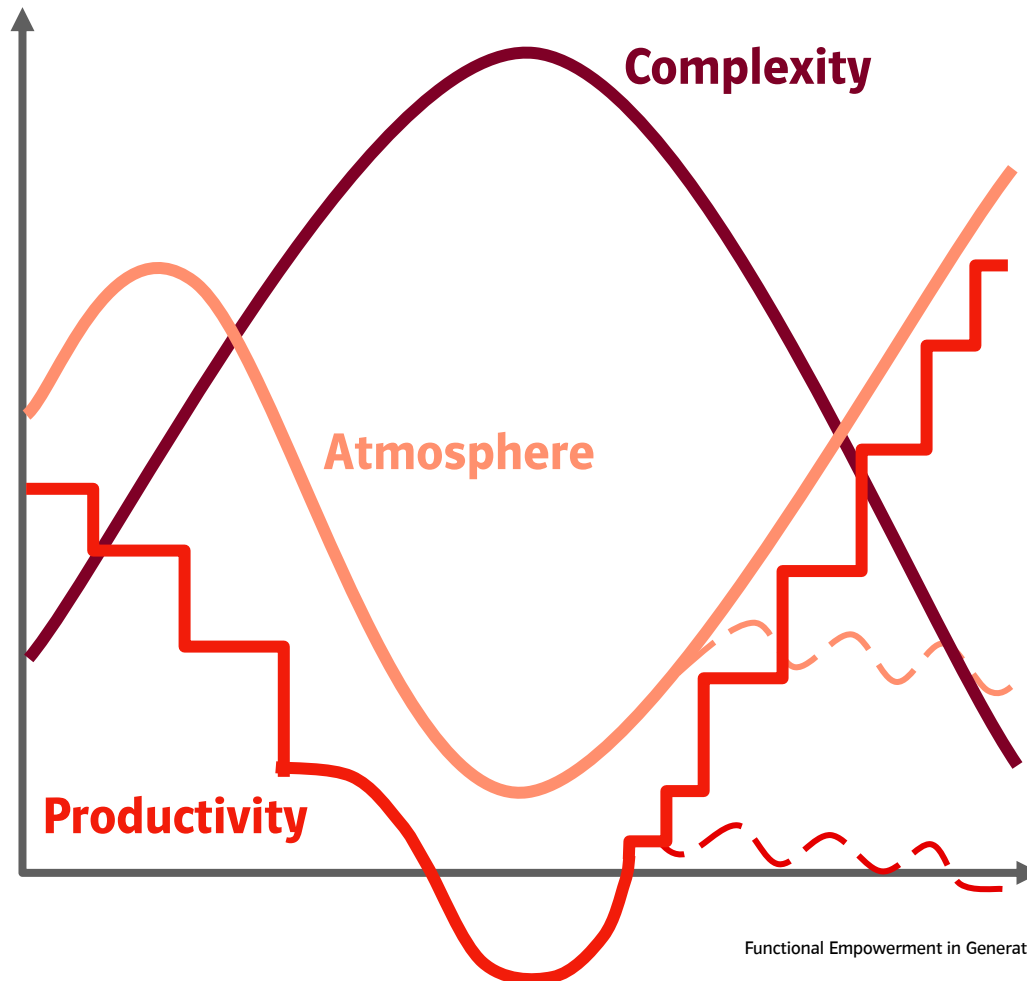
What in fact is changing? (1)



What in fact is changing? (2)

	Where we are today	Where we want to be
Improvement	Suggestions by CoCs	Suggestions and implemented by FMC Culture!
Benchmarking	Imposed top-down transparency	Improvement culture fostered by FMC
Fleet targets	Detached from operative business	Informed challenging through GFM
Project prioritization	Isolated within each MU/BU	Optimized by group-wide value and risk Culture!
Know-how and expertise	Applied only where located	Utilized across MUs through FMCs
Maintenance Strategy	Defined and managed locally	Geared towards group-wide synergies Culture!
Management focus	Top management overloaded	GFM focused on fleet performance

Is there a need for managing the change?



