

Helping you get ahead

Global utilities group
statement of capabilities



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*your priorities, our
professionalism...*

***...doing great
work together***

Our starting point is matching your needs with our utilities sector knowledge, professional objectivity and rigour. We aim to have a continuing dialogue, listening to your priorities, understanding your business issues, and delivering great work together.

Introduction

Power and other utilities companies have changed dramatically in a very short space of time. Just a couple of decades ago, local or municipal footprints predominated. Today companies are international in ambition and, even those who remain focused on their home market, have to take their decisions in a global context.



Manfred Wiegand
Global Utilities Leader

The capital investment challenge in the sector is massive and is taking companies into new areas both in terms of technological possibility and engineering feasibility. Companies are anticipating a future with a much wider range of technologies and where the shape of the industry will be different. It's not just the mix of generation that is changing but how it is optimised and what it is used for, as more people and technologies connect with the grid in smarter ways.

The role of electricity is expanding. It is already the power behind most applications in modern life and will become even more so if electric cars take hold as a common form of personal transport. The part that gas plays is also changing rapidly. The exploitation of many more sources of gas, including shale gas, is introducing a new era of gas, changing the economics of the liquefied natural gas market and enabling gas to assume the characteristics of a more truly global market.

Utility companies are at the forefront of the response to climate change, investing in renewable generation capacity and new solutions for cleaner energy. Alongside this, they are engaged in extensive renewal of existing generation and infrastructure as well as planning for the additional transmission capacity that will be needed to accommodate new sources of generation.

PwC works with companies and industry stakeholders in every region of the world to assist with the decisions, planning and implementation of these and other changes.

We have been involved in many of the major developments that are shaping the utilities industry, including the design of market reform, advising on some of the mergers that are creating global companies and examining future options for harnessing renewable energy.

This statement of our capabilities is intended to give you insight into our experience and the ways we can work together to get you further ahead. Always, our goal is to understand your needs and add value from our knowledge and expertise.

A handwritten signature in black ink that reads "Manfred Wiegand". The signature is written in a cursive, flowing style.

“Whether you are a small electricity producer in Belgium or a coal miner in the US, what China does is more important than anything else. It will affect everybody”

Dr Fatih Birol, Chief Economist, International Energy Agency, speaking at the PwC Global Energy, Utilities and Mining Conference Istanbul, November 2010

PwC – at the forefront of industry change

PwC is at the heart of industry change. We have worked and continue to work with companies, regulators and governments on many of the big developments affecting the sector. This includes the design of market reform and trading arrangements in newly liberalised markets, carbon emissions trading and emissions verification, and working with companies on the development and roll-out of industry-changing technology such as smart grids and carbon sequestration and storage (CCS).

Three out of every ten leading companies in the sector choose us as an audit partner. We are also the partner of choice for many medium sized and smaller companies. PwC is on hand when governments and regulatory bodies need top-level advice on reform of market structures or hands-on delivery of the resulting change programmes.

At an international level, we are the funding patron of the World Energy Council and a long-standing partner and sponsor of the World Energy Congress. PwC’s Annual Global Energy, Utilities and Mining Conference formed part of the the International Energy Agency’s global roadshow to launch the World Energy Outlook 2010.

At a glance – why PwC ?

- We live and breathe the sector, understanding your issues and able to respond to your priorities.
- We have over 4,000 staff worldwide dedicated to the utilities sector.
- Our global coverage means we are on hand wherever you need us.
- We deliver to a single PwC global quality standard, giving you the assurance of local market insight matched with worldwide professionalism and rigour.
- We listen to you and continuously build your feedback into our work.
- Our audit projects are reviewed by a PwC partner who is not part of the project team, building independence into your feedback and appraisal of us.
- We give you the best talent from around the world. We are recognised as a number one employer of choice in many key locations.

PwC is a member of the World Nuclear Association and of Euroelectric. PwC and the World Economic Forum have been strategic partners since the mid-1980s. PwC is a knowledge provider for the Annual Meeting in Davos-Klosters, Switzerland, and regional summits conducted by the World Economic Forum every year.

In many of the individual countries in which we operate, we are members of leading industry associations. For example, in the US we are an active member of the Edison Electric Institute, providing speakers for some of their major events and expertise as instructors for a large number of the institute’s member training courses. We have similar involvement in industry associations in countries ranging from Brazil to Japan, from China to Chile.

“Three out of every ten leading companies in the sector choose us as an audit partner.”*

** companies with US\$10bn plus revenue*

“Our clients stay with us in relationships that are built to last. Between them, our five largest utility company audit clients alone have worked together with us for over 120 years.”

Representative utility audit and other assurance clients

AGL Resources Inc.
Allegheny Energy, Inc.
Ameren Corporation
American Water Works Company
BG Group plc
British Energy Plc
Calpine Corporation
Centrica plc
China Power International Generation Company Limited
CLP Holdings Limited
CMS Energy Corporation
Consolidated Edison Inc.
Constellation Energy Group Inc.
DTE Energy Corporation
E.ON AG
Edison International
Enbridge Inc
Energy Australia
Exelon Corporation
Federal Grid
Huaneng Power International, Inc.
Koc Holding A.S.
N.V. Nuon
National Fuel Gas Company
National Grid plc
NSTAR
Pepco Holdings, Inc.
Puget Energy, Inc.
RusHydro
RWE AG
Southern Union Company
Southwest Gas Corporation
TECO Energy, Inc.
UniSource Energy Corporation

Representative utility advisory and tax clients

AES Corporation
Alinta
American Electric Power Company Inc.
Aquila, Inc.
British Nuclear Fuels Plc
CEMIG
Commissariat à l'énergie atomique (CEA)
Companhia Energetica de Minas Gerais
Duke Energy Corporation
Dynergy Inc.
Electricite de France (EDF)
Electricidade de Portugal (EDP), S.A.
Electricity Supply Board
EnBW AG
Enel SpA
Energy Future Holdings
Entergy Corporation
Eskom Holdings Limited
Fortum Corporation
Galp Energia, S.G.P.S., S.A.
GDF SUEZ
Hydro Tasmania
Iner RAO UES
International Power plc
NextEra Energy
Nicor Inc.
Northeast Utilities
NorthWestern Corporation
Origin Energy
PG&E Corporation
Piedmont Natural Gas Company, Inc.
Progress Energy, Inc.
Public Power Corporation S.A.
Public Service Enterprise Group
Severn Trent Plc
Southern Company
Tata Power
United Utilities Group Plc
Vattenfall
Veolia Environment
XCEL Energy Inc.

