A. Following closing of the Transaction, Oncor Electric Delivery Holdings and Oncor will prepare separate audited financial statements that do not include the financial results of the TXU Group, and Oncor will use such financial statements in dealing with all of its creditors. Moreover, other than with respect to currently existing shared employee benefit plans and other pre-existing arrangements:

- None of the Ring-Fenced Entities will guarantee or otherwise hold out its credit as being available to support the obligations of any member of the TXU Group.

- Likewise, the TXU Group will deal at arm's length with, and will not guarantee or support the debt or other obligations of, the Ring-Fenced Entities.

- TXU Corp. will include a statement in Management's Discussion and Analysis section of its financial reports, if appropriate, or in its footnotes of any consolidated financial statements making clear that the assets, liabilities, cash flows and results of operation of the Ring-Fenced Entities are separate from those of the TXU Group, and that the Ring-Fenced Entities have separate assets, liabilities and creditors.

- Oncor's bank accounts and cash management systems (as well as those of the other Ring Fenced Entities) will be separate from those of the TXU Group.

Q. WHAT ARE THE CONTRACTUAL AND REGULATORY SEPARATIONS THAT ONCOR WILL ADOPT?

A. Certain contractual and regulatory separations were put in place more than five years ago as part of the unbundling of Texas' electric generation industry pursuant to SB 7. TEF is reviewing the contractual and regulatory framework adopted as part of such unbundling legislation. TEF anticipates that (i) some amendments to several related-party contracts between Oncor and the TXU Group will be entered into to further establish the appropriate arm's length relationship between the TXU Group and the Ring-Fenced Entities and (ii) new contracts for certain new services may

be executed. The process of solidifying Oncor's contractual separateness is ongoing and will be completed prior to closing.

Q. HOW WILL ONCOR BE PROTECTED IF ITS LARGEST CUSTOMER, TXU ENERGY RETAIL, EXPERIENCES SEVERE FINANCIAL DIFFICULTY?

A. Although Texas regulation contemplates certain credit protection remedies for transmission and distribution utilities, such as Oncor, against retail electric providers, for competition reasons, I am advised that T&D utilities are not allowed to require collateral or to invoke those remedies against REPs until after an actual default by the REP has occurred. TEF, TXU Corp. and Oncor all agree that the interests of Oncor's customers may warrant pro-active protections in this instance. Oncor is reviewing possible additional protections based on provisions currently in the Texas statutes. Oncor would like to work with the Commission staff to develop structural protections to reduce Oncor's exposure to any possible TXU Energy Retail default.

Q. HOW WILL THE PUBLIC BE ABLE TO SEE ONCOR'S SEPARATION?

A. From the perspective of the public, the most obvious separation is the change of TXU Electric Delivery Company's name to Oncor Electric Delivery Company. In the past, the Commission has expressed an interest in ensuring that regulated transmission and distribution businesses do not share the logos and brand names of their retail affiliates, presumably to reduce the likelihood that retail electric customers will perceive that the reliability of their electric service is dependent on their choice of retail electric providers. TEF is supportive of the Commission's point of view and believes that changing the name of its transmission and distribution business will help achieve the Commission's public policy objectives. Oncor intends to undertake an extensive branding initiative to establish the separateness of Oncor from the TXU

Group in the public's mind. Moreover, Oncor's public separation does not stop at its name change alone:

- Within six months after the completion of the Transaction, the Ring-Fenced Entities' corporate headquarters will be in a building separate from the TXU Group.
- The Ring-Fenced Entities will have a separate telephone exchange from the TXU Group.
- Oncor's web page will not include links to the web pages of any member of the TXU Group.
- No Ring-Fenced Entities will share employees with the TXU Group.

Q. ARE THE "RING-FENCING" PROVISIONS YOU HAVE OUTLINED, TOGETHER WITH EXISTING RULES, INTENDED TO PROVIDE SUFFICIENT CONTROLS TO ENSURE THAT NO COST SHIFTING, CROSS-SUBSIDIES, OR DISCRIMINATORY BEHAVIOR WILL OCCUR BETWEEN ONCOR AND ITS AFFILIATES?

A. Yes. Oncor has designed and already follows certain specific procedures in all its interactions with retail electric providers, including, without limitation, TXU Energy Retail, to ensure that no cost shifting, cross-subsidies, or discriminatory behavior occurs. Oncor will continue to comply with the Commission's extensive rules regarding affiliate standards and related provisions that are in effect under Sections 25.272 and 25.273 of the Commission's Substantive Rules, in order to assure that captive wholesale or retail customers are protected from the effects of cross-subsidization.

The Commission's rules with regard to transactions between a utility and its affiliates require, among other things, that a utility shall not subsidize the business activities of any affiliate with revenues from a regulated service and must fully allocate costs for any shared services, including corporate support services, offices, employees, property,

equipment, computer systems, information systems, and any other shared assets, services, or products.

In addition, the Commission's rules include provisions governing the following matters:

- sharing of employees, facilities and other resources;
- sharing of officers and directors, property, equipment, computer systems, information systems, and corporate support services;
- employee transfers and temporary assignments;
- sharing of office space;
- maintaining separate books and records;
- providing access to such books and records;
- limited credit support by a utility;
- sales of products and services by a utility;
- purchase of products, services, or assets by a utility from its affiliates;
- transfers of assets;
- transactions with competitive affiliates and the requirement that, unless otherwise allowed by the Commission, transactions between a utility and its competitive affiliates shall be at arm's length;
- contracts between utilities and their competitive affiliates and the requirement, under certain circumstances, for competitive bidding;
- provision of products and services;
- information safeguards; and
- joint marketing and advertising.

The "ring-fencing" undertakings described above, including the separateness provisions and the majority independent boards, along with

the Commission's Substantive Rules, are intended to provide additional assurance that no cost shifting or cross-subsidies will occur between the Ring-Fenced Entities and the TXU Group.

B. LIMITATIONS ON ONCOR DEBT

Q. WHAT IS ONCOR'S DEBT-TO-EQUITY RATIO?

A. As set forth in the testimony of John M. Casey, Oncor's regulatory debt-to-equity ratio is approximately 56% debt to 44% equity, as adjusted.

Q. WILL ONCOR OR ONCOR ELECTRIC DELIVERY HOLDINGS INCUR ANY INCREMENTAL NEW DEBT AT THE CLOSING OR THEREAFTER TO FINANCE THE TRANSACTION?

A. No, and to be clear, this commitment applies to all of the Ring-Fenced Entities, including, as discussed above, Oncor Electric Delivery Holdings.

Q. WHAT IS ONCOR'S CURRENT ASSUMED DEBT-TO-EQUITY RATIO FOR RATEMAKING PURPOSES?

A. 60% debt to 40% equity, as established in Oncor's last rate case, Docket No. 22350.

Q. WILL ONCOR LIMIT ADDITIONAL DEBT SO THAT ITS DEBT-TO-EQUITY RATIO WILL NOT EXCEED THE COMMISSION'S STIPULATED DEBT-TO-EQUITY RATIO IN THE FUTURE?

A. Yes. Oncor will maintain a debt-to-equity ratio that complies with the ratios established from time to time in Oncor ratemaking proceedings, which the Commission has currently established at 60% debt to 40% equity.

Q. UNDER WHAT CIRCUMSTANCES WILL ONCOR INCUR NEW DEBT GOING FORWARD?

A. Oncor will incur no new debt, whether before or after closing, to finance the Transaction. Additionally, Oncor and the other Ring Fenced Entities will not guarantee, pledge assets in respect of, or otherwise support the financing or refinancing of any acquisition-related indebtedness or any other indebtedness incurred by any member of the TXU Group to finance

the Transaction. Of course, Oncor will incur indebtedness in the ordinary course of its business, both before and after closing, to support its continued investment in the expansion and maintenance of its transmission and distribution network to enhance reliability for electric power customers in Texas. Oncor will fund its capital expenditures with a combination of internally generated cash flow and debt, consistent with its past practice and that of all major transmission and distribution utilities in Texas. Nevertheless, all such funding shall be subject to the restraints described above of maintaining a debt to equity capitalization ratio that is at or below the assumed debt-to-equity ratio established from time to time by the Commission for ratemaking purposes.

Subject to the agreement of the majority independent board that will be established solely to protect and advance the interests of Oncor, Oncor will operate its business in a manner consistent with the budget and financial projections previously developed by the Oncor management team, and no differently from how the business would have been operated absent the Transaction.

Q. ARE THE SUMMARY PROJECTIONS FOR ONCOR CONTAINED IN EXHIBIT FMG-3 THE PROJECTIONS TEF EXPECTS ONCOR TO EXECUTE UPON AFTER THE TRANSACTION CLOSES?

A. Yes. These are the projections we expect Oncor to execute upon once the Transaction closes. However, the ultimate performance and strategy of Oncor is obviously subject to any actions taken by the Oncor board of directors to be established upon consummation of the Transaction.

Q. HOW DO ONCOR'S SUMMARY PROJECTIONS IN EXHIBIT FMG-3 DIFFER FROM THE PROJECTIONS OF ONCOR ABSENT THE TRANSACTION?

A. These projections are the projections that the Oncor management team plans to execute upon absent the Transaction, but for three changes. The first is the removal of the effects of the InfrastruX transaction, which will be

terminated when the transaction closes. The second is the imposition of the debt to equity limitation commitment, currently set for regulatory purposes at 60% debt to 40% equity, over the projections period (something that was not a constraining factor in terms of debt incurred in the current Oncor set of projections). Lastly, an estimate of the goodwill associated with the Transaction of approximately $4.0 billion, as set forth in the testimony of Mr. Rick Hays, is reflected on the balance sheet of Oncor, with no impact on the income statement or cash flow projections.

C. CAPITAL EXPENDITURES COMMITMENT

Q. DESCRIBE THE COMMITMENT REGARDING ONCOR'S CAPITAL EXPENDITURES.

A. After consummation of the Transaction, Oncor will operate its business in the ordinary course, consistent with past practice and the financial projections previously developed by the management team. The Oncor management team projects cumulative capital spending over the next five years of $3.6 billion, and TEF approved of this plan,, although actual levels of expenditures are subject to variables such as economic and population growth in Texas, as well as permitting and siting outcomes. In any event, for the five years following the closing of the Transaction, Oncor will make capital expenditures of more than $3.0 billion cumulatively.

The ***commitment*** of $3.0 billion is lower than Oncor's ***projected*** levels of capital spending of $3.6 billion because the $3.0 billion is a hard commitment below which capital expenditures will not deviate without regard to variables such as economic and population growth in Texas, as well as permitting and siting outcomes. Oncor expects to invest capital consistent with its business plan or an even greater amount to the extent necessary to meet the requirements of its operations.

The commitment to a minimum of $3.0 billion, or an average of $600 million per annum, compares to Oncor's actual historical capital

expenditures over the five-year period from 2001 to 2006 of approximately $3.2 billion or an annual average of $646 million, and approximately $4.4 billion for the seven year period from 2000 to 2006, or an annual average of $626 million.

Q. IS ONCOR GOING FORWARD WITH THE INFRASTRUX JOINT VENTURE?

A. No. The pending agreement to form the InfrastruX joint venture has been suspended. TXU Corp. and Oncor will terminate the pending agreement regarding the InfrastruX joint venture upon closing of this Transaction.

