

The background is a solid teal color. On the left side, there are several thin, white, curved lines that intersect to form a series of overlapping circles or ellipses. Some of these lines have small white circles at their intersection points. On the right side, there is a faint, stylized image of a staircase with a metal railing, ascending towards the top right corner. The text is positioned in the center-left area of the slide.

**DEAN ELLIS**  
DYNEGY

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CONNECTICUT POWER AND ENERGY SOCIETY  
POWER SUPPLY OUTLOOK  
OCTOBER 17, 2017

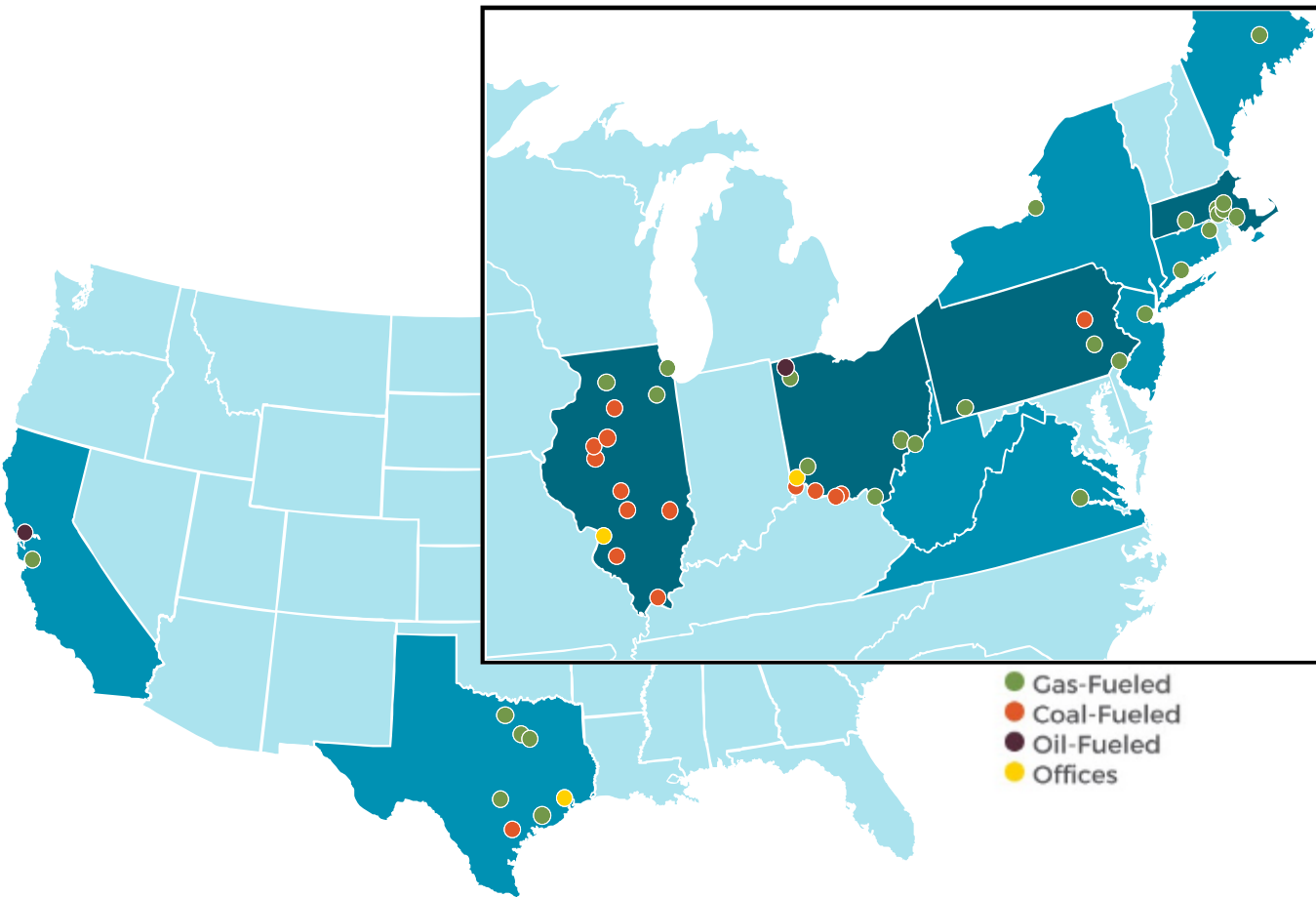
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### **Cautionary Statement Regarding Forward-Looking Statements**