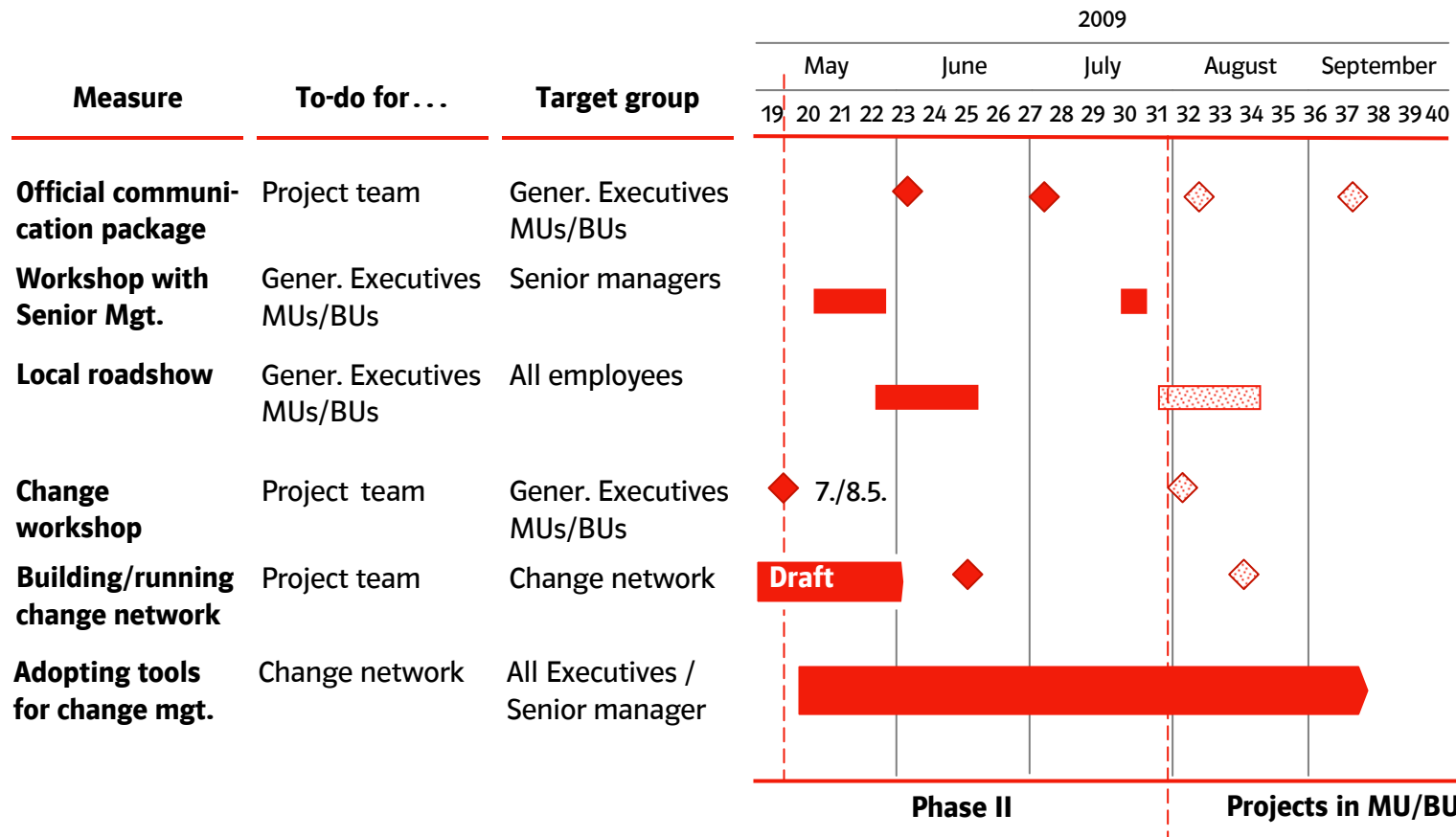
Change Management @ E.ON

A background image of a compass rose with a red arrow pointing towards the North. The compass is set against a light blue background with faint, stylized letters 'W', 'N', 'S', and 'O' representing the cardinal directions.

"Change Management is the successful management of the transition of an organization from one state to another focusing on the people side of change, delivered through a proactive management approach."



Change Management: Schedule phase 2*



How can we support our employees – and ourselves?

Change Management Partners Network (1)



**Jutta
Krämer**
E.ON AG



**Susanne von
Bassewitz**
E.ON AG



**Hans-Wilhelm
Hoffmann**
**E.ON Ruhrgas
AG**



Anke Wygold
**E.ON Ruhrgas
AG**



**Markus
Zimmermann**
**E.ON Energie
AG**



Julia Günzel
**E.ON
Energie AG**



Gabriele Berneiser
**E.ON Energy
Trading AG**



Valentina Verrini
**E.ON Energy
Trading AG**



**Stuart
Whalley**
**E.ON UK
plc**



**Anneli
Drene**
**E.ON
Sverige AB**



**Håkan
Petersson**
**E.ON
Sverige AB**



**Patricia
Candler**
**E.ON U.S.
Energy
Services Inc.**



**Claudia
Friedrich**
**E.ON Italia
S.p.A.**



Lars Böhnisch
**E.ON Climate &
Renewables GmbH**



**Svenja
Bonnicksen**
E.ON IS GmbH



Ivan Šajban
**E.ON IS Slovakia
spol. s r.o.**

How can we support our employees – and ourselves?