Working together – our starting points

PwC's Global Utilities Group focuses on delivering professional services to companies of all sizes, across all segments of the industry. We provide industry-specific solutions in the fields of audit and assurance, transactions and tax to help companies address their business and stakeholder issues.

Audit and assurance

PwC audits major utility companies in key energy markets – gas, electricity, water, renewables and other services. Utility companies want audit teams that know their issues and understand their business challenges.

PwC's professionals bring a high level of utilities knowledge to their work. Our industry-dedicated professionals receive specialised training, including regular updates on utility-specific issues. We have the knowledge and experience necessary to help you with complex financial accounting issues related to matters such as valuations, pensions and share plans, listings, International Financial Reporting Standards (IFRS) conversions, and corporate treasury and company secretarial functions.

PwC auditors around the world use a single, global audit methodology, fully compliant with International Auditing Standards and applicable national standards. Our globally consistent approach to audit means that regardless of location, PwC people can understand and evaluate your business using a single language and common methods. In turn, that gives you a uniform level of quality in all our audits. This methodology also enables us to quickly organise and deploy the kinds of multinational audit teams often required by our larger utilities clients.

Our member firms audit many of the world's best-known companies and thousands of other organisations both large and small. Our audit approach, at the leading edge of best practice, is tailored to suit the size and nature of your organisation and draws upon our extensive industry knowledge. Our deep understanding of regulation and legislation means we can also help with complex reporting issues involving Sarbanes-Oxley and IFRS.

Additionally, we are leaders in the development of non-financial performance reporting, helping our clients respond to the need for greater transparency, improved corporate governance, and business models based on the principles of sustainability.

We have over 4,000 specialists worldwide...

...who are dedicated to the utilities sector alone, giving you the sector insight that your projects require.

Advisory services

The needs of utility sector companies and other industry stakeholders lie at the heart of our thinking and expertise. Whether you are pursuing new opportunities, responding to events or coping with the daily pressures of growth, we are there to help. We do this by creating unique, value-added solutions based on the combination of industry knowledge, subject matter expertise in our Consulting and Deals teams, and our collective experience and expertise from all areas of PwC.

Consulting

We help you create the value you are looking for. We understand utilities clients are facing a multitude of challenges as well as opportunities. Our specialist teams work with yours to innovate and grow, improve operations, manage risk and regulation, and leverage talent. We are ready to assist you in managing issues such as:

- robust increase in demand for raw materials
- international expansion and pressure to meet growth and performance targets
- conflict, unrest and political instability in oil and gas exporting countries
- continuing regulatory reform with implications both on a strategic and operational level
- commodity/fuel price volatility and price risk management
- workforce issues – attracting and retaining the right talent mix
- industry consolidation and asset portfolio rationalisation
- outdated legacy systems, particularly customer information
- realising synergy savings from acquisitions
- divestiture of non-core assets.

World-class best practice...

PwC was chosen by GDF Suez to design and implement its 'Fast Close' project launched to cut by half the time required to publish the consolidated accounts of the group. Coming after the merger of Gaz de France and Suez, this project was also a major integration project for this world-class utility. PwC won the project against fierce competition, building on our expertise in the best practice financial consolidation processes as well as on knowledge of the GDF Suez Group culture and how to manage large transformation projects.

Grow and innovate – the pressure on utility companies to find new sources of growth and deliver greater efficiencies through innovation is intensifying. Utilities companies are continuously reassessing their potential for growth through innovation powered by new technologies. We help companies get closer to their customers, understand the role innovation plays in their growth strategy, and assist them in structuring and allocating limited resources to deliver profitable market results. We do this by applying our deep knowledge of the utilities industry, supported by rigorous market, economic and financial analysis, to enable business growth.

Improve operations – in an industry facing higher costs for raw materials, finding ways to increase productivity and take cost out of operations is key to commercial success. At the same time, companies can expect continued and, indeed, greater demand from customers asking more of their organisation and their supply chains. We bring together capabilities in process improvement and finance effectiveness to help you optimise your operating processes and supply chain. Our experts – many directly from the utilities industry – help you transform your important value chain functions, from customer management through to sourcing of services and goods. We apply proven cost management methodologies and, responding to changing conditions, bring agile responses to achieve lasting sustainable benefits.

Leverage talent – getting the best from people at every level when there is constant change is the key to sustainable competitive advantage. Solid strategies, processes and technology alone do not deliver results. It takes people to accept, adopt, drive, and sustain the change to realise tangible impact. Success in business hinges on strategic agility and the ability to execute.

Manage risk and regulation – we support our clients in identifying, understanding and managing risk and help ensure an appropriate balance between risks and opportunities. We also assist businesses in designing and implementing governance and compliance programmes to ensure that companies continue to operate within the boundaries of relevant legislation and regulations. This includes building a culture of doing the right thing.

Deals

Globalisation of the utilities sector is moving forward on a number of fronts. Deals are crucial to many utility company strategies. That's why we work together with clients to help determine the right strategy that best suits their needs. Our goal is to help clients meet their strategic priorities and growth targets so that they deliver value for their shareholders.

We are well known in the utilities marketplace for our experience in major deals across key power and gas utility markets. Whether it is gaining a presence in growth markets or selling assets to fund other investments, we advise and implement to ensure the maximum value for our clients.

Our experience extends the deal continuum from strategy through execution to post-deal integration, including:

- modelling and business planning
- financial and operational due diligence
- accessing capital markets and other sources of finance
- valuing all or part of a business, including the implications and risks
- managing assets amid increased competition
- negotiating and structuring deals
- maximising value post-deal.

Mergers and acquisitions – we provide independent valuation advice for your business. By offering robust planning for the parties to a transaction, we enable clients to capture the most value possible and implement changes to deliver synergies and improvements after the deal.

Divestitures and sell side advice – our utilities industry specialists help you complete and extract the maximum value from your transactions. We identify appropriate buyers and will implement a sale to generate the best price for our client.

Delivering deal value – we help find the targets, analyse the strengths and weaknesses, identify synergies and potential improvement opportunities, negotiate terms, access capital, manage the post-deal integration process, carve out non-core assets, and make changes to realise improvements in long-term performance.

Restructuring and recovery – our recovery professionals are valued by clients for their ability to quickly identify problems, gain cooperation, develop viable solutions, and implement them with sensitivity and precision. Our experienced teams offer a full range of advisory and implementation services, from turnaround and restructuring plans to optimised exit strategies.

Working together – our starting points

Tax services

We have the largest network of tax specialists in the world, with over 30,000 dedicated tax specialists in 150 countries. This means that we can support you both locally and globally, wherever you require tax advice.