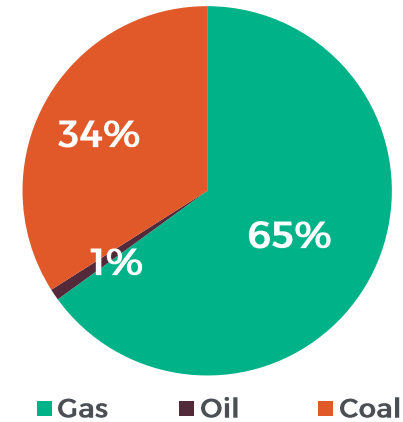
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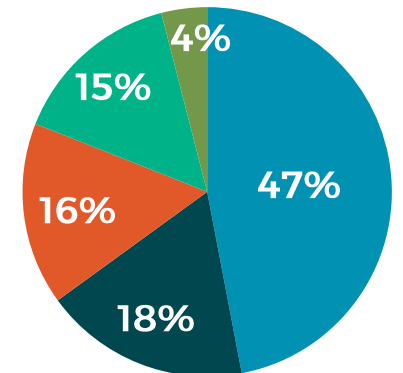
# A LEADING PORTFOLIO<sup>(1)</sup>



Capacity by Fuel Type



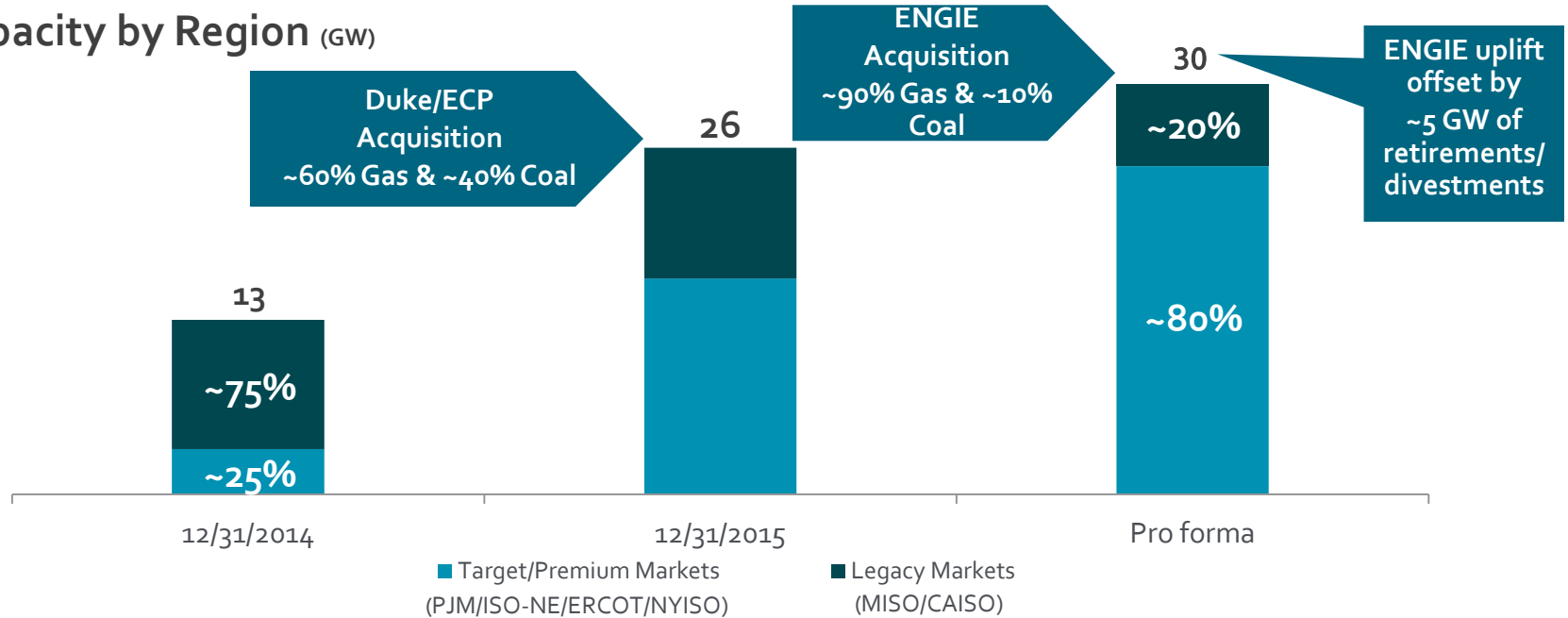
Capacity by Market<sup>(2)</sup>



**DYNEGY IS NEW ENGLAND'S LARGEST POWER GENERATOR**

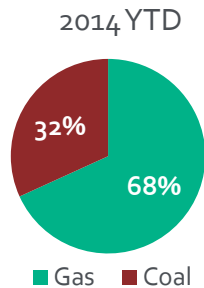
# DYNEGY'S TRANSFORMATION

## Capacity by Region (GW)

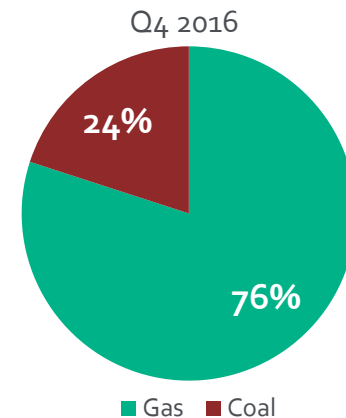


## Adjusted EBITDA Contribution by Fuel Type

(Before Corporate allocation)