D. DSM/ENERGY EFFICIENCY COMMITMENT

Q. WITH REGARD TO DSM/ENERGY EFFICIENCY SPENDING, IS THE COMMITMENT TO DSM/ENERGY EFFICIENCY SPENDING OVER AND ABOVE WHAT IS AUTHORIZED IN ONCOR'S RATES?

A. Yes. Oncor has long been the leader among utilities in Texas in load reduction and energy efficiency programs. Oncor will not seek to recover through rates any portion of the additional $200 million in DSM/Energy Efficiency expenditures.

Q. WILL ALL OF THIS ADDITIONAL EXPENDITURE OF $200 MILLION IN DSM/ENERGY EFFICIENCY BE SPENT BY ONCOR?

A. Some of this additional $200 million commitment may be incurred by TXU Energy Retail or other TXU Corp. subsidiaries.

Q. DOES THE PROPOSED ADDITIONAL DSM/ENERGY EFFICIENCY SPENDING INCLUDE THE AMOUNTS TO BE SPENT FOR THE ADVANCED METERING PROJECT THAT HAS ALREADY BEEN STARTED BY ONCOR?

A. No, the two are not related. Oncor will continue its goal to install over 3 million advanced meters by the end of 2011. The additional DSM/Energy Efficiency spending is unrelated to the amounts committed to the advanced metering program.

E. CONTINUED OWNERSHIP COMMITMENT

Q. WHAT DOES TEF MEAN WHEN IT STATES THAT IT "WILL HOLD A MAJORITY OF ITS OWNERSHIP INTEREST *'IN THE CURRENT REGULATORY SYSTEM'*, FOR A PERIOD OF MORE THAN FIVE YEARS AFTER THE CLOSING DATE OF THE MERGER TRANSACTION?"

A. The phrase "in the current regulatory system" is intended to address a situation in which there is a significant transformation in the regulatory system we were relying on in making our five year commitment. While it is not possible to predict all of the changes which might meet that high threshold, examples of such fundamental changes include re-regulation of the retail or wholesale power markets, or a required divestiture of Oncor, the retail, or generation businesses or substantial portions of any of them

Q. DOES THE STATEMENT IN THE COMMITMENTS THAT TEF "WILL HOLD *'A MAJORITY OF ITS OWNERSHIP INTEREST IN ONCOR'*, IN THE CURRENT REGULATORY SYSTEM, FOR A PERIOD OF MORE THAN FIVE YEARS AFTER THE CLOSING DATE", MEAN THAT YOU INTEND TO SELL A LARGE BUT NOT MAJORITY STAKE IN ONCOR IN THE NEAR TERM?

A. No. TEF has no intention to sell any stake in Oncor beyond possibly bringing in a minority investor in Oncor to further enhance the separateness of the Ring-Fenced Entities from the TXU Group. TEF believes that the structural separation of Oncor from the TXU Corp. entities may be enhanced by the making of a minority investment in Oncor by an unaffiliated third-party qualified owner. While TEF has not agreed with any party, nor entered into advanced negotiations, to enable such a third-party investment, TEF is considering having such an investment occur either contemporaneously with, or within 6 months of, closing. TEF expects that any such minority investor would own up to, but not more than, 20% of the equity interests in Oncor.

V. STATUTORY CONSIDERATIONS

Q. WILL THE TRANSACTION ADVERSELY AFFECT THE HEALTH OR SAFETY OF ONCOR CUSTOMERS OR EMPLOYEES?

A. No. Aside from the ring-fencing undertakings described above, Oncor will be managed no differently after the closing of the Transaction. As set forth in the testimony of Ms. Brenda J. Pulis, Oncor has historically provided very safe, reliable service, and Oncor's tradition of excellence will continue in this regard. TEF's ownership of Oncor will not adversely affect the health or safety of Oncor employees in any way.

Q. WILL THE TRANSACTION RESULT IN THE TRANSFER OF JOBS OF CITIZENS OF THIS STATE TO WORKERS DOMICILED OUTSIDE THIS STATE?

A. No. Although this Transaction is a "merger" in the legal sense, the Transaction will not result in combining the operations, markets, or staffs of two utilities. Oncor's employees will retain their positions, and be able to utilize the relationships that they have developed with the customers and others in the communities in which they work. None of the operational concerns associated with the merging of two utilities with concurrent operations are present here. There will be no transfer of jobs out of state as a result of the Transaction.

Q. WILL THE TRANSACTION RESULT IN THE DECLINE OF SERVICE BY ONCOR?

A. No. As discussed previously, Oncor will continue to provide the highest level of service reliability following the consummation of the Transaction. In addition, substantial commitments are being made to protect Oncor's financial integrity and to continue to expend significant capital to maintain that high level of reliability. As a result, Oncor will provide the same highly reliable service after the consummation of the Transaction that its customers have traditionally enjoyed.

Q. DO YOU ANTICIPATE ANY COST CUTTING, REDUCTION IN WORKFORCE OR CHANGE IN THE MANAGEMENT OF ONCOR AS A RESULT OF THIS TRANSACTION?

A. No. The same management and employees will be kept in place at Oncor that are there today. It will therefore essentially be business as usual at Oncor after this Transaction.

A. OTHER CONSIDERATIONS

Q. PREVIOUSLY, ONCOR FINANCIAL INFORMATION WAS PUBLICLY AVAILABLE. AS A PRIVATE COMPANY WILL INTERESTED PARTIES HAVE ACCESS TO THE FINANCIAL REPORTS OF ONCOR?

A. Yes. Oncor will continue to file SEC Forms 10-K and 10-Q as it will continue to have public debt outstanding after the Transaction. And, of course, Oncor will file all required Commission reports.

B. TRANSACTION COSTS ON ONCOR CUSTOMERS

Q. WILL THE CUSTOMERS OF ONCOR BEAR ANY OF THE COSTS OF THE TRANSACTION?

A. No, they will not. None of the fees and expenses, nor any incremental borrowing costs of the TXU Group, related to the Transaction will be borne by Oncor's customers. As described above, Oncor and Oncor Electric Delivery Holdings will not incur any debt to finance the Transaction, and will not be an obligor, guarantor, or beneficiary of any of the indebtedness incurred by the TXU Group to fund the Transaction.

Q. WILL ONCOR'S CUSTOMERS BEAR ANY COSTS IF THE COST OF ONCOR'S DEBT INCREASES AS A RESULT OF THE TRANSACTION?

A. No. In Oncor's next scheduled rate cases (including both the 2007 Commission rate inquiry and the 2008 municipal rate case filing), Oncor will not advocate a cost of debt that exceeds Oncor's actual cost of debt immediately prior to the announcement of the Transaction.

Q. WILL THERE BE AN ACQUISITION ADJUSTMENT IN ONCOR'S NEXT RATE CASE?

A. No.

Q. HOW WILL THE COMMISSION'S REGULATORY OVERSIGHT ROLE BE AFFECTED BY THE TRANSACTION?

A. The Commission's oversight role over Oncor will not be limited or decreased in any way by the Transaction. The rates and services of Oncor will remain fully regulated under PURA and the Commission's Rules.

Q. HOW WILL THE OPERATIONS OF THE UNREGULATED AFFILIATES OF ONCOR IMPACT THE OPERATIONS OF ONCOR ONCE TEF ACQUIRES TXU CORP.?

A. As described above, Oncor will undertake structural changes and other financial, regulatory, contractual and public measures to insulate itself from the financial or operational performance of the TXU Group. Any affiliate transactions or agreements between Oncor and any of its unregulated affiliates will be on an arms length basis and will be subject to applicable affiliate standards requirements in PURA and the Commission's Rules. Furthermore, Oncor will have a board of directors, the majority of whom are, in all material respects, independent of TXU Corp. and its subsidiaries (including TXU Energy Retail and Luminant), KKR and TPG, with none of its members being employees of TXU Corp. or any of its subsidiaries including TXU Energy Retail or Luminant (other than the Ring-Fenced Entities).

Q. PLEASE ADDRESS TEF'S INTENTION WITH RESPECT TO ADDING GENERATION ASSETS.

A. While TEF's plans for operating Luminant or constructing new generating units in the future is not within the scope of the Commission's review under PURA Section 14.101 involving Oncor, a regulated transmission and distribution utility, I am aware that the issue of TEF's plans for constructing new generating units has been a topic of interest to the Commission, so I will briefly address this topic in my testimony.

TEF has publicly announced that upon closing of the Transaction, TXU Generation Company LP ("TXU Generation") will withdraw the permit applications for the eight pulverized coal plants currently on file with the Texas Commission on Environmental Quality other than the pending permit applications for the two Oak Grove units. Construction has already commenced on Sandow Unit 5, and it is anticipated that it will enter commercial operation sometime in 2009. Beyond those three units, TEF and TXU Corp. have announced that requests for proposals will be issued in the near future for two solid fuel units utilizing IGCC technology. If the bids received are acceptable and suitable contract terms can be negotiated with the vendors, we plan to proceed with the construction of those units. TXU Corp. has also recently written the Nuclear Regulatory Commission advising the Commission of its plans to apply for the applicable licenses for two additional nuclear-fueled generating units to be constructed at the site of the two existing Comanche Peak nuclear units near Glen Rose, Texas. TEF also plans to purchase electricity from wind generation, beyond that which TXU Corp. subsidiaries had already committed to purchase.

Beyond those plans, which have all been publicly announced, TEF will certainly consider constructing additional generating resources in the future. There are a variety of factors that must be considered in the decision to build new generating units, including statutory restrictions, environmental considerations, compliance with the applicable rules of federal and state agencies, the amount of anticipated load growth in ERCOT, expected reserve margins over time, the anticipated price and availability of fuel, the plans of other entities to construct generating units, as well as the evolution of new generating technologies.

I would hasten to add, however, that the job of building sufficient generating resources to serve the load in Texas does not properly fall solely on the shoulders of one company or even a small number of

companies. This is best illustrated by the fact that since 1995, there have been in excess of 100 new generating units completed in Texas and not a single one of those units has been constructed by TXU Generation. Indeed, the last generating unit completed by TXU was Comanche Peak Unit 2, which began commercial operation almost fifteen years ago. The last solid fuel unit built by TXU was Sandow unit 4, which began commercial operation in 1981. TXU last constructed a natural gas fired unit in 1990, and those units were combustion turbines. Clearly, the needs of Texans for electricity have been met by the efforts of many different entities over the years, despite the lack of an active program of building generation by TXU.

Q. WHAT TANGIBLE BENEFITS WILL ONCOR CUSTOMERS RECEIVE AS A RESULT OF THE TRANSACTION?

A. The benefits that Oncor customers will receive as a result of this Transaction, and that will not be available absent this Transaction are:

- New ring-fencing provisions of Oncor that will provide enhanced separation from the other TXU Group businesses, increasing Oncor's financial strength and providing increased protection to Oncor and its customers from the financial and operational performance of TXU's other businesses.
- Oncor's commitment not to incur debt above the regulatory debt-to-equity ratio established from time to time by the Commission for ratemaking purposes, which is currently set at 60% debt: 40% equity. This provides greater assurance to the financial strength of Oncor going forward.
- Improved governance of Oncor, with a majority of independent directors at the Oncor board and no directors being employees of TXU Corp. or its subsidiaries (other than Oncor and Oncor Electric Delivery Holdings). These independent directors will not have solely the interests of Oncor's shareholders in mind, but rather the

interests of all stakeholders (debt holders, customers and suppliers) given their independence. This is in contrast to Oncor's board today, which consists solely of representatives of Oncor's sole ultimate shareholder, namely TXU Corp.