Our tax professionals solve challenging issues, anticipate changes that can impact your tax situation and financial statements, and keep you apprised of local, state, foreign and international tax regulations as they pertain to your company's operations. Our network of international tax structuring professionals can enable you to structure your international business in a tax-efficient manner, both locally and globally. We can help you construct effective cross-border strategies and manage your global structural tax rate. We will also keep you abreast of new developments in the international arena that affect your business.

Early tax planning for mergers and acquisitions is essential to reduce both the actual transaction tax costs and the long-term sustainable tax rate following the transaction. PwC can offer you expert deal structuring and financing advice at all points throughout the deal cycle. We deliver value through quantitative analysis, rigorous implementation and leading edge structuring techniques, carrying out pre-acquisition due diligence, ensuring tax-efficient deal structuring, and ensuring post-deal integration.

Inter-company transactions across borders are growing rapidly and are becoming much more complex. At PwC, we have a strong international network of dedicated transfer pricing specialists with advanced training in economics, accounting, law and project management, ready to work with you. Our industry and tax authority experience and unique capabilities enable us to develop innovative approaches for utility industry participants.

Human resources

With more than 6,000 professionals in over 150 countries, the PwC network has one of the world's largest human resource (HR) advisory organisations. Our multidisciplinary approach allows us to advise on all aspects of people management, helping our clients to create value and deliver competitive advantage for their businesses through people. Whether it is assisting with international expansion, change programmes, tackling skills shortages, improving and measuring human capital performance or developing effective remuneration systems, PwC's HR professionals can help.

Lending our voice to utilities sector initiatives...

PwC works with utilities companies and business organisations to help shape the climate in which companies operate. For example, in 2010 we were project adviser to the Critical Mass Initiative, led by the World Economic Forum, the International Finance Corporation and the United Nations Foundation, in association with the Institutional Investors Group on Climate Change and the Investor Network on Climate Risk, which looked at ways to accelerate private investment in low carbon infrastructure in developing countries.



PwC can help your company or organisation in many different ways. On the following pages we summarise how our services can help specifically with the following key challenges:

- *smarter grid optimisation and interaction with customers*
- *cleaner and renewable energy*
- *managing M&A to deliver growth*
- *successful capital projects and infrastructure*
- *doing things better through performance improvement*
- *making the most of the regulatory environment.*

Smarter grid optimisation and interaction with customers

Smart grids lie at the heart of many of the changes that are to come in the power utilities sector – the replacement of ageing infrastructure, clean energy, electric cars and many other challenges. They offer the potential to significantly reduce grid inefficiency, enable more interactive demand management, better integrate distributed power sources into the grid, change customer experience and facilitate new uses for electric power.

The realisation of these benefits is not easy or automatic. Like any major project, there are the challenges of delivering on time, on budget and operating successfully. Smart grid implementation involves major capital project challenges. But it is not just a matter of rising to those challenges. Success also relies on a complex interplay of technological, cross-sector, behavioural and regulatory factors in addition to effective project implementation.

How PwC can help you

PwC can help give you momentum. Our approach focuses on the full lifecycle of smart grid initiatives and touches all aspects of what needs to be considered.

Strategy and planning – business case development, alignment of the smart grid plan to organisational strategy and overall project management.

Technology integration – selection and implementation of technology and IT solutions to support smart grid initiatives.

Business process readiness – optimisation of critical processes to ensure the value of smart grid investment is achieved.

Compliance and risk management – validation of all compliance/contractual obligations to ensure they are achieved and managed.

Regulatory and cost recovery – alignment of initiatives with market, regulatory and stimulus requirements.

Getting the right smart grid strategy and roadmap in place

Companies need to evaluate their operational and regulatory landscape and have a clear vision of the end destination they want to reach and what target operating model they want to develop. PwC can help with strategy and implementation planning that can robustly manage the reality and the potential of new interactivity across a myriad of different interfaces – between the world of power utilities and technology, energy storage, distributed large- and small-scale renewable energy, electromobility, telecommunications, home and business appliances and energy management.

Having effective programme governance and control

There are substantial risks to the success of smart grid programmes. PwC is on hand to ensure that risks are identified and understood up front. Getting the foundations right through good preparation is key. On the capital programme side, there is potential, like all capital projects, for timescales to slip and costs to get out of hand. We can help you put effective programme control in place and ensure that good governance is a reality.

Thinking about customers from the start

Two way communication lies at the heart of smart grid technology. Its effectiveness, though, relies on such communication translating into behaviour change. Even with smart grid technology in place, customers have to be won over and there are many trust and other barriers to overcome along the way. PwC can draw upon extensive experience of customer reaction to smart grid programmes to help advise on issues such as customer relationship management, data management and security and how companies can manage expectations and avoid the danger of negative reactions to smart metering.

Managing multiple stakeholders

The success of smart grid programmes relies on a convergence of many interests and industries. Utility companies need to be adept at orchestrating and managing many stakeholders for project delivery and to ensure markets will develop in response to the opportunities a smart grid provides. This has implications for how companies identify, select and make the most of collaboration with partner companies and judge market development. Speed, agility, reliability and commonality of vision will all be important considerations in alliance relationships.

Working together – Austrian energy regulator, E-control, and PwC

Context

The EU wants smart metering introduced across Europe. An EU directive requires member states to carry out an economic assessment of all the long-term costs and benefits to the market and the individual consumer, looking at which form of metering is cost-effective and which timeframe is feasible for its introduction. If the net benefit is positive smart meters must be introduced to cover at least 80% of consumers by 2020. PwC conducted the cost benefit analysis in Austria. We looked at the costs and benefits for all relevant stakeholders such as customers, network operators, suppliers but also the impact to the overall market system.

Deliverables

- Development of a cost-benefit model.
- Economic analysis for each stakeholder.
- Assessment of available smart metering technology.
- Definition of technical requirements for the entire market for the meters.
- Definition of necessary data formats.
- Assessment of the impact on network operators' processes.

Comment

Walter Boltz, managing director of Austrian energy regulator E-control, said “The introduction of smart metering in Austria is an important step for energy clients. We expect it will help them to manage and ultimately to reduce their energy consumption. Thus we see smart metering as an important tool for the improvement of energy efficiency for small (household and SME) customers. PwC supported us with a comprehensive cost benefit analysis for the introduction of smart metering. The analysis gave the regulation authority and relevant stakeholders a clear basis for their further decisions.”