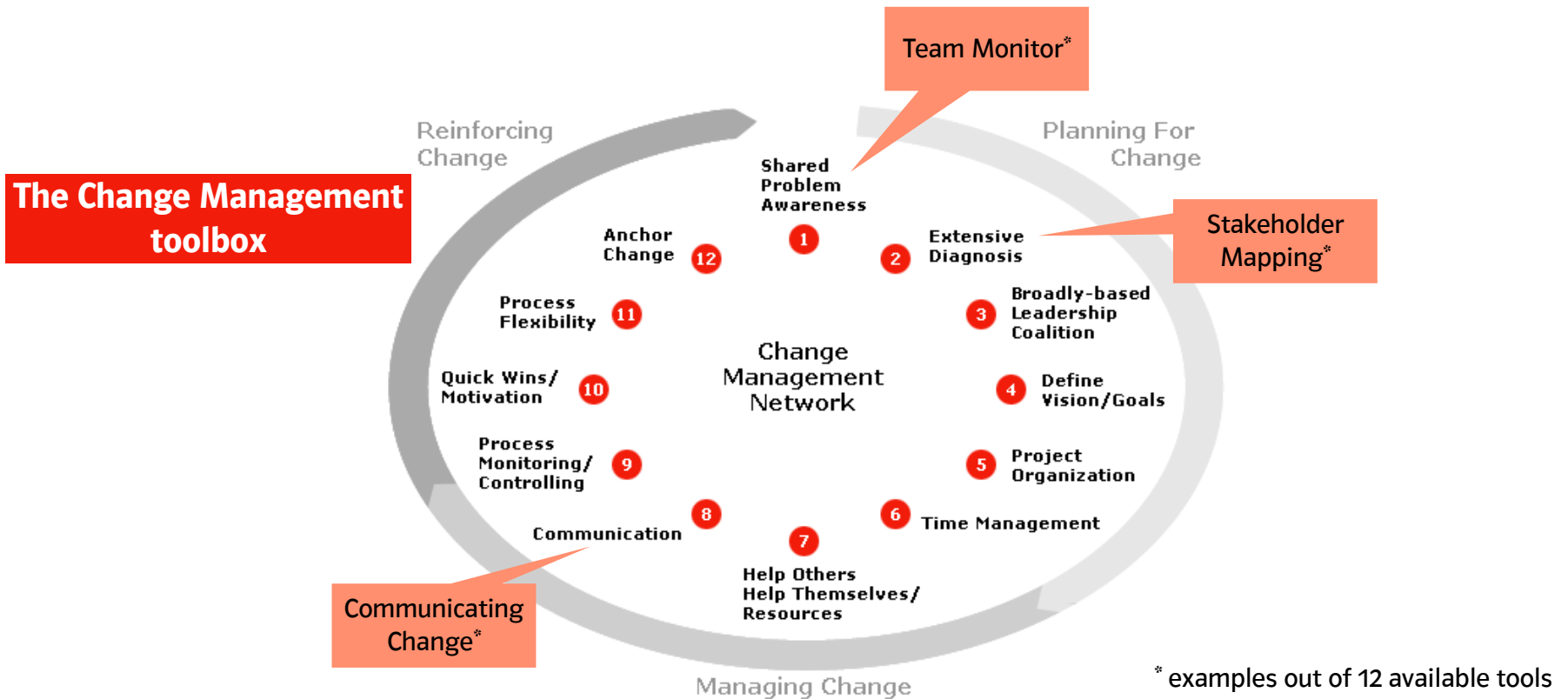
Change Management Partners network (2)

The Change Management Partners are our internal experts by ...