- A commitment to spend at least $3.0 billion of capital over the next five years provides Oncor customers with a base level of capital expenditures in order to meet system growth and ensure that system reliability and service levels continue to improve. Today, Oncor has no requirement to spend a minimum level of capital expenditures and so could spend less than $3.0 billion of capital over the next five years in the absence of the Transaction.
- Protection against higher interest rates increasing Oncor's allowed rates in Oncor's next scheduled rate cases (both the 2007 Commission rate inquiry and the 2008 municipal rate case). Since Oncor will not seek to recover a cost of debt higher than Oncor's cost of debt in effect prior to the Transaction, even if interest rates rise in the ordinary course without relation to the Transaction, and as a result Oncor's cost of borrowing increases, Oncor will not seek to recover this higher cost of borrowing in its 2007 and 2008 rate cases. Instead, Oncor will seek to recover no more than the cost of borrowing immediately prior to the Transaction, which may reflect a lower interest rate. Oncor customers will still have the opportunity to get the benefit of decreased interest rates in their rates.

VI. CONCLUSION

Q. IS TEF'S ACQUISITION OF ONCOR CONSISTENT WITH THE PUBLIC INTEREST?

A. Yes. TEF's acquisition of Oncor is consistent with the public interest because: (a) the acquisition will not have any adverse impact on the operations or rates of Oncor; (b) Oncor will be operated in substantially the same manner as it is operated today; (c) Oncor will benefit from new

"ring-fencing" procedures to further isolate it from the financial and operational performance of the other TXU Group entities; (d) TEF and Oncor have made certain commitments regarding capital expenditures and demand-side management spending that would not exist absent the Transaction; and (e) TEF's acquisition of TXU Corp. brings with it the various customer benefits as described above.

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared Frederick M. Goltz, who, having been placed under oath by me, did depose as follows:

My name is Frederick M. Goltz. I am of legal age and a resident of the State of Texas. The foregoing testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are accurate, true and correct.

Frederick M. Goltz

SUBSCRIBED AND SWORN TO BEFORE ME by the said Frederick M. Goltz this 24th day of April, 2007.

Notary Public, State of Texas

SUSAN K. HOLLAND
NOTARY PUBLIC STATE OF TEXAS
COMMISSION EXPIRES:
JUNE 30, 2007

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

Among

TXU CORP.,

TEXAS ENERGY FUTURE HOLDINGS LIMITED PARTNERSHIP

and

TEXAS ENERGY FUTURE MERGER SUB CORP

Dated as of February 25, 2007

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (hereinafter called this "Agreement"), dated as of February 25, 2007, among TXU Corp., a Texas corporation (the "Company"), Texas Energy Future Holdings Limited Partnership, a Delaware limited partnership ("Parent"), and Texas Energy Future Merger Sub Corp, a Texas corporation and a wholly owned subsidiary of Parent ("Merger Sub," the Company and Merger Sub sometimes being hereinafter collectively referred to as the "Constituent Corporations").

RECITALS

WHEREAS, Parent, the board of directors of Merger Sub, and the board of directors of the Company, following the unanimous recommendation of the Strategic Transactions Committee of the board of directors of the Company (the "Transactions Committee"), have unanimously (by all directors voting) approved this Agreement and the merger of Merger Sub with and into the Company (the "Merger") upon the terms and subject to the conditions set forth in this Agreement and have authorized the execution hereof, and the board of directors of the Company has adopted a resolution unanimously (by all directors voting) recommending that this Agreement and the plan of merger set forth in this Agreement be approved by the shareholders of the Company.

WHEREAS, contemporaneously with the execution and delivery of this Agreement, and as a condition to the willingness of the Company to enter into this Agreement, each of KKR 2006 Fund L.P., TPG Partners V, L.P., Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated (the "Guarantors") are each entering into a guarantee in favor of the Company in the form attached hereto as Exhibit A (the "Guarantee"), pursuant to which the Guarantors are severally guaranteeing certain obligations of Parent and Merger Sub in connection with this Agreement.

WHEREAS, the Company, Parent and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I

The Merger; Closing; Effective Time

1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into the Company, in accordance with the provisions of Chapter 10 of the Texas Business Organizations Code (the "TBOC"), and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation"), and the Company shall continue its corporate existence under the Laws of the State of Texas, with all its rights, privileges, immunities, powers and franchises, shall continue unaffected by the Merger, except as set forth in Article II. The Merger shall have the effects provided by this Agreement and the TBOC and other applicable Law. Without

limiting the foregoing, and subject thereto, from and after the Effective Time, the Merger shall have the effects specified in Section 10.008 of the TBOC.

1.2 Closing. Unless otherwise mutually agreed in writing between the Company and Parent, the closing for the Merger (the "Closing") shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, at 9:00 a.m. (Eastern Time) on the second business day following the day on which the last to be satisfied or waived of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) shall be satisfied or waived in accordance with this Agreement; provided, however, that if the Marketing Period has not ended at the time of the satisfaction or waiver of the conditions set forth in Article VII (excluding conditions that by their nature, cannot be satisfied until the Closing, but subject to the satisfaction or waiver of such conditions at the Closing), the Closing shall occur on the date following the satisfaction or waiver of such conditions that is the earliest to occur of (a) a date during the Marketing Period to be specified by Merger Sub on no less than two business days' notice to the Company, (b) the final day of the Marketing Period and (c) the Termination Date. The date on which the Closing actually occurs is hereinafter referred to as the "Closing Date". For purposes of this Agreement, the term "business day" shall mean any day ending at 11:59 p.m. (Eastern Time) other than a Saturday or Sunday or a day on which banks are required or authorized to close in the City of New York.

1.3 Effective Time. As soon as practicable following the Closing, the Company and Parent will cause a certificate of merger (the "Certificate of Merger") to be executed and delivered to the Secretary of State of the State of Texas for filing as provided under Section 10.153 of the TBOC. The Merger shall become effective at the time when the Certificate of Merger has been duly filed by the office of the Secretary of State of the State of Texas and a written acknowledgement of filing has been delivered by the office of the Secretary of State of the State of Texas pursuant to Section 4.002 of the TBOC, or at such later date as Parent and the Company shall agree and specify in the Certificate of Merger (the "Effective Time").

ARTICLE II

Certificate of Formation and Bylaws of the Surviving Corporation

2.1 The Certificate of Formation. At the Effective Time, the certificate of formation of the Company shall be amended in its entirety to read in the form of the certificate of formation of Merger Sub as in effect immediately prior to the execution of this Agreement, except that the name of the Surviving Corporation shall be "TXU Corp.", and, as amended, shall be the certificate of formation of the Surviving Corporation (the "Charter"), until thereafter amended as provided therein or by applicable Law.

2.2 The Bylaws. The parties hereto shall take all actions necessary so that the bylaws of the Company in effect immediately prior to the Effective Time shall be amended so as to read in their entirety in the form of the bylaws of Merger Sub, and, as so amended, shall be the

bylaws of the Surviving Corporation (the "Bylaws"), until thereafter amended as provided therein or by applicable Law.

ARTICLE III

Directors and Officers of the Surviving Corporation

3.1 Directors. The parties hereto shall take all actions necessary so that the directors of Merger Sub at the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the Bylaws.

3.2 Officers. The officers of the Company at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and Bylaws.

ARTICLE IV

Effect of the Merger on Capital Stock;
Exchange of Certificates

4.1 Effect on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of the Company, the holder of any capital stock of the Company or the sole shareholder of Merger Sub:

(a) Merger Consideration. Each share of the Common Stock, no par value, of the Company (a "Share" or, collectively, the "Shares") issued and outstanding immediately prior to the Effective Time other than (i) Shares owned by Parent, Merger Sub or any other direct or indirect wholly-owned Subsidiary of Parent and Shares owned by the Company or any direct or indirect wholly-owned Subsidiary of the Company, and in each case not held on behalf of third parties and (ii) Shares that are owned by shareholders who have not voted such Shares in favor of the Merger and who have otherwise taken all of the steps required by Subchapter H of Chapter 10 of the TBOC to properly exercise and perfect such shareholders' dissenters rights ("Dissenting Shareholders") (each Share referred to in clause (i) or clause (ii) being an "Excluded Share" and collectively, "Excluded Shares") shall be converted into the right to receive $69.25 per Share in cash (the "Per Share Merger Consideration"). At the Effective Time, all of the Shares (other than Shares to remain outstanding pursuant to Section 4.1(b)) shall cease to be outstanding, shall be cancelled and shall cease to exist, and each certificate (a "Certificate") formerly representing any of the Shares (other than Excluded Shares) shall thereafter represent only the right to receive the Per Share Merger Consideration, without interest, and each certificate formerly representing Shares owned by Dissenting Shareholders shall thereafter only represent the right to receive the payment to which reference is made in Section 4.2(f).

(b) Cancellation of Excluded Shares. Each Excluded Share referred to in Section 4.1(a)(i) or 4.1(a)(ii) (other than any Shares owned by any wholly-owned Subsidiary of

the Company (including for these purposes TXU US Holdings Company), which shall remain outstanding) shall, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding, shall be cancelled without payment of any consideration therefor and shall cease to exist, subject to the right of the holder of any Excluded Share referred to in Section 4.1(a)(ii) to receive the payment to which reference is made in Section 4.2(f).

(c) Merger Sub. At the Effective Time, each share of common stock, no par value, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock, no par value, of the Surviving Corporation.

4.2 Exchange of Certificates.

(a) Paying Agent. Prior to the Closing Date, the Company shall use its reasonable best efforts to enter into a paying agent agreement with a paying agent selected by Parent with the Company's prior approval (such approval not to be unreasonably withheld, conditioned or delayed) (the "Paying Agent"). At the Closing, Parent shall deposit, or shall cause to be deposited, with the Paying Agent, for the benefit of the holders of Shares, a cash amount in immediately available funds necessary for the Paying Agent to make payments under Section 4.1(a) (such cash being hereinafter referred to as the "Exchange Fund"), provided that to the extent such deposits are being funded with the proceeds of the Debt Financing, Parent must deposit or cause to be deposited such funds by no later than immediately after the Effective Time. The Paying Agent shall invest the Exchange Fund as directed by Parent, provided that such investments shall be in obligations of or guaranteed by the United States of America, in commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Service, Inc. or Standard & Poor's, respectively, in certificates of deposit, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding $1 billion, or in money market funds having a rating in the highest investment category granted by a recognized credit rating agency at the time of investment. Any interest and other income resulting from such investment shall become a part of the Exchange Fund, and any amounts in excess of the amounts payable under Section 4.1(a) shall be promptly returned to the Surviving Corporation. To the extent that there are any losses with respect to any such investments, or the Exchange Fund diminishes for any reason below the level required for the Paying Agent to make prompt cash payment under Section 4.1(a), Parent shall, or shall cause the Surviving Corporation to, promptly replace or restore the cash in the Exchange Fund so as to ensure that the Exchange Fund is at all times maintained at a level sufficient for the Paying Agent to make such payments under Section 4.1(a).