Working together – Pacific Gas & Electric Company and PwC

Context

In North America's largest smart meter roll-out, Pacific Gas & Electric (PG&E) is installing 10.2 million smart meters in a US\$2.2bn seven year programme to 2012. It is a massive logistical challenge involving 14,000 relays, 2,000 electric network collectors, 5,000 gas network collectors, new billing and data systems and much more.

PwC holds a major consulting role on the project including participation in all executive steering committee discussions and contribution to eight distinct work streams, covering key areas such as programme management office (PMO) process and controls design, business process design, and deployment of

real-time cost and customer impact metrics. We highlight the PMO element of this work below. The smart metering project required integrating multiple work streams and stakeholders through a strong, centralised project management body to manage programme scope, schedule and budget.

Deliverables

The project demonstrated strong PMO capability to the utility regulator, and has been able to operate and manage scope, schedule and budget to meet project goals. The PwC team has operated with a collaborative focus and is able to make real time process change, necessary for the project considering the customer, utility and state implications of project issues.

Comment

Jim Meadows, director, SmartMeter field deployment, PG&E says: “When we started the project, we specifically sold the idea to our officers that we would have PwC come and re-evaluate the PMO's controls, capabilities and documentation to make sure we are doing the right things and are as 'best in class' as we can be. We have an internal process of course but having an outside team come in and stare hard at us really adds value.”

Daryl Walcroft, Partner, PwC San Francisco, adds: “We are hard on them because that is the challenge that is welcomed and really adds resilience.”

Jim Meadows: “It has proved its worth. During the course of the project we had to go back to the regulator. The programme was put on the stand a bit and had to defend itself but we had the documentation and stood up very well in what was a very public interrogative process.”

Cleaner and renewable energy

The focus on cleaner power and the associated concerns of emission regulation and energy efficiency remain top of the agenda for many utility companies worldwide. Companies are making big fuel mix changes, investing in and rolling out renewable generation or other cleaner power sources such as nuclear energy. Such investment is important not just because of climate change but also as part of the response to concerns about energy security.

The delivery of cleaner and renewable energy entails considerable investment, project and technological challenges. Developments such as the exploration of carbon capture technologies, large scale solar generation and offshore wind in deepwater locations involve considerable risk and uncertainty. The regulatory framework governing emissions is a crucial factor in the long-term investment decisions that utility companies have to make.

How PwC can help you

Making the right investment decisions

Companies face an array of choices about where and how best to deliver cleaner and renewable energy. Which markets? Which technologies? Which sites? Capital expenditure or acquisitions? PwC is on hand to give you the business planning and market analysis that you need. We can map your strategic and project choices, bringing clarity to a complex array of current and future variables such as the impact of different fuel price and carbon market scenarios.

Choosing technological partners or forming alliances

The response to climate change is taking utility companies into new technological areas and new markets, requiring careful selection of project and, in some cases, strategic partners. Electric transportation, for example, will create a new way of consuming electricity and, with it, different physical and pricing delivery models. PwC can help with contractor and partner selection and advise on the best frameworks for matters such as joint investment, project design and delivery, governance and risk management.

Making the most of tax and other incentive regimes

Companies need to ensure they are gaining maximum benefit from rapidly changing grant and incentive opportunities and emissions trading markets around the world. For example, in the US alone, there are literally hundreds of different state and local tax incentives available to a company for renewable energy and energy efficiency projects at any given time – not to mention those available at the federal level. PwC's network of tax and regulatory specialists is on hand to provide advice and guidance to help you understand and optimise the impact of tax and incentive regimes.

Venturing into new renewable areas

The potential to harness solar energy with large-scale concentrating solar power in arid regions is the focus of interest by a number of companies and organisations. PwC is a partner of the DESERTEC Foundation, a non-profit foundation with the aim of promoting the implementation of the global concept of "Clean Power from Deserts" all over the world. We can help companies investigate the viability of such ventures. For example, we recently advised a private company developing a project in Tunisia on market and institutional frameworks in Italy and Tunisia as a first step to evaluating project feasibility.

Far sighted – 100% renewable

PwC, in conjunction with international climate experts at the European Climate Forum, the Potsdam Institute for Climate Impact Research and the International Institute for Applied System Analysis, has set out a roadmap showing the steps that would need to be taken to achieve the 'what if' scenario of powering Europe and North Africa exclusively with renewable electricity by 2050 (100% renewable electricity: a roadmap to 2050 for Europe and North Africa, 2010)

Increasing consumer take-up

PwC is a partner in the initiative behind WindMade™, the first global consumer label identifying products and corporations made with wind energy. The WindMade™ label provides qualifying corporations the ability to effectively communicate to consumers a commitment to wind energy that differentiates their brand, and signals a strong commitment to renewable energy. WindMade™ is a non-profit organisation supported by Vestas Wind Systems, The Global Wind Energy Council (GWEC), WWF, UN Global Compact, The LEGO Group, PwC, and Bloomberg (the official data provider).



“PwC were at our side all of the way”

Context

Bhutan's Druk Green Power Corporation (DGPS) has been accelerating development of the country's large hydro development and export potential, starting with a public private partnership for the Dagachhu Hydropower Project. The installation has an installed capacity of 114 MW with approximate annual energy production of 500 GWh. It chose PwC India as project advisors from project concept to financial close.

Comment

Chhewang Rinzin, DGPC's managing director, said: “Dagachhu is the first project of its kind for Bhutan in terms of being a commercially structured project with project finance obtained from multilateral agencies, export credit and other lenders. This is our first hydro project with private sector participation in equity as well as in the export of power to India. This is also the first instance of a cross-border power trade in the world that has been approved by the UNFCCC under CDM. This involved our taking many new steps - on project finance, management, PPP, PPA, CDM, etc - and PwC India were at our side all the way.”

Working together – Stadtwerke München and PwC

Context

Stadtwerke München (SWM) is the largest municipal utility company in Germany with revenues of over EUR4.8bn. It aims to supply all electricity to its residential customers from renewable energy sources by 2015. A key step in achieving this was the acquisition of a 30% stake in Gwynt y Môr, one of Europe's largest offshore wind farms with a capacity of up to 576 MW.

Getting such an investment right was vital. SWM chose PwC to develop a financial model to analyse the project economics in the transaction and post-transaction phases. It enabled the company to calculate the project's return on investment and other financial indicators in order to structure the transaction and decide on a purchase price.

Deliverables

- Analysis of the project structure and compilation of key economic assumptions.
- Construction of a complex financial model able to calculate and analyse the following:
 - investment costs, including timing of construction phase
 - operating revenues, including wind yield and price assumptions
 - operating expenses
 - financing costs, including several financing tranches
 - taxation of the project company in the United Kingdom, including various tax credits.
- Analysis of multiple scenarios and sensitivities to present effects of changes in investment costs, revenues and expenses.
- Calculation of the effects of various possible tax structures, taking into consideration British and German tax regimes and their interactions.