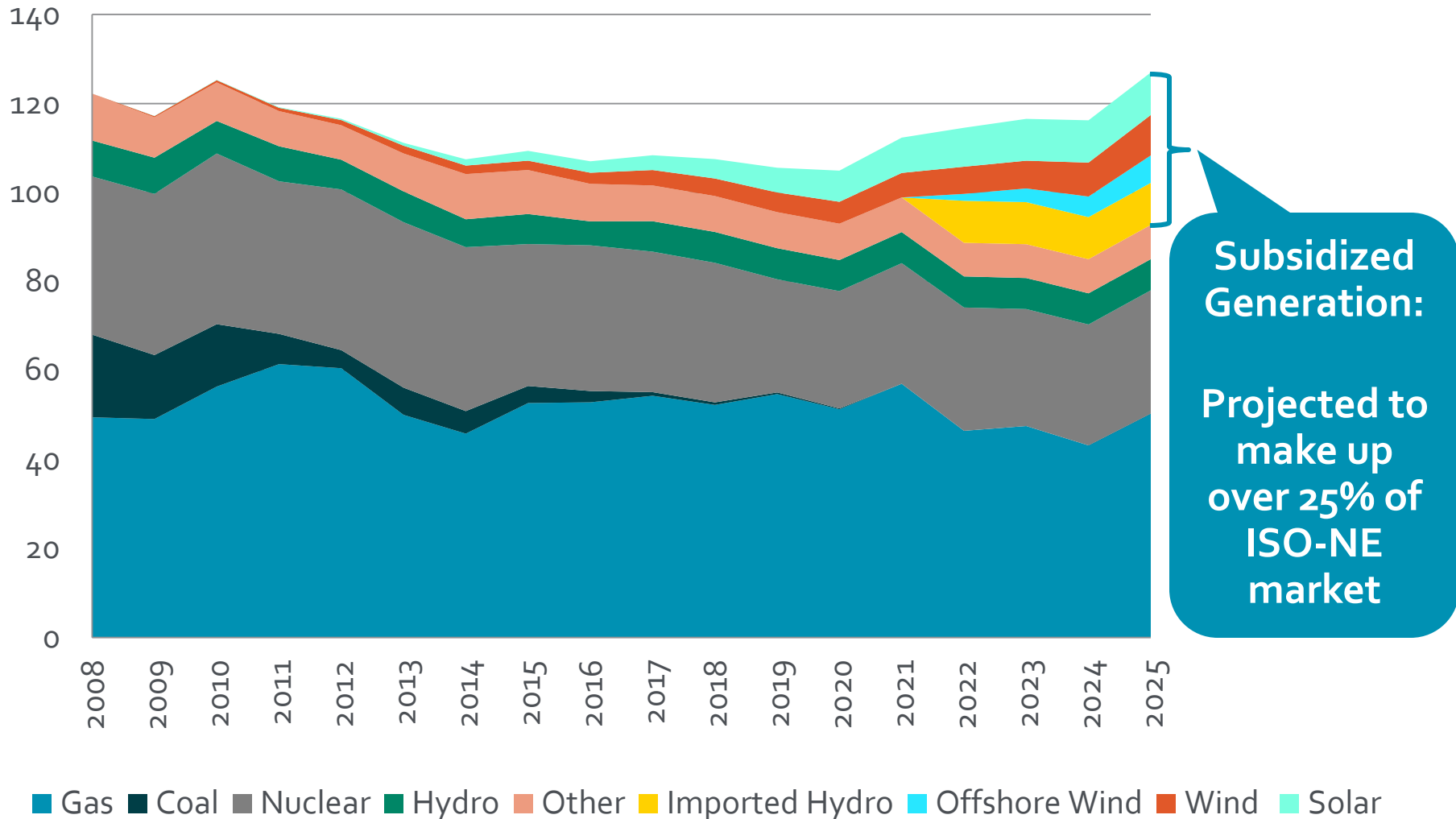


Dynegy is now a major gas-based power generator



**DYNEGY'S PORTFOLIO HAS TRANSFORMED TO PREDOMINATELY NATURAL GAS GENERATION**

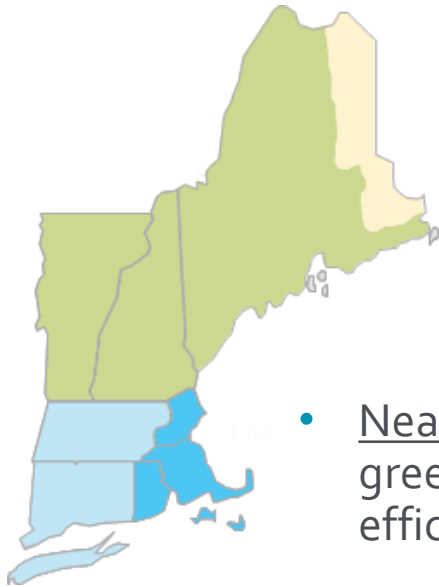
# ISO-NE POWER MARKET DYNAMICS (TWh/year)