(b) Exchange Procedures. As promptly as practicable after the Effective Time, the Surviving Corporation shall cause the Paying Agent to mail to each holder of record of Shares evidenced by Certificates (other than holders of Excluded Shares) (i) a letter of transmittal in customary form specifying that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates (or affidavits of loss in lieu thereof as provided in Section 4.2(e)) to the Paying Agent, such letter of transmittal to be in such form and have such other provisions as Parent and the Company may reasonably agree, and (ii) instructions for use in effecting the surrender of the Certificates (or affidavits of loss in lieu thereof as provided in Section 4.2(e)) in exchange for the Per Share Merger Consideration. Upon surrender of a Certificate (or affidavit of loss in lieu thereof as provided in Section 4.2(e))

to the Paying Agent in accordance with the terms of such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor a cash amount in immediately available funds (after giving effect to any required Tax withholdings as provided in Section 4.2(g)) equal to (x) the number of Shares represented by such Certificate (or affidavit of loss in lieu thereof as provided in Section 4.2(e)) multiplied by (y) the Per Share Merger Consideration, and the Certificate so surrendered shall forthwith be cancelled. No interest will be paid or accrued on any amount payable upon due surrender of the Certificates. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, a check for any cash to be exchanged upon due surrender of the Certificate may be issued to such transferee if the Certificate formerly representing such Shares is presented to the Paying Agent, accompanied by all documents reasonably required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable. As promptly as practicable after the Effective Time, the Paying Agent will mail to each holder of Shares represented by book-entry on the records of the Company or the Company's transfer agent, on behalf of the Company ("Book-Entry Shares"), other than Excluded Shares, a check in the amount of the number of Shares held by such holder as Book-Entry Shares multiplied by the Per Share Merger Consideration.

(c) Transfers. From and after the Effective Time, there shall be no transfers on the stock transfer books of the Company of the Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any Certificate is presented to the Surviving Corporation, Parent or the Paying Agent for transfer, it shall be cancelled and exchanged for the cash amount in immediately available funds to which the holder thereof is entitled pursuant to and in accordance with this Article IV.

(d) Termination of Exchange Fund. Any portion of the Exchange Fund (including the proceeds of any investments thereof) that remains unclaimed by the shareholders of the Company for 180 days after the Effective Time shall be delivered to the Surviving Corporation upon demand. Any holder of Shares (other than Excluded Shares) who has not theretofore complied with this Article IV shall thereafter look only to the Surviving Corporation for payment of the Per Share Merger Consideration (after giving effect to any required Tax withholdings as provided in Section 4.2(g)) upon due surrender of its Certificates (or affidavits of loss in lieu thereof as provided in Section 4.2(e)), without any interest thereon. Notwithstanding the foregoing, none of the Surviving Corporation, Parent, the Paying Agent or any other Person shall be liable to any former holder of Shares for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar Laws. Any amounts remaining unclaimed by holders of any Shares at such date as is immediately prior to the time at which such amounts would otherwise escheat to or become property of any Governmental Entity shall, to the extent permitted by applicable Law, become the property of the Surviving Corporation, free and clear of any claims or interests of any such holders or their successors, assigns or personal representatives previously entitled thereto. For the purposes of this Agreement, the term "Person" shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

(e) Lost, Stolen or Destroyed Certificates. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person

claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in customary amount and upon such terms as may be required by Parent as indemnity against any claim that may be made against it or the Surviving Corporation with respect to such Certificate, the Paying Agent will issue a check in the amount (after giving effect to any required Tax withholdings as provided in Section 4.2(g)) equal to the number of Shares represented by such lost, stolen or destroyed Certificate multiplied by the Per Share Merger Consideration.

(f) Dissenting Shares. Notwithstanding any other provision contained in this Agreement, Shares that are issued and outstanding as of the Effective Time and that are held by a shareholder who has not voted such shares in favor of the Merger and who has otherwise taken all of the steps required by Subchapter H of Chapter 10 of the TBOC to properly exercise and perfect such shareholder's dissenter's rights shall be deemed to have ceased to represent any interest in the Surviving Corporation as of the Effective Time and shall be entitled to those rights and remedies set forth in Subchapter H of Chapter 10 of the TBOC; provided, however, that in the event that a shareholder of the Company fails to perfect, withdraws or otherwise loses any such right or remedy granted by the TBOC, the Shares held by such shareholder shall be converted into and represent only the right to receive the Per Share Merger Consideration specified in this Agreement. The Company shall give Parent (i) prompt notice of any written demands for payment for Shares, attempted withdrawals of such demands, and any other instruments served pursuant to applicable Law that are received by the Company with respect to shareholders' rights to dissent and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands. The Company shall not, without the prior written consent of Parent, voluntarily make any payment with respect to, or settle or offer to settle any such demands.

(g) Withholding Rights. Each of Parent and the Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable state, local or foreign Tax Law. To the extent that amounts are so withheld by the Surviving Corporation or Parent, as the case may be, such withheld amounts (i) shall be remitted by Parent or the Surviving Corporation, as applicable, to the applicable Governmental Entity, and (ii) shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made by the Surviving Corporation or Parent, as the case may be.

(h) No Further Dividends. No dividends or other distributions with respect to capital stock of the Surviving Corporation with a record date on or after the Effective Time shall be paid to the holder of any unsurrendered Certificate or Book-Entry Shares.

4.3 Treatment of Stock Plans.

(a) Restricted Stock Awards. Except to the extent otherwise agreed to by Parent and the holder thereof, immediately prior to the Effective Time, all restricted stock awards ("Restricted Shares") granted pursuant to the Stock Plans or otherwise that remain unvested shall automatically become fully vested and free of any forfeiture restrictions and each Restricted Share shall be considered an outstanding Share for all purposes of this Agreement, including the

right to receive the Per Share Merger Consideration in accordance with Section 4.1(a) and subject to the provisions of Section 4.2(g). To the extent that the award agreement relating to any Restricted Shares provides that the number of such shares that will vest will depend on the achievement of targets measured by total shareholder return, the number of Restricted Shares that will vest in accordance with the prior sentence shall be determined in the same manner as specified in Section 4.3(b).

(b) Performance Awards. Except as provided in Section 4.3(c) or to the extent otherwise agreed to by Parent and the holder thereof, immediately prior to the Effective Time, all performance awards ("Performance Awards") granted under the Stock Plans that remain unvested shall automatically become fully vested and free of any forfeiture restrictions immediately prior to the Effective Time and, at the Effective Time, shall be paid out, in a lump sum cash payment equal to the product of (x) the number of Shares payable pursuant to each such Performance Award, based on performance through the Effective Time as determined by the Organization & Compensation Committee of the board of directors of the Company measured by the Per Share Merger Consideration (with awards measured on absolute performance adjusted for the duration of the performance period through the Effective Time), and (y) the Per Share Merger Consideration (the "Performance Award Merger Consideration") in accordance with Section 4.1(a) and subject to the provisions of Section 4.2(g).

(c) Performance Awards Held by Designated Officers. Notwithstanding Section 4.3(b), except to the extent otherwise agreed to by Parent and the holder thereof, immediately prior to the Effective Time, all Performance Awards held by the members of the Company's Designated Officers (as defined in Section 5.1(h)) that remain unvested shall automatically (i) become fully vested and free of any forfeiture restrictions immediately prior to the Effective Time, (ii) be converted at the Effective Time into a cash amount in the same manner as specified in Section 4.3(b) and (iii) be paid out in cash in a lump sum at the end of each such award's currently existing performance period, subject to the provisions of Section 4.2(g).

(d) Share-Based Benefits Under Deferred Compensation Plans. At the Effective Time, each right of any kind, contingent or accrued, to receive payments or benefits measured by the value of Shares under any Company Benefit Plans, other than Restricted Shares and Performance Awards, shall entitle the beneficiary thereof to receive an amount in cash equal to the product of (x) the total number of Shares subject thereto immediately prior to the Effective Time and (y) the Per Share Merger Consideration.

(e) Corporate Actions. At or prior to the Effective Time, the Company, the board of directors of the Company and the organization and compensation committee of the board of directors of the Company, as applicable, shall adopt resolutions to implement the provisions of Sections 4.3(a), 4.3(b), 4.3(c) and 4.3(d).

4.4 Adjustments to Prevent Dilution. In the event that the Company changes the number of Shares or securities convertible or exchangeable into or exercisable for Shares issued and outstanding prior to the Effective Time as a result of a reclassification, stock split (including a reverse stock split), stock dividend or distribution, recapitalization, merger, issuer

tender or exchange offer, or other similar transaction, provided that no such action shall be taken in violation of Section 6.1, the Per Share Merger Consideration shall be equitably adjusted.

4.5 Treatment of the Convertible Notes. The Floating Rate Convertible Senior Notes due 2033 of the Company (the "Convertible Senior Notes") shall be treated as set forth in Section 6.12.

ARTICLE V

Representations and Warranties

5.1 Representations and Warranties of the Company. Except as set forth in reasonable detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, the Company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2006, June 30, 2006 and September 30, 2006, the Company's Current Reports on Form 8-K filed since January 1, 2006 and the Company's proxy statement on Schedule 14A filed with the SEC on April 5, 2006, in each case, filed with the SEC prior to the date hereof (other than disclosures in the "Risk Factors" sections thereof or any such disclosures included in such filings that are cautionary, predictive or forward-looking in nature) (it being agreed that such disclosures shall not be exceptions to Sections 5.1(b)(i), 5.1(c) and 5.1(d)(i)), or in the corresponding sections or subsections of the disclosure letter delivered to Parent by the Company prior to entering into this Agreement (the "Company Disclosure Letter") (it being agreed that disclosure of any item in any section or subsection of the Company Disclosure Letter shall be deemed disclosure with respect to any other section or subsection to which the relevance of such item is reasonably apparent, provided that no such disclosure shall be deemed to qualify Section 5.1(f)(i) or Section 6.1 unless expressly set forth in Section 5.1(f)(i) or Section 6.1, as applicable, of the Company Disclosure Letter), the Company hereby represents and warrants to Parent and Merger Sub that:

(a) Organization, Good Standing and Qualification. Each of the Company and its Subsidiaries is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease, use and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation or similar entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, qualified or in good standing, or to have such power or authority, would not be, individually or in the aggregate, reasonably expected to have a Company Material Adverse Effect. The Company has made available to Parent complete and correct copies of the Company's and its Significant Subsidiaries' certificates of incorporation and bylaws or comparable governing documents, each as amended to the date hereof, and each as so made available is in effect on the date hereof.