Comment

“The purchase price has lifetime consequences. Once it is agreed, it sets the metrics for the project. There was the central objective of analysing the variables that impinge on the return on investment and purchase price. But PwC also brought together specialists from the UK and Germany to optimise the complex tax structure of the project, taking into account the British background of the project and cross-border European tax implications” (PwC).

Managing M&A to deliver growth

Deal-making is an important motor of utility company growth and a route to acquire the new capacity, technology and skills needed to address issues such as security of supply and cleaner generation. Transactions are key to utility companies extending their international footprints and achieving the right balance in their portfolios. There is a continuing appetite of outside investors in the sector. The influence of international Chinese investors is also important and their influence will grow.

Consolidation remains a strong force. Outside Europe, most major markets remain highly fragmented with opportunities for companies to scale-up through consolidation. Consolidation in western Europe is at a more advanced stage, providing a springboard for further moves inside the continent and wider international ambition outside. Convergence between sectors is also an important potential deal driver as companies address fuel supply issues and the implications of smarter grids and new uses for electricity.

How PwC can help you

We help you do better deals and create value through mergers, acquisitions, disposals and restructuring. We work together to help develop the right strategy before the deal, execute deals seamlessly, identify issues and points of negotiation and value, and implement changes to deliver synergies and improvements after the deal.

Identifying deal value

Maximising the values that can be captured from deals is crucial. PwC can find the targets, analyse the strengths and weaknesses, identify synergies and potential improvement opportunities, negotiate terms, access capital markets and other sources of finance, manage the post-deal integration process, carve out non-core assets, and make changes to realise improvements in long-term performance.

Getting the right deal structure

We help clients to identify the principal concerns that will determine the right structure for a transaction. PwC can assist with marshalling the complex range of factors including tax, legal, accounting and regulatory issues that will need to be considered together. We create a feasibility plan to assess the chosen structure and once this is confirmed as the right choice we will provide continuous support throughout implementation.

Making sure the integration delivers what you need

PwC has extensive experience of helping businesses integrate new acquisitions. Our dedicated teams of professionals work on-site to help manage the changes that a deal generates in an existing business. We address the immediate concerns of the acquirer over the first 100 days of the acquisition and produce detailed action plans to deliver value from the deal. We also carry out post-deal reviews after 6 to 12 months to assess whether objectives are being met and if not, how to get them back on track. Our broad knowledge of HR issues allows us to give practical advice on employee management. We help our clients to navigate through the wide variety of employee programmes used and to help them choose the best programmes to achieve all potential synergies.

Running the financial and regulatory ruler over deals

All businesses involved in an acquisition, as buyers or sellers, need to ensure that the financial information they hold is as accurate as possible and that all risks are fully known and taken account of. The value of a deal can be significantly altered by utilities regulation. We see regulators in some parts of the world taking a tougher stance in allowed cost of capital and achievable cost performances from regulated activities. PwC can help you conduct pre-deal financial due diligence and evaluate the regulatory risks that might affect your proposed deal.

Getting the right structure for JVs and strategic alliances

Joint ventures (JVs) and strategic alliances are likely to become increasingly important as utilities take up the challenge of delivering initiatives such as major nuclear and renewable energy programmes. PwC can help with a detailed examination of risks and how the structure can reflect the fact that different parties will be contributing different components to a JV. For example, a company providing technology to the venture is in a very different situation from one signing an off-take arrangement and taking mark-to-market risks. Shareholders may have different appetites for, and capability to, manage exposures. With our help, your JV can get off on a strong platform.

Working together – successfully closing complex infrastructure transactions

Context

The Greater Manchester Waste (GMW) contract is the largest waste Public Private Partnership (PPP) project in Western Europe. PwC acted as lead adviser to both the winning Viridor Laing consortium on the Manchester Waste PFI contract and to the project sponsors on the related Runcorn Energy from Waste project. Services provided included support to sponsors in bidding for and negotiating the underlying PPP contract, structuring and raising project debt and negotiation of final terms with the senior lenders. In addition PwC provided specialist tax and accounting advice and ran the time-critical process required to achieve simultaneous financial close on both projects. The deal, which closed in April 2009, involved two stapled project financings and the acquisition by our client of GMW Limited, a publicly owned waste management company.

Comment

“Closing two linked project financings in the middle of the credit crunch proved an exceptional challenge requiring a detailed understanding of the market and an ability to respond creatively to fast-changing circumstances. PwC demonstrated our ability to work with clients, their funders and the public sector counterparties to extend the PPP concept to include funding as well as contracting structures” (PwC)

“An exemplary service delivered in a very challenging environment”
(John Laing Investments)

“Very impressed. We are tough to please, but PwC fully met our expectations”
(Viridor Waste Management)

Working together – PwC and The Blackstone Group

Context

The Blackstone Group is the largest alternative asset manager in the world, with over \$104.3 billion in fee earning assets under management. During 2010, Blackstone's private equity group was considering an investment in the US power and utilities sector with an attempt to acquire 100% of the outstanding stock of Dynegy Inc. Understanding the complexities of the US power market and the business of independent power producers was critical to Blackstone. Industry knowledge was a key factor when Blackstone decided which external advisors to hire to advise them during the due diligence process.

Deliverables

PwC provided a broad range of pre-close due diligence services, including financial due diligence, accounting advisory, tax structuring and tax due diligence, trading risk management due diligence, human resources due diligence, IT due diligence, valuation and insurance risk management due diligence. Key areas driving value were tax structuring, analysis of the hedge book and key facility agreements, analysis of normalized EBITDA, identification of potential debt-like items and understanding the target's liquidity and forecasted available cash position.

Comment

“During several months of due diligence, PwC worked closely with Blackstone to put ourselves in the client's shoes. Large volumes of information were synthesized to provide Blackstone with advice on key value drivers affecting the transaction. Communication across PwC lines of services, with other external advisors and with the client throughout the process, was critical to developing a deep client relationship built on a foundation of trust” (PwC)

Successful capital projects and infrastructure

The capital project demands for utilities are immense. In the power sector alone, the International Energy Agency estimates that the cumulative global investment required in the period from 2010 to 2035 is US\$16.6trillion (in year-2009 dollars). Better and smarter grid infrastructure, new transmission networks to integrate renewable energy sources, better interconnectors, replacement of ageing infrastructure are all pressing concerns quite apart from investment in new renewable, nuclear and fossil fuel generation capacity.*

More and more capital projects are located away from OECD countries, not just in the fast growing BRIC economies but in the VISTA (Vietnam, Indonesia, Singapore, Turkey and Argentina) and similar high growth countries, as well as in other emerging markets including Africa. Many projects in both developed and developing countries entail substantial technological and construction risk as well as extensive support infrastructure. Deepwater offshore wind development in Europe's North Sea, for example, is now being planned at 50 metre depths with substantial shipping, port, foundations and rig requirements.