INCREASING STATE-LEVEL POLICIES ARE CARVING UP THE MARKET

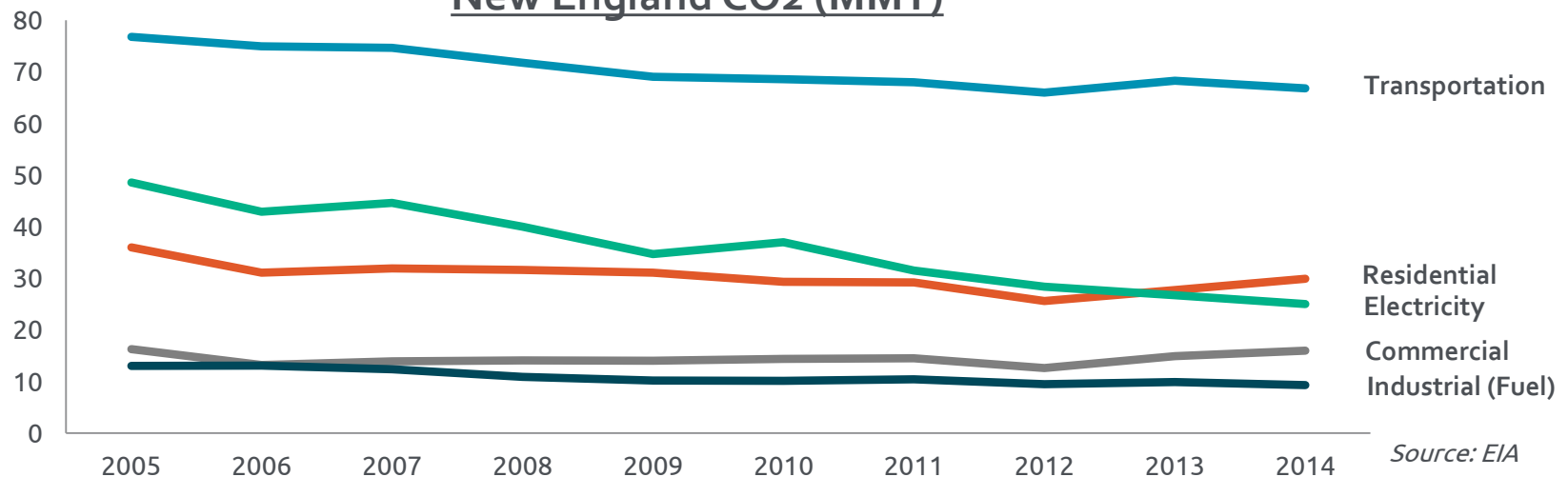


# NEW ENGLAND CARBON POLICY



- The focus is on selective CO<sub>2</sub> reduction. Power sector CO<sub>2</sub> in these six states represents only 1.2% of total US power sector CO<sub>2</sub> emissions
- NE power sector CO<sub>2</sub> emissions have been reduced by nearly 50% below 2005 levels while transportation sector emissions remained flat
- Nearly \$5 billion annually in out-of-market actions in Massachusetts: green house gas rule, offshore wind, Canadian hydro, solar and energy efficiency

## New England CO<sub>2</sub> (MMT)



**THE ELECTRIC SECTOR HAS HAD THE LARGEST REDUCTIONS IN CO<sub>2</sub> EMISSIONS**

# ELECTRIC COMPETITION

States embraced competition for many reasons, including:

- Ensuring reliability at the lowest cost (as opposed to how much customers would be willing to pay)