As used in this Agreement, the term (i) "Subsidiary" means, with respect to any Person, any other Person of which at least a majority of the securities or other ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such Person and/or by one or more of its Subsidiaries; provided, however, that neither TXU

Europe Limited, nor any entity directly or indirectly owned by TXU Europe Limited shall be deemed to be a "Subsidiary" of the Company or any of the Company's Subsidiaries for purposes of this Agreement; (ii) "Significant Subsidiary" has the meaning set forth in Rule 1.02(w) of Regulation S-X under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, as amended (the "Exchange Act"); (iii) "Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by, or under common control with, such Person. For purposes of this definition, the term "control" (including the correlative terms "controlling", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and (iv) "Company Material Adverse Effect" means a material adverse change or effect on the financial condition, business, assets, or results of operations of the Company and its Subsidiaries taken as a whole; provided, however, that none of the following shall constitute or be taken into account in determining whether there has been or is a Company Material Adverse Effect:

(A) changes in general economic or political conditions or the securities, credit or financial markets in general in the United States or in the State of Texas or changes that are the result of acts of war or terrorism (other than such acts that cause any damage or destruction to or render physically unusable any facility or property of the Company or any of its Subsidiaries);

(B) any adoption, implementation, promulgation, repeal, modification, reinterpretation or proposal of any rule, regulation, ordinance, order, protocol or any other Law of or by any national, regional, state or local Governmental Entity (including, for the avoidance of doubt, ERCOT);

(C) changes or developments in national, regional or state wholesale or retail markets for fuel, including, without limitation, changes in natural gas or other commodity prices or in the hedging markets therefor, or related products;

(D) changes or developments in national, regional or state wholesale or retail electric power prices;

(E) system-wide changes or developments in national, regional or state electric transmission or distribution systems, other than changes or developments involving physical damage or destruction to or rendering physically unusable facilities or properties;

(F) changes that are the result of factors generally affecting any business in which the Company and its Subsidiaries operate, other than changes or developments involving physical damage or destruction to or rendering physically unusable facilities or properties;

(G) any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of the Company or any of its Subsidiaries with its customers, employees, regulators, financing sources or suppliers to the extent caused by the pendency or the announcement of the transactions contemplated by this Agreement;

(H) changes or effects to the extent relating to the entry into, pendency of actions contemplated by, or the performance of obligations required by this Agreement or

consented to by Parent, including any change in the Company's credit ratings to the extent relating thereto and any actions taken by the Company and its Subsidiaries that is not in violation of this Agreement to obtain approval from any Governmental Entity for consummation of the Merger;

(I) changes in any Law or GAAP or interpretation thereof after the date hereof;

(J) any failure by the Company to meet any internal or public projections or forecasts or estimates of revenues or earnings for any period ending on or after the date of this Agreement, provided that the exception in this clause shall not prevent or otherwise affect a determination that any change, effect, circumstance or development underlying such failure has resulted in, or contributed to, a Company Material Adverse Effect;

(K) changes or developments arising out of or related to any proceeding or action by or before a Governmental Entity to the extent affecting the plans of the Company and its Subsidiaries for the development of new generation capacity in the State of Texas, including any litigation with respect thereto; and

(L) a decline in the price or trading volume of the Company common stock on the New York Stock Exchange (the "NYSE") or the Chicago Stock Exchange, provided that the exception in this clause shall not prevent or otherwise affect a determination that any change, effect, circumstance or development underlying such decline has resulted in, or contributed to, a Company Material Adverse Effect;

provided, further, that (x) matters, changes or developments set forth in clauses (A) through (F) above (other than action of the Public Utility Commission of Texas (the "PUCT")) may be taken into account in determining whether there has been or is a Company Material Adverse Effect to the extent such matters, changes or developments have a disproportionate (taking into account the relative size of the Company and its Subsidiaries and affected businesses of the Company and its Subsidiaries as compared to the other relevant entities and businesses) adverse affect on the Company as compared to other entities engaged in the relevant business in Texas or other relevant geographic area and are not otherwise excluded by clauses (G) through (L) from what may be taken into account in such determination, and (y) in no event shall any of the foregoing clauses (A) through (L) operate to exclude from the determination of whether there has been or is a Company Material Adverse Effect any Material Baseload Divestiture Requirement. For purposes of this Agreement, "Material Baseload Divestiture Requirement" shall mean any requirement imposed by a statute enacted into Law by the legislature of the State of Texas after the date of this Agreement, or any legally binding regulatory or administrative action taken pursuant to authority granted by such a new statute, that the Company or its Subsidiaries divest, or submit to capacity auctions for, a material amount of the Company's approximately 8,137 Mw as of the date hereof of baseload solid fuel (coal, lignite and nuclear) generation capacity, and the effects of any Material Baseload Divestiture Requirement shall take into account the after-tax proceeds or other consideration or benefits that the Company and its Subsidiaries would reasonably be expected to receive in connection with any such divestiture or capacity auction.

(b) Capital Structure.

(i) The authorized capital stock of the Company consists of 1,000,000,000 Shares, of which 459,269,419 Shares were outstanding as of the close of business on February 23, 2007 and 50,000,000 shares of serial preference stock, par value $25 per share, none of which were outstanding as of the date hereof and, except for those Shares issuable or reserved for issuance as described below, no Shares have been issued since the close of business on February 23, 2007 through the date hereof. All of the outstanding Shares have been duly authorized and are validly issued, fully paid and nonassessable. As of February 23, 2007, other than up to 9,228,291.884 Shares issuable pursuant to the terms of outstanding awards under the TXU Corp. 2005 Omnibus Incentive Plan, the Company's Long-Term Incentive Compensation Plan and the TXU Thrift Plan (collectively, the "Stock Plans") and 1,523,916 Shares issuable, at the Company's option, upon conversion of the Convertible Senior Notes, the Company has no Shares issuable or reserved for issuance and no rights to acquire Shares under the Stock Plans have been issued since February 23, 2007 and through the date hereof. As of the date hereof, there were no options to purchase Shares issued and outstanding. Except as set forth in this Section 5.1(b)(i), there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, performance units, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate the Company or any of its Significant Subsidiaries to issue or sell any shares of capital stock or other equity securities of the Company or any of its Significant Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any equity securities of the Company or any of its Significant Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(ii) None of the Subsidiaries of the Company own any Shares. Section 5.1(b)(ii) of the Company Disclosure Letter sets forth a list, as of the date hereof, of the Company's Subsidiaries and entities (other than Subsidiaries) in which the Company or a Subsidiary of the Company owns a 5% or greater equity interest, the value of which is in excess of $25,000,000, as of the date hereof and the Company's indirect interest in CapGemini Energy Limited Partnership (each a "Company Joint Venture"). Each of the outstanding shares of capital stock or other equity securities of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and, except for directors' qualifying shares and such failure to have such ownership would not reasonably be expected to have a Company Material Adverse Effect. The ownership interest in each Subsidiary and interest in each Company Joint Venture is owned by the Company or by a direct or indirect wholly owned Subsidiary of the Company, free and clear of any lien, charge, pledge, security interest, claim or other encumbrance (each, a "Lien"). Neither the Company nor any of its Subsidiaries has entered into any commitment, arrangement or agreement, or are otherwise obligated, to contribute capital, loan money or otherwise provide funds or make additional investments in any other Person, other than any such commitment, arrangement or agreement in the ordinary course of business consistent with past practice, with respect to wholly owned Subsidiaries of the Company or pursuant to a Contract binding on the Company or any of its Subsidiaries made available to Parent or Merger Sub. For purposes of this Agreement,

a wholly owned Subsidiary of the Company shall include any Subsidiary of the Company of which all of the shares of capital stock, other than director qualifying shares, are owned by the Company (or one or more wholly owned Subsidiaries of the Company).

(iii) Upon any issuance of any Shares in accordance with the terms of the Stock Plans, such Shares will be duly authorized, validly issued, fully paid and nonassessable. Except for the Convertible Senior Notes, the Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the shareholders of the Company on any matter.

(iv) There are no shareholder agreements, voting trusts or other agreements or understandings to which the Company or any of its Subsidiaries is a party or by which it is bound relating to the voting or registration of any equity securities of the Company or any of its Subsidiaries.

(c) Corporate Authority; Approval and Fairness.

(i) The Company has all requisite corporate power and authority and has taken all corporate action necessary in order to execute and deliver this Agreement and, subject only to approval of this Agreement by the holders of two-thirds of the outstanding Shares entitled to vote on such matter at a shareholders' meeting duly called and held for such purpose (the "Requisite Company Vote"), to perform its obligations under this Agreement and to consummate the Merger. This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles (the "Bankruptcy and Equity Exception").

(ii) The board of directors of the Company at a meeting duly called and held, and following the unanimous recommendation of the Transactions Committee, has (A) unanimously (by all directors voting) determined that it is in the best interests of the Company's shareholders to enter into this Agreement, approved and adopted this Agreement and adopted a resolution recommending that this Agreement be approved by the shareholders of the Company (the "Company Recommendation"), (B) unanimously (by all directors voting) directed that this Agreement be submitted to the shareholders of the Company for their approval at a shareholders' meeting duly called and held for such purpose and (C) received the opinions of each of its financial advisors, Credit Suisse Securities (USA) LLC and Lazard Frères & Co. LLC, to the effect that, as of the date of such opinions, the Per Share Merger Consideration to be received by the holders of the Shares in the Merger is fair from a financial point of view to such holders. It is agreed and understood that such opinions may not be relied on by Parent or Merger Sub. The board of directors of the Company has taken all action so that Parent will not be an "affiliated shareholder" (as such term is defined in Section 21.602 of the TBOC) or prohibited from entering into or consummating a "business combination" (as such term is defined in Section 21.604 of the TBOC) with the Company as a result of the execution of

this Agreement or the consummation of the transactions in the manner contemplated hereby.

(d) Governmental Filings; No Violations; Certain Contracts.

(i) Other than the filings and/or notices (A) pursuant to Section 1.3, (B) required as a result of facts and circumstances solely attributable to Parent or Merger Sub, (C) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") and the expiration or earlier termination of applicable waiting periods thereunder, (D) under the Exchange Act, (E) under rules promulgated by the NYSE and the Chicago Stock Exchange, (F) with the Federal Energy Regulatory Commission ("FERC") pursuant to Section 203 of the Federal Power Act and the approval of FERC thereunder (the "FERC Approval"), (G) with the Federal Communications Commission (the "FCC") for the transfer of radio licenses and point-to-point private microwave licenses held indirectly by the Company and the approval of the FCC for such transfer (the "FCC Approval") and (H) with the Nuclear Regulatory Commission (the "NRC") for approval of any indirect license transfer deemed to be created by the Merger and the approval of the NRC for such transfer (the "NRC Approval" and, together with the other approvals referred to in Subsections (C) through (G) of this Section 5.1(d)(i), the "Company Approvals"), no notices, reports or other filings are required to be made by the Company with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Company from, any federal, state or local, domestic or foreign governmental or regulatory authority, agency, commission, body, arbitrator, court, regional transmission organization, ERCOT, or any other legislative, executive or judicial governmental entity (each a "Governmental Entity"), in connection with the execution, delivery and performance of this Agreement by the Company and the consummation of the Merger and the other transactions contemplated hereby, except those, the failure to make or obtain which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation of the transactions contemplated by this Agreement.