How PwC can help you

Effective project appraisal

Sound project definition and effective decision making at the outset of a capital project are critical to a successful outcome. The ability to influence project success and enhance value is greatest at the start of project evaluation and rapidly declines as a project advances towards implementation. PwC can assist you in taking the right actions early to avoid costly errors later. We can help with option appraisal and modelling, and feasibility studies as well as implement measures to assess balance sheet impact, structuring and financing, funding resources, tax and real estate implications.

Deciding on the right finance and the right contract

Companies face a series of critical choices regarding funding options, contractor selection and management, and project and quality management arrangements. PwC can help you secure appropriate funding and we have a range of tools to help you with contract design and selection issues, including assessing the best contractual arrangement to match your project risks, mapping of supply chain risk, cost modelling and design of incentives.

Keeping projects on or ahead of course

We can help you put in place the things you need to stay on course, including budgeting and forecasting processes, project cost and schedule systems, reporting procedures, open book contract control and project audit. Our goal is to help you achieve best practice in project control, risk management, schedule management, and performance management. We are on hand to help you conduct reviews of project controls, processes and programme management, due diligence on programmes and projects as well as identify the lessons learnt through post-project close-out and review.

Getting projects back on track

PwC can help with a range of preventative measures to avoid projects going wrong to start with. We can identify issues early through review and health checks and then assess and select corrective options. We understand the steps that need to be taken to recover projects quickly and effectively. Where appropriate, we can help you renegotiate commercial terms. We are on hand if you are facing a restructuring, contract re-let and negotiation, transfer or disposal situation and can advise on the best course of action to take. We also offer dispute resolution services.

* World Energy Outlook 2010

Identifying and correcting project weakness

Context

Our client was a global power generation company running a 1200MW capacity CCGT facility. It had a £90million fixed priced long-term service agreement to maintain the unit over an eight-year term. The client was unsure whether its maintenance agreements were delivering value for money and wanted an independent view

Comment

“We identified that the company was losing £12.5m, or 14% of the contract value, under the current commercial arrangements. Our review pinpointed weaknesses in the procurement approach, which resulted in value and performance issues occurring during the contract. The client’s lack of historical information compromised their ability to provide a robust challenge to the costs being proposed by the supplier and resulted in the resource element of the budget being over-estimated by 43%. Recommendations were made to enhance our client’s project governance in order to strengthen its commercial position in the event of a contract variation or extension of time claim” (PwC).



Outcome

The risk resilience review identified a lack of maturity in the project team’s systems which required further development to provide a robust challenge to the type of risks and claims expected. Furthermore, the contract did not provide RWE with the transparency it required to adequately understand the impact of contract changes. There was an overdependence on individuals’ skill and competency rather than formal project management procedures. The key benefits of the review were:

- identification of key contractual and delivery risks that need to be closely managed
- shortfalls in the capability of project management components such as planning and risk management and a lack of integration of IT systems were identified and solutions proposed
- guidance was provided on how claims should be scrutinised and knowledge of delay analysis techniques was transferred to the RWE team
- specific recommendations were made to increase resources allocated to record keeping, project planning and risk management activities.

Our recommendations have been implemented with a resulting increase in risk resilience for RWE npower in the delivery of these two key business projects.

Working together – RWE npower and PwC

Context

RWE npower is constructing new CCGT power stations at Staythorpe and Pembroke in the UK. The 1650MW Staythorpe facility has begun commercial operations and the 2000 MW power station in Pembroke is under construction. Both gas fired power stations were procured under an EPC contract and are being delivered by Alstom. The value of each EPC contract is approximately £800m. RWE wanted some advice on the project management procedures as they had previously undertaken a Flue Gas Desulphurisation (FGD) project which had resulted in a cost overrun. In particular, they were seeking advice on internal processes and systems to increase risk resilience and to provide guidance on construction programming, project risk management and data management

Engagement

PwC was engaged to undertake an internal review of key project management processes for the projects which were at different stages of construction. Our review comprised interviews with project team members, a review of the project documentation, the project management procedures and the IT systems. Our risk based assessment comprised:

- a review of the EPC contracts to identify the risk allocation and specifically the client’s commercial risks and areas where claims would likely arise from
- mapping the existing framework of project management processes and the extent to which they safeguarded the client against the identified risks was assessed
- the project’s team capability and maturity was assessed against this framework to highlight areas of concern.

Doing things better through performance improvement

In an era of high energy prices, the stakeholder pressure on utility companies to deliver greater efficiency and operational effectiveness is greater than ever. Higher input costs, stretched supply lines and the need to invest in expanded and diversified infrastructure are putting significant additional cost into the value chain. Companies can expect continued and, indeed, greater resistance to costs being passed on to end-users making internal efficiency and performance even more vital. Smart asset management is becoming increasingly important, especially in the context of capital expenditure programmes at a time when so much infrastructure needs to be built.

Billing errors are a major challenge for utility companies worldwide. Customer switching between companies, different contract start dates, house or business moves and the reconciliation of billed power to power purchased by the utility are just a few of the complicating factors. Multiple billing cycles mean that unbilled revenue is also part of the calculation.

How PwC can help you

Delivering operational excellence

Utility companies need to deliver operational effectiveness while managing risk. Companies face the challenge of managing ageing assets alongside the introduction of major new generation and grid programmes. PwC can help you across a wide range of operational excellence initiatives, from the use of lean and six sigma techniques to manage costs and the supply chain to introducing learning from other sectors that can lead to breakthroughs that save time, improve quality, lower costs, and increase revenue.

Corporate Performance Management (CPM) is a framework that...

...integrates strategy with business operations. It gives companies a prospective and real-time picture of what is actually going on across the value chain and provides a robust platform to support future growth. It helps address the fundamental business questions of: How are we doing? Why? What should we be doing?