- Giving customers a choice (as opposed to locking them into a supplier)
- Shifting investment risk from captive customers to private investors

States didn't cede or relinquish control, they embraced the competitive model



CUSTOMERS AND THEIR STATES WERE FRUSTRATED WITH THE TRADITIONAL MODEL, WHERE CUSTOMERS HAD NO CONTROL OR CHOICE

## ...ENTER SUBSIDIES

Special interests are ramping up their efforts to force a resource mix.

The mechanism by which subsidies for certain resources are charged to customers is on a non-bypassable basis.

These subsidies are often cloaked in the mantle of environmental or reliability concerns, but the main driver is jobs. There are no bill signings or ribbon cutting ceremonies for “continuing to embrace competitive markets.”



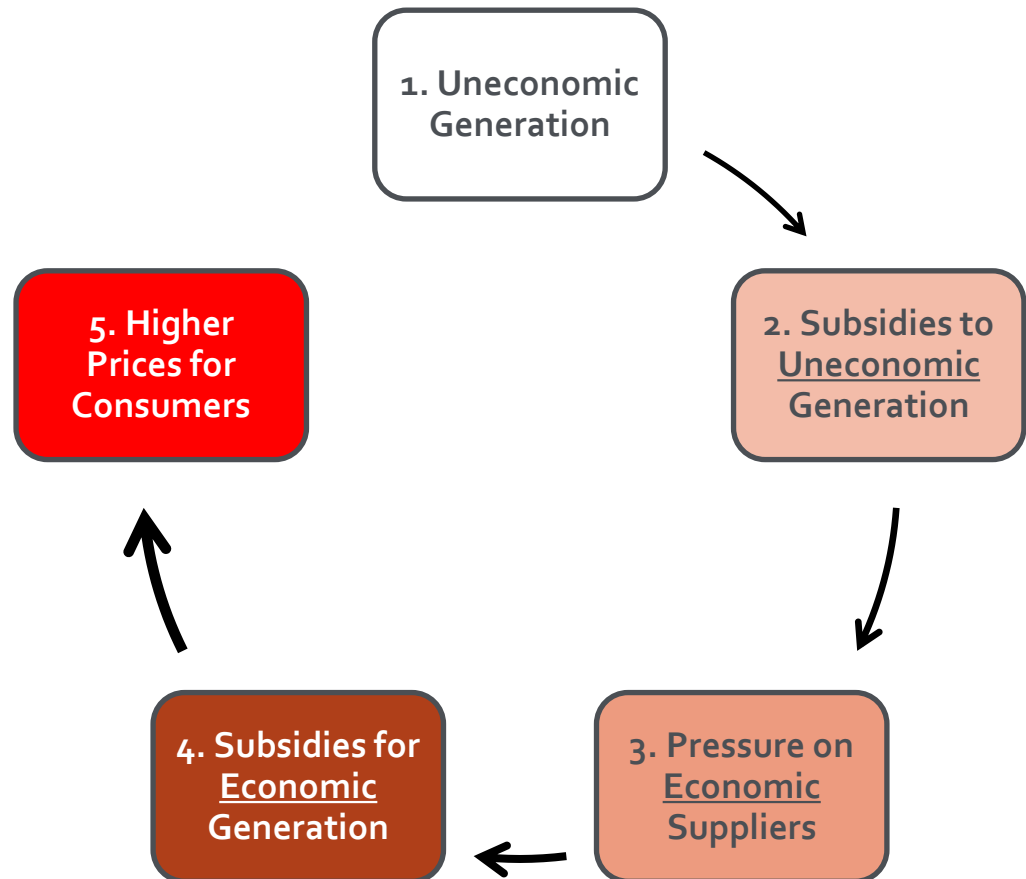
[www.fox.com](http://www.fox.com)