(ii) The execution, delivery and performance of this Agreement by the Company do not, and the consummation of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, or otherwise contravene or conflict with, the certificate of formation or bylaws of the Company or the comparable governing documents of any of its Subsidiaries, (B) with or without notice, lapse of time or both, a breach or violation of, a termination, cancellation (or right of termination or amendment) or a default under, the creation or acceleration of any obligations under the requirement of any consent under, the requirement of any loss of any benefit under, or the creation of a Lien on any of the assets of the Company or any of its Significant Subsidiaries pursuant to, any material agreement, lease, license, contract, note, mortgage, indenture, credit agreement, arrangement or other obligation (each, a "Contract") binding upon the Company or any of its Subsidiaries or any license from a Governmental Entity to which the Company or any of its Significant Subsidiaries is subject or (C) assuming compliance with the matters referred to in Section 5.1(d)(i), a violation of any Law to which the Company or any of

its Subsidiaries is subject, except, in the case of clause (B) or (C) above and, in the case of clause (A) above, with respect to Subsidiaries other than Significant Subsidiaries, for any such breach, violation, termination, cancellation, default, creation, acceleration, consent, loss or change that would not, individually or in the aggregate, be reasonably expected to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation of the transactions contemplated by this Agreement.

(e) Company Reports; Financial Statements.

(i) The Company has filed or furnished, as applicable, on a timely basis, all forms, statements, certifications, reports and other documents required to be filed or furnished by it with the Securities and Exchange Commission (the "SEC") pursuant to the Exchange Act or the Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended (the "Securities Act") since December 31, 2003 (the "Applicable Date") (the forms, statements, certifications, reports and documents filed or furnished since the Applicable Date and those filed or furnished subsequent to the date hereof, including any amendments thereto, the "Company Reports"). Each of the Company Reports, including any financial statements or schedules included therein, at the time of its filing or being furnished complied or, if not yet filed or furnished, will comply in all material respects with the requirements of the Securities Act and the Exchange Act applicable to the Company Reports. As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the Company Reports did not, and any Company Reports filed with or furnished to the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. As of the date of this Agreement, there are no material outstanding or unresolved comments received from the SEC staff with respect to the Company Reports.

(ii) The Company is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the NYSE and the Chicago Stock Exchange.

(iii) Each of the consolidated balance sheets included in or incorporated by reference into the Company Reports as amended prior to the date hereof (including the related notes and schedules) fairly presents in all material respects, or, in the case of Company Reports filed after the date hereof, will fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of its date and each of the statements of consolidated income, comprehensive income, cash flows and shareholders' equity included in or incorporated by reference into the Company Reports (including any related notes and schedules), as finally amended prior to the date hereof, fairly presents in all material respects, or in the case of Company Reports filed after the date hereof, will fairly present in all material respects the financial position, results of operations and cash flows, as the case may be, of the Company and its consolidated Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end adjustments), in each case in accordance with U.S. generally accepted accounting principles ("GAAP"), except as may be noted therein.

(iv) Except as has not had, and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (A) the Company maintains disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Exchange Act that are effective to ensure that information required to be disclosed by the Company is recorded and reported on a timely basis to the individuals responsible for the preparation of the Company's filings with the SEC and other public disclosure documents (including the Company's chief executive officer and chief financial officer) and (B) the Company has disclosed, based on its most recent evaluation prior to the date of this Agreement, to the Company's outside auditors and the audit committee of the board of directors of the Company (1) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (2) any fraud, known to the Company, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(v) Section 5.1(e)(v) of the Company Disclosure Letter sets forth a list of the Contracts and other arrangements containing the material commitments and obligations of the Company as of the date of this Agreement in respect of the development, engineering, construction and operation of new power generation facilities that is accurate in all material respects.

(f) Absence of Certain Changes.

(i) Since September 30, 2006 there has not been any change in the financial condition, business, assets, or results of operations of the Company and its Subsidiaries that, individually or in the aggregate, has had or would be reasonably expected to have, a Company Material Adverse Effect.

(ii) Since September 30, 2006 and through the date of this Agreement, the Company and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than according to the ordinary and usual course of such businesses and without limiting the foregoing, there has not been:

(A) any damage, destruction or other casualty loss with respect to any asset or property owned, leased or otherwise used by the Company or any of its Subsidiaries, whether or not covered by insurance that, individually or in the aggregate, has had or would reasonably be expected to have, a Company Material Adverse Effect;

(B) other than regular quarterly dividends on Shares and on the shares of preferred stock of TXU US Holdings Company, any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Company or any of its Subsidiaries (except for dividends or other distributions by any direct or indirect wholly-owned Subsidiary to the Company or to any wholly-owned Subsidiary of the Company); or

(C) any material change in any method of accounting or accounting practice by the Company or any of its Subsidiaries, other than as required by GAAP.

(g) Litigation and Liabilities.

(i) There are no civil, criminal or administrative actions, suits, claims, hearings, arbitrations, investigations, inquiries, audits or other proceedings pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries, and, to the Knowledge of the Company, as of the date hereof, no such proceedings are pending or threatened against any of the Company Joint Ventures, in each case that individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect or prevent or materially delay or impair the consummation of the transaction contemplated by this Agreement. None of the Company, any of its Subsidiaries or, to the Knowledge of the Company, as of the date hereof, any of the Company Joint Ventures is a party to or subject to the provisions of any judgment, settlement, order, writ, injunction, decree or award of any Governmental Entity specifically imposed upon the Company, any of its Subsidiaries or any of the Company Joint Ventures or any of their respective businesses, assets or properties which, individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect or prevent or materially delay or impair the consummation of the transaction contemplated by this Agreement.

(ii) Neither the Company nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise), other than liabilities and obligations (A) set forth in the Company's consolidated balance sheet as of December 31, 2006, including the notes thereto, included in the draft Annual Report on Form 10-K for the year ended December 31, 2006 attached to Section 5.1(g)(ii) of the Company Disclosure Letter, (B) incurred in the ordinary course of business since December 31, 2006, (C) incurred in connection with the Merger or any other transaction or agreement contemplated by this Agreement, (D) of a nature not required to be shown on a balance sheet prepared in accordance with GAAP, pursuant to any Contract or other similar arrangement binding upon the Company or any of its Subsidiaries, (E) that are expressly within the scope of any other representation or warranty in this Section 5.1 or are expressly excluded from such representation and warranty as a result of the scope of any materiality qualification applicable to such representation or warranty (provided that any matter arising after the date hereof shall not be deemed to be within the scope of or excluded from any representation or warranty given at or as of the date hereof or any date prior to the date hereof), or (F) that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

The term "Knowledge" when used in this Agreement with respect to the Company shall mean the actual knowledge of those persons set forth in Section 5.1(g) of the Company Disclosure Letter.

(h) Employee Benefits.

(i) (A) All material benefit and compensation plans, contracts, policies or arrangements covering current or former employees and officers of the Company and its Subsidiaries (the "Employees") and/or current or former directors of the Company and its Subsidiaries under which the Company or its Subsidiaries are subject to continuing financial obligations, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and deferred compensation, employment, change in control, severance, stock option, stock purchase, stock appreciation rights, stock based, incentive and bonus plans, agreements, programs, policies or arrangements sponsored, contributed to, or entered into by the Company or its Subsidiaries or for which the Company or its Subsidiaries could be reasonably expected to have any present or future liability (the "Benefit Plans") are listed on Section 5.1(h)(i)(A) of the Company Disclosure Letter, and each Benefit Plan which has received a favorable opinion letter from the Internal Revenue Service National Office has been separately identified.

(B) True and complete copies of all Benefit Plans listed on Section 5.1(h)(i)(A) of the Company Disclosure Letter have been made available to Parent and to the extent applicable, the following have also been made available to Parent: (1) any related trust agreement or other funding instrument now in effect or required in the future as a result of the transaction contemplated in this Agreement or otherwise; (2) the most recent determination letter; (3) any summary plan description and (4) for the most recent year (x) the Form 5500 and attached schedules, (y) audited financial statements and (z) actuarial valuation reports related to an Employee Benefit Plan.

(ii) All Benefit Plans, other than "multiemployer plans" within the meaning of Section 3(37) of ERISA (each, a "Multiemployer Plan") and, to the Knowledge of the Company, all Multiemployer Plans are in substantial compliance with their respective terms and ERISA, the Internal Revenue Code of 1986, as amended (the "Code") and other applicable Laws. Each Benefit Plan (other than any Multiemployer Plan) which is subject to ERISA (an "ERISA Plan") that is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA (a "Pension Plan") intended to be qualified under Section 401(a) of the Code, has received a favorable determination letter from the Internal Revenue Service (the "IRS") or has applied to the IRS for such favorable determination letter under Section 401(b) of the Code, and the Company is not aware of any circumstances likely to result in the loss of the qualification of such ERISA Plan under Section 401(a) of the Code. Neither the Company nor any of its Subsidiaries has engaged in a transaction with respect to any ERISA Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject the Company or any Subsidiary to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which would be material.

(iii) Neither the Company nor any of its Subsidiaries has or is reasonably expected to incur any material liability under Subtitle C or D of Title IV of ERISA with respect to any ongoing, frozen or terminated "single-employer plan", within

the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered one employer with the Company under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate"). No Benefit Plan is a Multiemployer Plan and the Company and its Subsidiaries have not incurred and do not expect to incur any material withdrawal liability with respect to a Multiemployer Plan under Subtitle E of Title IV of ERISA (regardless of whether based on contributions of an ERISA Affiliate).

(iv) As of the date hereof, there is no material pending or, to the Knowledge of the Company, threatened litigation relating to the Benefit Plans, other than routine claims for benefits. Other than pursuant to a CBA, neither the Company nor any of its Subsidiaries has any obligations for retiree health and life benefits under any Benefit Plan.

(v) Neither the execution of this Agreement, the approval of the Merger by the shareholders of the Company nor the consummation of the transactions contemplated hereby will (A) entitle any Designated Officer to severance pay or any material increase in severance pay upon any termination of employment after the date hereof, or (B) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any of the Benefit Plans, or (C) result or could result in payment under any Benefit Plans that would not be deductible under Section 280G of the Code.

The term "Designated Officer" when used in this Agreement shall mean, except as otherwise set forth in Section 5.1(h) of the Company Disclosure Letter, an "officer" of the Company for purposes of Rule 16a-1(f) under the Exchange Act. Section 5.1(h) of the Company Disclosure Letter contains a correct and complete list of the Designated Officers as of the date of this Agreement.

(i) Compliance with Laws; Licenses. The businesses of each of the Company and its Subsidiaries and, to the Knowledge of the Company as of the date hereof, the businesses, as of the date hereof, of each of the Company Joint Ventures have not been since the Applicable Date, and are not being, conducted in violation of any federal, state, local or foreign law, statute or ordinance, common law, or any rule, regulation, standard, judgment, order, writ, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity (collectively, "Laws"), except for violations that, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect. Except with respect to regulatory matters that are the subject of Section 6.5 hereof, no investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is pending or, to the Knowledge of the Company, threatened, nor has any Governmental Entity indicated an intention to conduct the same, except for such investigations or reviews, the outcome of which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company and its Subsidiaries each has obtained and is in compliance with all permits, certifications, approvals, registrations, consents, authorizations, franchises, variances, exemptions and orders issued or granted by a Governmental Entity ("Licenses") necessary to conduct its business as presently conducted, except those the absence of which would not,

individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, such Licenses are in full force and effect, and no suspension or cancellation of such Licenses is pending or, to the Knowledge of the Company, threatened, except where such failure to be in full force and effect, suspension or cancellation would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(j) Takeover Statutes. No "fair price," "moratorium," "control share acquisition" or other similar anti-takeover statute or regulation (each, a "Takeover Statute") or any anti-takeover provision in the Company's certificate of formation or bylaws is applicable to the Company, the Shares, the Merger or the other transactions contemplated by this Agreement.