Customer retention and growth

The customer relationship in the utilities sector has evolved from the earlier era of captive markets to modern, competitive marketplaces where much deeper and dynamic relationships are needed. Among other things, PwC can help companies measure and improve the performance of their contact strategies and customer-facing systems and operations. We can help you make sure you are maximising the effectiveness of your customer insight and pricing strategies. We can help you prepare for the challenges of smart meter implementation which has the potential of being a 'make or break' moment for customers.

Improving financial and performance management

PwC can help you improve management information and prospective visibility through alignment of financial, operational and regulatory metrics that drive accountabilities, decision support and operational execution. With a focused and proven approach, we help clients with planning and forecasting optimisation, CPM tool deployment, dashboards, scorecards and KPI development, change management and HR programmes.

Getting the most from technology

Technology is playing a more and more important role in the utilities sector, both in terms of improving legacy environments and opening up new possibilities in many areas, from generation to the customer. PwC can help companies on the best approach to decisions on applications and sourcing. With companies becoming more and more regionalised across continents, we can help with rolling out technology on a regional-wide basis. We can also help with the transformation and culture change challenges that come with new markets and operations.

Providing a roadmap for improvement – PwC and the government of West Bengal

Context

After restructuring and unbundling the state-owned power utilities, the Indian state of West Bengal embarked on two large transformational projects to get the utilities adopt new practices and systems to improve performance, governance and customer service delivery.

Comment

"PwC have been supporting us in all these initiatives. They worked with us on the restructuring initially and then as the capacity building consultants. Through extensive stakeholder consultations we were able to achieve ownership of reforms among all stakeholders which helped in smooth implementation. The financial restructuring plan provided the new companies a clean balance sheet and the business plan provided the roadmap for improvement. The capacity building project helped us implement radical changes in the field operating structure and now we are in process of implementing an enterprise wide IT system" (Malay Kumar De, principal secretary, department of power, government of West Bengal).

Working together – optimising energy retailing strategies

Context

With liberalisation of energy markets in Europe customer competition is now an established feature of utility retailing, placing an emphasis on sales, brand and product strategies. The cost of acquiring and serving customers is a key metric, not least as price is a significant component of customer decision-making. In Germany, PwC has been working with a large Berlin energy supplier to improve the process cost optimisation of its sales unit.

Deliverables

- Analysis of the current situation and assess the competitive environment.
- Conception of the target structures (processes, organisation, IT).
- Implementation of the target structures.
- Development of a performance measurement system for monitoring the effectiveness and sales pipeline.
- Support for the implementation, training and 'the next 20 days in operation.'

Comment

"Energy suppliers are very alive to the opportunities of liberalisation but also very conscious of the challenges. Competitive markets are not part of their history and many companies lack internal resources and expertise. In our successful optimisation of the sales unit of the Berlin energy supplier, we brought in our experience from other industries such as automotive. In addition, we supported the company in implementing the new optimised processes in the SAP CRM" (PwC).

Making the most of the regulatory environment

Utility company activities are affected by a wide range of regulatory requirements. Alongside financial reporting requirements, they must respond to energy policy goals, climate change and emissions targets, price and tariff requirements and a range of minimum service obligations. Increasingly, issues such as data regulation and security are also important considerations.

Perhaps more than in any other industry, how utility companies shape and respond to the regulatory environment determines the value they can return to shareholders or other stakeholders. The compliance landscape is ever-changing and the volatility and complexity of energy markets themselves are increasingly the focus for regulatory attention. Market structures vary widely and are constantly evolving. Companies have a role to play in shaping that evolution alongside policy-makers.

How PwC can help you

Anticipating and implementing regulatory changes

Unbundling networks or other operations, smart meter programmes, renewable energy targets. These are just a few examples of regulatory obligations that require major investment and changes by utility companies. PwC can help you anticipate and plan for these and other regulatory moves. When regulations are being considered, we can help you to assess the impact on your company and input to the consultation on the final shape of the regulation. We can then help with the change projects and capital programmes that may be necessary for compliance. For example, we have extensive experience of advising companies on smart grid and unbundling initiatives.

Optimising rates of return

Achieving an optimal level of return on investment and maximising shareholder value depends on having effective systems in place for measuring and modelling revenues and costs and translating this into an effective dialogue with the regulator. PwC can help with a range of situations, whether you are preparing for a rate case or tariff review, assembling volume, investment and cost forecasts, or examining the timing and capital structure of an investment to make the most of a particular regulatory framework.

Evaluating the impact of regulatory regimes

Whether you are a regulator wanting to decide on the best design for a new regulatory scheme or a company needing to understand the impact on your activities, PwC is on hand with a range of evaluation and advisory tools. We can, for example, help with the analysis of different market frameworks to guide companies considering geographic expansion or regulators wanting to benchmark other regimes.

Ensuring compliance with regulatory requirements

Utility company activities are affected not just by industry, financial reporting and competition regulation but also, increasingly, by financial and commodity market regulation. The compliance landscape is ever-changing and the volatility and complexity of energy markets themselves are increasingly the focus for regulatory attention. Market structures vary widely and are constantly evolving. PwC can help your company put the internal systems in place to fit with regulatory requirements and to audit and demonstrate compliance.

Government regulation is shaping...

... many of the key investment and acquisition decisions that companies make. Developments such as clean energy policy, for example, are increasing the extent to which the price of power assets and, in turn, M&A valuations are determined by regulatory frameworks.



Keeping on top of regulatory requirements

Context

New EU and German regulations require grid operators and electricity retailers in Germany to fulfil new balancing and scheduling obligations by April 2011. This development involves complex business process, data exchange, IT and people changes. Eight hundred distribution grid operators and about 400 sales units have to adopt the new rules.

Comment

“The timeframe is ambitious. Getting it wrong carries considerable financial risk. PwC helped the German group of a major international power provider to implement the new processes. It entailed many new functions in the company-wide IT systems. The project covered six regional sales units, one wholesale sales unit and a countrywide sales unit. We were able to provide project management skills, quality assurance for concepts and processes and assistance in change management. The completion is on track in good time for testing well ahead of the regulatory deadline” (PwC)

Working together – cost recovery following a natural disaster

Context

Two severe hurricanes within a month caused extensive damage to the utilities and power company's electricity transmission and distribution systems, as well as several generating plants and a natural gas distribution system. In the US, in addition to seeking recoveries from their property and casualty insurers, utility and power companies can seek recovery of the costs of such events, either as part of a traditional rate case or as a separate case which focuses on the particular costs incurred.