TEXAS IS THE SECOND-LARGEST PRODUCER OF WIND POWER NOT BECAUSE OF  
STATE MANDATES BUT... IT IS WINDY IN TEXAS !



# SUBSIDY DEATH SPIRAL

- Subsidies lead to more subsidies
- The low-priced environment has not only forced this issue of subsidies but also masks the effects of the subsidies



SUBSIDIES ALSO CONTRIBUTE TO A CLIFF EVENT BY UNNATURALLY DELAYING THE INEVITABLE RETIREMENTS

## WHERE TO DRAW THE LINE?

Some politicians justify more subsidies by saying “Subsidies exist all over the energy space ... what’s one more?”

For example, in Illinois coal is subject to sales tax but uranium is tax-exempt because it’s leased.



[www.warnerbros.com](http://www.warnerbros.com)

...but there is a clear difference between tax breaks and subsidies that directly affect wholesale prices by driving market entry and exit decisions and incentivizing production without regard to economic signals.

A LINE HAS BEEN DRAWN BY THE SUPREME COURT – MEASURES THAT “AIM AT” AND “TARGET” THE WHOLESALE MARKET ARE PRE-EMPTED

# GENERATION ATTRIBUTES

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There are a number of generation attributes that support the reliability of the system:

- Fast Start
- Fast Ramping Up and Down
- Voltage Support
- Dynamic Stability
- Frequency Response
- Black Start
- Time to Re-Start After Trip

ALL OF THESE CONTRIBUTE TO GRID RESILIENCY

## What is “Base Load” Generation?

- “Base Load” isn’t a reliability attribute – it’s a function of a unit’s capacity factor.
- The most ideal “base load” unit is one that can run at a high capacity factor, but also ramp up and down.
- As more intermittent resources come onto the grid, and customer usage changes via smart homes and other behind-the-meter technology, traditional “base load” generation is inflexible.

THESE ATTRIBUTES ARE BECOMING MORE CRITICAL AS THE GRID CHANGES, AND THE PRICING OF THESE ATTRIBUTES NEEDS TO CHANGE, TOO



## TAKEAWAYS

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**SUBSIDIES LEAD TO MORE SUBSIDIES, UNDERMINING THE BENEFITS OF COMPETITIVE MARKETS**

**SUBSIDIZED GENERATION PUTS MORE PRESSURE ON COST-EFFECTIVE SUPPLIERS THAN LOW-COST NATURAL GAS**

**VARIOUS RELIABILITY ATTRIBUTES CAN BE PRICED THROUGH A COMPETITIVE, MARKET-BASED PROCESS**

**THE ELECTRIC SECTOR HAS MADE SIGNIFICANT REDUCTIONS IN CARBON EMISSIONS, WITHOUT SUBSIDIES**