(k) Environmental Matters. Except for such matters that, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect:

(i) The Company and its Subsidiaries are in compliance with all applicable Environmental Laws, and none of them has received any written communication since February 1, 2002 from any Governmental Entity that alleges that any of them is not in material compliance with Environmental Laws.

(ii) Each of the Company and its Subsidiaries has obtained and possesses all environmental Licenses, including all required air emissions allowances, and all water rights (collectively, the "Environmental Permits"), necessary for the operation of its facilities in existence as of the date hereof and the conduct of its business as conducted as of the date hereof, and all such Environmental Permits are in good standing or, where applicable, a renewal application has been timely filed for review by the relevant Governmental Entity, and each of the Company and its Subsidiaries is in compliance with all terms and conditions of the Environmental Permits granted to it.

(iii) There is no Environmental Claim (A) pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries or (B) to the Knowledge of the Company, pending or threatened against any real or personal property that the Company or any of its Subsidiaries owns, leases or uses.

(iv) To the Knowledge of the Company, there has been no Release of any Hazardous Substance that has or would reasonably be expected to result in (A) any Environmental Claim against the Company or any of its Subsidiaries or against any Person (including any predecessor of the Company or any of its Subsidiaries) whose liability for such claim the Company or any of its Subsidiaries has or allegedly has retained or assumed either by operation of Law or by Contract, or (B) any requirement on the part of the Company or any of its Subsidiaries to undertake Remedial Action.

(v) To the Knowledge of the Company, the Company and its Subsidiaries have disclosed to Parent all circumstances or conditions which, as of the date hereof, are reasonably expected to result in (A) any Environmental Claim against any of them or (B) any obligation of any of them in excess of $5,000,000 currently required, or known to be required in the future, to incur costs for installing pollution control

equipment or conducting environmental remediation under or to comply with applicable Environmental Laws.

As used herein, the term "Environmental Claim" means any and all actions, suits, claims, demands, demand letters, directives, written notices of noncompliance or violation by any Person, hearings, arbitrations, investigations or other proceedings alleging potential liability (including potential responsibility for or liability for enforcement costs, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resource damages, property damages, personal injuries, fines or penalties) arising out of, based on or resulting from (A) the presence, or Release or threatened Release into the environment, or alleged presence, Release or threatened Release into the environment, of any Hazardous Substance at any location, whether or not owned, operated, leased or managed by the Company or any of its Subsidiaries; or (B) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

As used herein, the term "Environmental Law" means any and all Laws relating to (A) pollution, the protection of the environment (including air, surface water, groundwater, soil, land surface or subsurface strata, and natural resources) or protection of human health and safety as it relates to the environment, or (B) the use, treatment, storage, transport, handling, release or disposal of any harmful or deleterious substances.

As used herein, the term "Hazardous Substance" means any substance listed, defined, designated or classified as hazardous, toxic or radioactive under any applicable Environmental Law including petroleum and any derivative or by-products thereof, and any other substance regulated pursuant to, or the presence or exposure to which would reasonably be expected to form the basis for liability under, any applicable Environmental Law.

As used herein, the term "Release" means any spilling, emitting, leaking, pumping, pouring, emptying, injecting, escaping, dumping, disposing, discharging, or leaching into the environment, or into or out of any property owned, operated or leased by the applicable party.

As used herein, the term "Remedial Action" means all actions, including any capital expenditures required by a Governmental Entity or required under any Environmental Law, to (A) clean up, remove, treat, or in any other way ameliorate or address any Hazardous Substance in the environment; (B) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Substance so it does not endanger or threaten to endanger the public health or welfare or the indoor or outdoor environment; (C) perform pre-remedial studies and investigations or post-remedial monitoring and care pertaining or relating to a Release; or (D) bring the applicable party into compliance with any Environmental Law.

(l) Taxes.

(i) The Company and each of its Subsidiaries (A) have prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all Tax Returns required to be filed by any of them, and all such filed Tax Returns are complete and accurate, except in each case where such failures to so prepare

or file Tax Returns, or the failure of such filed Tax Returns to be complete and accurate, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect; (B) have paid all Taxes that are required to be paid or that the Company or any of its Subsidiaries are obligated to withhold from amounts owing to any employee, creditor or third party, except with respect to matters contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP and except where such failure to so pay or remit, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect; (C) have made adequate provision in the applicable financial statements in accordance with GAAP for any material Tax that is not yet due and payable for all taxable periods, or portions thereof, ending on or before the date of this Agreement: and (D) have not waived any statute of limitations with respect to any material amount of Taxes or agreed to any extension of time with respect to any material amount of Tax assessment or deficiency.

(ii) As of the date hereof, there are not pending or threatened in writing, any audits (or other similar proceedings initiated by a Governmental Entity) in respect of Taxes due from or with respect to the Company or any of its Subsidiaries or Tax matters to which the Company or any Subsidiary is a party, which (if determined adversely to the Company) could reasonably be expected to have a Company Material Adverse Effect. The Company has made available to Parent true and correct copies of the United States federal income Tax Returns filed by the Company and its Subsidiaries for each of the fiscal years ended December 31, 2005, 2004, and 2003.

(iii) There are no Tax sharing agreements (or similar agreements) to which the Company or any of its Subsidiaries is a party to or by which the Company or any of its Subsidiaries is bound (other than agreements exclusively between or among the Company and its Subsidiaries).

(iv) None of the Company or any of its Subsidiaries has engaged in any reportable transaction under Section 6011 of the Code and the Treasury Regulations promulgated thereunder.

(v) No actions have been taken by the Company or any of its Subsidiaries that would reasonably be expected to, individually or in the aggregate, have jeopardized the qualification of the interest as tax-exempt on any tax-exempt bonds that relate to any assets of the Company or any of its Subsidiaries.

(vi) No closing agreement pursuant to Section 7121 of the Code (or any similar provision of state, local or foreign law) has been entered into by or with respect to Company or any of its Subsidiaries with respect to any material Tax and neither the Company nor any of its Subsidiaries has requested or received a private letter ruling from the IRS or comparable rulings from other taxing authorities.

For purposes of this Section 5.1(l), the term "Subsidiary" shall include TXU Europe Limited and any entity directly or indirectly owned by TXU Europe Limited. As used in this Agreement, (A) the term "Tax" (including, with correlative meaning, the term "Taxes")

includes (1) all federal, state, local and foreign income, profits, franchise, gross receipts, environmental, margin, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions, (2) any liability for payment of amounts described in clause (1), whether as a result of transferee liability or joint and several liability for being a member of an affiliated, consolidated, combined or unitary group for any period, and (3) any liability for the payment of amounts described in clause (1) or (2) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to pay or indemnify any other Person, and (B) the term "Tax Return" includes all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

(m) Labor Matters. Neither the Company nor any of its Subsidiaries (i) has agreed to recognize any labor union or labor organization, nor has any labor union or labor organization been certified as the exclusive bargaining representative of any employees of the Company or any of its Subsidiaries; (ii) is a party to or otherwise bound by, or currently negotiating, any collective bargaining agreement or other Contract with a labor union or labor organization (a "CBA"); or (iii) is the subject of any material proceeding asserting that the Company or any of its Subsidiaries has committed an unfair labor practice or seeking to compel it to bargain with any labor union or labor organization, nor, to the Knowledge of the Company as of the date hereof, is any such proceeding threatened. There is not now, nor has there been since the Applicable Date any labor strike, dispute, walk-out, work stoppage, slow-down or lockout involving the Company or any of its Subsidiaries nor, to the Knowledge of the Company, is any such controversy threatened in writing as of the date hereof. To the Knowledge of the Company, as of the date hereof, there is no campaign being conducted to solicit cards from employees of the Company or any of its Subsidiaries to authorize representation by a labor organization. As of the date hereof, neither the Company nor any of its Subsidiaries have closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement, separation or window program since the Applicable Date, nor has any such action or program been announced for the future in any case that would reasonably be expected to give rise to any material liability under the United States Worker Adjustment and Retraining Notification Act or the rules and regulations thereunder, except for any liabilities that were satisfied on or prior to September 30, 2006.

(n) Intellectual Property. (i) To the Knowledge of the Company, (A) the Company and its Subsidiaries have sufficient rights to use all material Intellectual Property used in its business as presently conducted, and (B) no person is violating any material Intellectual Property owned by the Company except as would not reasonably be expected to result in a Company Material Adverse Effect.

(ii) For purposes of this Agreement, the following term has the following meaning:

"Intellectual Property" means any intellectual property, including trademarks, service marks Internet domain names, logos, trade dress, trade names, and all goodwill associated

therewith and symbolized thereby, inventions, discoveries, patents, processes, technologies, confidential information, trade secrets, know-how, copyrights and copyrightable works, software, databases and related items.

(o) Insurance. All material fire and casualty, general liability, business interruption, product liability, and sprinkler and water damage insurance policies or other material insurance policies maintained by the Company or any of its Subsidiaries ("Insurance Policies") are in full force and effect and all premiums due with respect to all Insurance Policies have been paid, with such exceptions that, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect.

(p) Regulatory Matters. (i) *General.* As of the date of this Agreement, the Company is an exempt holding company under the Public Utility Holding Company Act of 2005. As of the date of this Agreement, TXU Energy Holdings is subject to regulation under the Atomic Energy Act of 1954, as amended, as a licensee or the owner of a licensee, under Texas utility Law as a "power generation company," a "retail electric provider" and a "power marketer" (as such terms are defined under PURA) and under the ERCOT Protocols as a "resource entity," a "load serving entity" and a "qualified scheduling entity" (as such terms are defined in the ERCOT Protocols), and holds a tariff for sales of power at wholesale at market-based rates from FERC and has associated contracts as identified in Schedule 5.1(p). As of the date of this Agreement, TXU Electric Delivery is subject to regulation under Texas utility Law as a "public utility," an "electric utility" and a "transmission and distribution utility" (as such terms are defined under PURA) and under the ERCOT Protocols as a "transmission and/or distribution service provider" (as such term is defined in the ERCOT Protocols), and its associated contracts tariffs and other facilities listed in Schedule 5.1(p) are subject to FERC jurisdiction under FERC orders. TXU Electric Delivery also holds franchises granted by municipalities and other Governmental Entities for the placement of utility facilities in or along public rights of way. As of the date of this Agreement, except as set forth in the immediately preceding sentences, the Company and its Subsidiaries are not subject to regulation as a public utility, public utility holding company or public service company (or similar designation) by any Governmental Entity.