- Being a sparing partner for the leaders to support and consult them in structuring and leading their change processes
 - Provide a clear structured approach including processes and tools
 - Conception, organization and execution of customized Change Management process steps
- Integrating, coordinating and managing external and internal CM support
- Updating, enlarging and maintaining the tool box
- Developing E.ON CM learning interventions in cooperation with E.ON Academy, e.g. Leadership Model

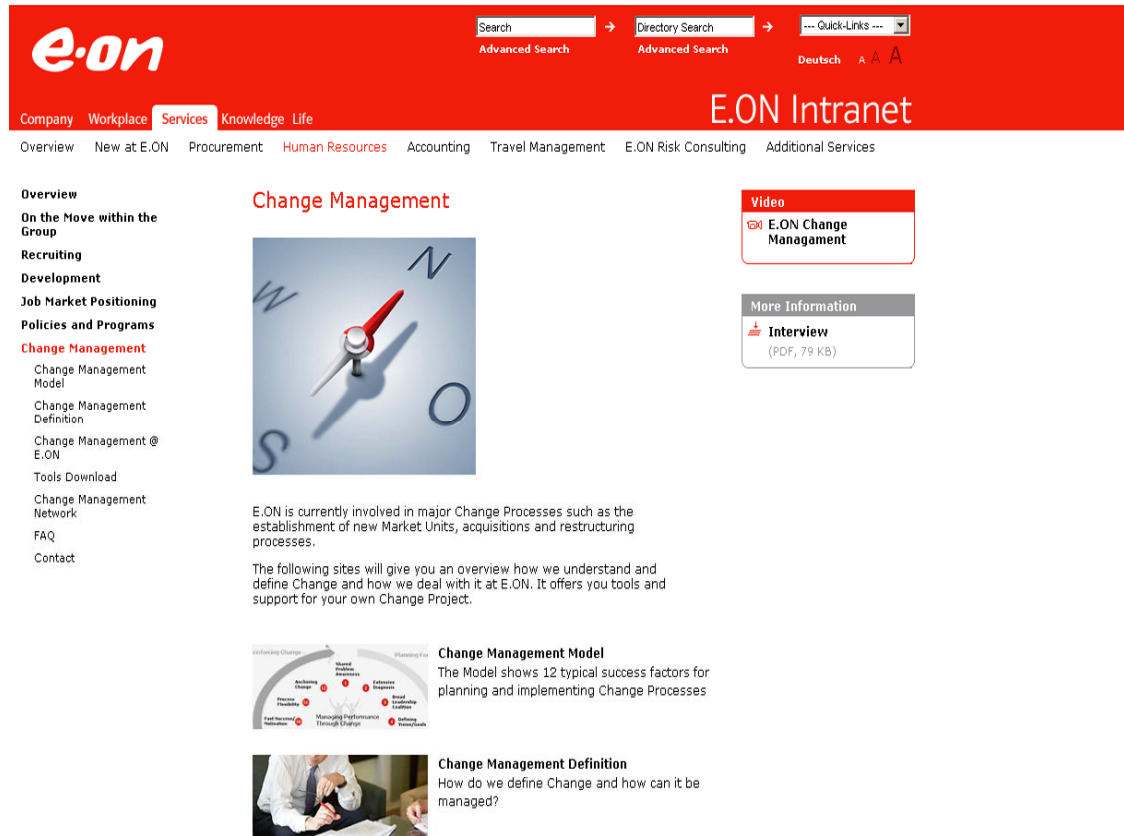
What exactly is success when it comes to change?

Typical Success Factors



The Network uses the Change Management website to communicate their services to the E.ON group

E.ON Group intranet: Services/Human Resources/Change Management



The screenshot shows the E.ON Intranet interface. At the top, there is a red header with the E.ON logo on the left and search/navigation tools on the right. Below the header is a navigation bar with tabs for Company, Workplace, Services, Knowledge, and Life. The main content area is titled "Change Management" and features a large image of a red pin on a map. To the left of the main content is a sidebar with a list of links under the heading "Overview". To the right of the main content are two boxes: "Video" with a link to "E.ON Change Management" and "More Information" with a link to "Interview (PDF, 79 KB)". Below the main content area, there are two sections: "Change Management Model" with a diagram and text, and "Change Management Definition" with a photo and text.

Overview

- On the Move within the Group
- Recruiting
- Development
- Job Market Positioning
- Policies and Programs
- Change Management**
 - Change Management Model
 - Change Management Definition
 - Change Management @ E.ON
 - Tools Download
 - Change Management Network
 - FAQ
 - Contact

Change Management

E.ON is currently involved in major Change Processes such as the establishment of new Market Units, acquisitions and restructuring processes.

The following sites will give you an overview how we understand and define Change and how we deal with it at E.ON. It offers you tools and support for your own Change Project.

Change Management Model

The Model shows 12 typical success factors for planning and implementing Change Processes

Change Management Definition

How do we define Change and how can it be managed?

We have to lead the change.

It's our responsibility.

e-on