Deliverables

PwC performed procedures to validate the storm related costs, including rigorous audits of the filed costs prior to filing with the regulator. In some instances, we provided formal reports on the validity of the costs and wrote expert testimony on the results of our work. In performing such reviews, we helped ‘scrub the data’. We identified and eliminated certain costs that were not related to the project and produced an ‘audit trail’ of support for the requested costs. This type of review was useful by providing the company and regulators with an independent review and assurance that the costs submitted were documented and supported costs that were eligible for recovery. In addition, PwC's forensic accountants and insurance claims consultants assisted the company in its recovery of losses through its insurance carriers. PwC provided resources, insurance claim process expertise and strategy, and analyses to support the company in its claim preparation and filing. This resulted in maximising their recovery, speeding up its recovery from insurers, all while minimising the stress that goes along with the process for the company's management.

Comment

“These cases can be quite lengthy, leaving companies to finance the costs of the required recovery between the time they are incurred and when recovery begins, which can stretch from several months to even over a year. Not only does the recovery case need to be assembled but it is then subject to a lengthy ‘audit’ by the state public utility commission and other intervening parties who are searching for costs they can potentially disallow. PwC assisted the utilities and power company in the case in which the company recovered substantially all of the storm costs requested. Our work also helped to accelerate the recovery of the billion plus dollars of costs by several months” (PwC).

What makes us different?

Why more than 80% of Fortune Global 500 companies work with PwC...

We take the time to listen, question and understand their goals and their competitive and regulatory environment. And then we tap into our global network, deep industry expertise, and strong judgement and experience to help each client create the kind of value they are looking for.

The cornerstone of our approach is the belief that developing strong relationships with clients unlocks value and meaningful results—and further strengthens the capabilities of our network. This is how we do business. And we believe it's why more than 415 of Fortune Global 500 companies work with PwC.

Our people

We aim to draw out people from the very best talent and develop them to be the very best in our sector. Our ability to attract the best people is reflected in frequent 'employer of choice' awards, for example PwC was named as the number one in The Times Top 100 Graduate Employers in the UK. We ensure our people are immersed in local knowledge about the markets they serve but also gain the global perspective that comes from a worldwide organisation.

Our reach

We can be wherever you need us to be. With a network of over 4,000 staff dedicated to the utilities industry and twelve utilities centres of excellence covering major regions worldwide, we are able to be where our clients most need us. We work with all types of utility companies and industry stakeholders in all different markets. Our different centres of expertise enable us to focus on particular aspects of the energy market in each location, for example nuclear power in France, and cross-fertilise that insight across our activities and services worldwide.

Our knowledge

Our worldwide network of industry specialists are linked by a sophisticated internal knowledge management system, giving them the tools to input their insights and draw upon the most up to date information for the benefit of our clients. Our programme of 'thought leadership' is widely respected. From roundtable discussions to global surveys, we share knowledge with our clients on industry issues. Each year, we prepare industry-dedicated reports and gather opinions on the issues that are of key strategic importance to our clients and the challenges that lie ahead. Our knowledge draws on the insight of our worldwide network of industry specialists as well as the industry itself.



PwC – on hand where you need us worldwide

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4,000
utilities specialists...

More than
161,000
people worldwide...

In
154
countries...

PwC utilities centres of excellence

PwC Utilities Global Centre of Excellence

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PwC – on hand where you need us worldwide...

Chinese growth: PwC making the international connections

PwC has been helping a major power company in China, also one of the largest power companies in Asia, to modernise and internationalise its business operation and financial management processes. In the past few years, with the support from PwC's strong international network and utility industry global expertise, PwC has become the bridge between the company and major energy companies, industry experts, stock exchanges and government authorities in the US, Australia and Europe. PwC has organised training, site visits and in-depth knowledge and experience-sharing sessions on topics covering market development, the regulatory environment, operation and financial management, as well as transition to IFRS.

South American power: PwC benchmarking industry performance

PwC Columbia works with the Regional Energy Integration Commission on a regular benchmarking study for power companies in South America, covering cost structures for administration, operation and maintenance expenditures and key technical indicators. The study covers over 23 companies in most of the countries in South and Central America. As well as advising on key indicators and benchmark design, PwC provides the tool and database to capture the information from the participating companies in a secure online environment. Each participating company is able to compare how it stands for each key indicator compared to the best practice and the average of other companies in the sample.

Australian gas: PwC managing land access and public education

Liquefied natural gas (LNG), allied with new sources of gas, is a key part of the Australian energy mix. PwC was responsible for the management and coordination of Queensland Gas Company/BG Group's end-to-end land access process during the ramp up phase for its upstream programme. This involved obtaining permissions and clearances for land. We identified a number of improvement opportunities, designed to lead to more streamlined processes and more predictable outcomes. PwC also developed a series of educational flyers explaining how operations may impact on landowners, written in 'plain English' and covering seismic testing, site selection, safety, pipelines, drilling, noise, access, water and irrigated forest plantations.

International renewables: PwC giving valuation assurance

PwC conducted independent valuations of Pacific Hydro's assets and development projects across Australia, Brazil, Chile, Philippines and Fiji. These comprised a complex portfolio of renewable energy assets in different operation, construction and project development stages. PwC's knowledge of the renewable energy sector and an infrastructure valuation capability provided the assurance needed for Pacific Hydro and its key stakeholders. In conjunction with Pacific Hydro, PwC developed a robust valuation methodology to assess the value of individual assets and development projects. This included assessment of the appropriate cost of capital for the assets across the different geographies, taking into account the specific development risks of individual projects.

South African nuclear power: PwC advising on advanced technology investment

Eskom, the South African state-owned electricity company, is the lead sponsor in the Pebble Bed Modular Reactor (PBMR) development consortium. The project is centred on an advanced fourth generation nuclear reactor design. PwC was asked to advise on the viability of this new technology and whether further investment could be justified in the development business. We created two models. First, a utility operator model to evaluate and develop a set of high level financial statements for a plant being owned by a utility as operator. Second, a PBMR business plan model, based on a range of scenarios for international sales of PBMR reactors. This included assessing worldwide developments and opportunities in nuclear power, undertaking an economic analysis of the position of nuclear generation in the South African electricity market, and assessing the business plan and undertaking modelling for the subsidiary developing a fourth generation nuclear reactor.

Russian power generation: PwC strengthening corporate governance

Rosatom Nuclear Energy State Corporation wanted support to strengthen its corporate governance system development. The project entailed significant organisational and management structure change. PwC worked closely with the company's senior management in planning and designing a new corporate governance system. The project plan was structured around four major steps: (1) preparation of options with an overview of the mechanisms available for corporate governance development; (2) a review of the main risks connected to each option and conducting limited due diligence; (3) the development of an action plan for the implementation of the option chosen by the company; (4) drafting of documents necessary for implementation.

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