As used in this Agreement, the term (A) "TXU Energy Holdings" means TXU Energy Company LLC, a Subsidiary of the Company, and/or its consolidated Subsidiaries, (B) "TXU Electric Delivery" means TXU Electric Delivery Company, a Subsidiary of the Company, and/or its consolidated Subsidiary, TXU Electric Delivery Transition Bond Company LLC, (C) "PURA" means the Texas Public Utility Regulatory Act, as amended, (D) "ERCOT Protocols" means the documents adopted by the Electric Reliability Council of Texas, Inc. ("ERCOT"), including any attachments or exhibits referenced therein, as amended from time to time that contain the scheduling, operating, planning, reliability, and settlement (including Customer registration) policies, rules, guidelines, procedures, standards, and criteria of ERCOT, and (E) "ERCOT Region" means the geographic area under the jurisdiction of the PUCT that is served by transmission and/or distribution providers that are not synchronously interconnected with electric utilities outside of the State of Texas.

(ii) *Comanche Peak Compliance.* The operation of Comanche Peak nuclear-powered generation Unit 1 and Unit 2 (together, "Comanche Peak") is and has

since January 1, 2002 been conducted in compliance in all material respects with applicable health, safety, regulatory and other legal requirements. Such legal requirements include, but are not limited to, the NRC Facility Operating Licenses for Comanche Peak issued pursuant to 10 C.F.R. Chapter I, and all regulations, requirements and orders related in any way thereto; and all obligations of the Company, as the owner of Comanche Peak, pursuant to contracts with the United States Department of Energy for the disposal of spent nuclear fuel and high-level radioactive waste, and any Laws of the State of Texas or any agency thereof. As of the date hereof, to the Knowledge of the Company, the operations of Comanche Peak are not the subject of any outstanding notice of violation or material request for information from the NRC or any other agency with jurisdiction over such facility. Comanche Peak maintains, and is in compliance in all material respects with, emergency plans designed to protect the health and safety of the public in the event of an unplanned release of radioactive materials and such plans are in compliance in all material respects with the NRC's rules and regulations.

(iii) *Exempt Wholesale Generator Status*. TXU Energy Holdings is, and has been determined by order of FERC to be, an Exempt Wholesale Generator ("EWG") under the Energy Policy Act of 2005 (the "EPAct 2005"), and neither such order nor TXU Energy Holdings' status as an EWG under the EPAct 2005 is the subject of any pending or, to the Knowledge of the Company, threatened judicial or administrative proceeding to revoke or modify such status. To the Knowledge of the Company, there are no facts that are reasonably likely to cause TXU Energy Holdings to lose its status as an EWG under the EPAct 2005.

(iv) *Qualified Decommissioning Fund.*

(A) With respect to all periods commencing on or after January 1, 1997 and ending on or prior to the Closing Date: (1) the Company's Qualified Decommissioning Fund consists of one or more trusts that are validly existing and in good standing under the laws of their respective jurisdictions of formation with all requisite authority to conduct their affairs as they now do; (2) the Company's Qualified Decommissioning Fund satisfies the requirements necessary for such fund to be treated as a "Nuclear Decommissioning Reserve Fund" within the meaning of Code Section 468A(a) and as a "Nuclear Decommissioning Fund" and a "Qualified Nuclear Decommissioning Fund" within the meaning of Treas. Reg. Section 1.468A-1(b)(3); (3) the Company's Qualified Decommissioning Fund is in compliance in all material respects with all applicable rules and regulations of any Governmental Entity having jurisdiction, including the NRC, the PUCT and the IRS, (4) the Company's Qualified Decommissioning Fund has not engaged in any acts of "self-dealing" as defined in Treas. Reg. Section 1.468A-5(b)(2); (5) no "excess contribution", as defined in Treas. Reg. Section 1.468A-5(c)(2)(ii), has been made to the Company's Qualified Decommissioning Fund which has not been withdrawn within the period provided under Treas. Reg. Section 1.468A-5(c)(2)(i); and (6) the Company has made timely and valid elections to make annual contributions to the Company's Qualified Decommissioning Fund since its inception and the Company has heretofore delivered copies of such elections to Parent. As used in this Agreement, the term

"Qualified Decommissioning Fund" means all amounts contributed to qualified funds for administrative costs and costs incurred in connection with the entombment, dismantlement, removal and disposal of the structures, systems and components of a unit of common facilities, including all costs incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses incurred with respect to the unit of common facilities after actual decommissioning occurs, such as physical security and radiation monitoring expenses, as part of TXU Electric Delivery's cost of service required by PURA or as approved by the PUCT.

(B) The Company has heretofore delivered to Parent a copy of its Decommissioning Trust Agreements as in effect on the date hereof.

(C) With respect to all periods commencing on or after January 1, 2002 and ending on or prior to the Closing Date, (1) the Company and/or Mellon Bank, N.A., the Trustee of the Company's Qualified Decommissioning Fund (the "Trustee") has/have filed or caused to be filed with the NRC, the IRS and any other Governmental Entity all material forms, statements, reports, documents (including all exhibits, amendments and supplements thereto) required to be filed by the Company and/or the Trustee of the Company's Qualified Decommissioning Fund; (2) there are no interim rate orders that may be retroactively adjusted or retroactive adjustments to interim rate orders that may affect amounts that Parent may contribute to the Company's Qualified Decommissioning Fund or may require distributions to be made from the Company's Qualified Decommissioning Fund. The Company has delivered to Parent a copy of the schedule of ruling amounts most recently issued by the IRS for the Company's Qualified Decommissioning Fund and a complete copy of the request that was filed with the IRS to obtain such schedule of ruling amounts and a copy of any pending request for revised ruling amounts, in each case together with all exhibits, amendments and supplements thereto.

(D) The Company has made available to Parent a statement of assets prepared by the Trustee for the Company's Qualified Decommissioning Fund as of December 31, 2006 and as of January 31, 2007 and will make such a statement available as of the most recently available month end preceding the Closing, and such statements fairly presented and will fairly present as of such dates the financial position of each of the Company's Qualified Decommissioning Funds. The Company has made available to Parent information from which Parent can determine the Tax basis of all assets in the Company's Qualified Decommissioning Fund and will make such a statement available as of the most recently available month end preceding the Closing.

(E) The Company has made available to Parent all material contracts and agreements to which the Trustee, in its capacity as such, is a party.

(v) *Nonqualified Decommissioning Funds.* As of the date hereof, the Company does not maintain any funds in any nonqualified decommissioning trusts.

(vi) *Foreign Ownership, Control or Influence.* Each officer and director of TXU Generation Company LP and any entity of which TXU Generation Company LP is a Subsidiary is a U.S. citizen.

(q) Derivative Products. (i) (A) To the Knowledge of the Company, as of the date hereof, all Derivative Products entered into for the account of the Company or any of its Subsidiaries on or prior to the date hereof were entered into in accordance with (x) established risk parameters, limits and guidelines and in compliance with the risk management policies approved by management of the Company and in effect on the date hereof (the "TXU Trading Policies"), with exceptions having been handled in all material respects according to the Company's risk management processes as in effect at the time at which such exceptions were handled, to limit the level of risk that the Company or any of its Subsidiaries is authorized to take, individually and in the aggregate, with respect to Derivative Products and monitor compliance with such risk parameters and (y) applicable Law and policies of any Governmental Entity.

(B) All Derivative Products entered into after the date hereof for the account of the Company or any of its Subsidiaries will be entered into in accordance with (x) the TXU Trading Policies with exceptions being handled in all material respects according to the Company's risk management processes as in effect at the time at which such exceptions will be handled, to limit the level of risk that the Company or any of its Subsidiaries is authorized to take, individually and in the aggregate, with respect to Derivative Products and monitor compliance with such risk parameters and (y) applicable Law and policies of any Governmental Entity.

(ii) The Company has made available to Parent a true and complete copy of the TXU Trading Policies, and the TXU Trading Policies contain a true and complete description of the practice of the Company and its Subsidiaries with respect to Derivative Products, as of the date hereof.

(iii) (A) Section 5.1(q)(iii)(A) of the Company Disclosure Letter sets forth a summary of the Company's natural gas and heat rate positions as of February 16, 2007. The Company has made available to Parent pricing and other supporting information relating to the positions summarized on Schedule 5.1(q)(iii)(A) of the Company Disclosure Letter.

(B) Since February 16, 2007 and through the date of this Agreement, the Company has not entered into any Derivative Products outside of the normal course of business.

For purposes of this Agreement, "Derivative Product" means (i) any swap, cap, floor, collar, futures contract, forward contract, option and any other derivative financial instrument or Contract, based on any commodity, security, instrument, asset, rate or index of any kind or nature whatsoever, whether tangible or intangible, including electricity (including capacity and ancillary services products related thereto), natural gas, crude oil, coal and other commodities, emissions allowances, renewable energy credits, currencies, interest rates and indices and (ii) forward contracts for delivery of electricity (including capacity and ancillary

services products related thereto), natural gas, crude oil, petcoke, lignite, coal and other commodities and emissions and renewable energy credits.

(r) Brokers and Finders. Neither the Company nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the Merger or the other transactions contemplated in this Agreement except that the Company has employed Credit Suisse Securities (USA) LLC and Lazard Frères & Co. LLC as its financial advisors pursuant to engagement letters with the Company, copies of which have been provided to Parent prior to the date hereof or, in lieu thereof, redacted copies containing the material contents thereof including, without limitation, the provisions setting forth the fees payable thereunder and any commitments for future engagements have been provided to Parent prior to the date hereof.

(s) Real Property. Except as would not be reasonably expected to have a Company Material Adverse Effect, the Company and its Subsidiaries have either good title, in fee or valid leasehold, easement or other rights, to the land, buildings, wires, pipes, structures and other improvements thereon and fixtures thereto, necessary to permit the Company and its Subsidiaries to conduct their business as currently conducted free and clear of any Liens, options, rights of first refusal or other similar encumbrances.

(t) Company Material Contracts. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) neither the Company nor any Subsidiary of the Company is in breach of or default under the terms of any Contract that would be required to be filed by the Company as a "material contract" (as such term is defined in item 601(b)(10) of Regulation S-K of the SEC, except for any such Contract that is a Benefit Plan or would be a Benefit Plan but for the word "material" in the definition thereof) (each such Contract a "Company Material Contract"), (ii) as of the date hereof, to the Knowledge of the Company, no other party to any Company Material Contract is in breach of or default under the terms of any Company Material Contract and (iii) each Company Material Contract is a valid and binding obligation of the Company or its Subsidiary that is a party thereto and, to the Knowledge of the Company, is in full force and effect unless terminated in accordance with its terms.

5.2 Representations and Warranties of Parent and Merger Sub. Except as set forth in the corresponding sections or subsections of the disclosure letter delivered to the Company by Parent prior to entering into this Agreement (the "Parent Disclosure Letter") (it being agreed that disclosure of any item in any section or subsection of the Parent Disclosure Letter shall be deemed disclosure with respect to any other section or subsection to which the relevance of such item is reasonably apparent), Parent and Merger Sub each hereby represent and warrant to the Company that:

(a) Organization, Good Standing and Qualification. Each of Parent and Merger Sub is a legal entity duly formed, validly existing and in good standing under the Laws of its respective jurisdiction of formation and has all requisite corporate, limited partnership or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation or limited partnership in each jurisdiction where the ownership, leasing or

operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, qualified or in such good standing, or to have such power or authority, would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the ability of Parent and Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement. Parent has made available to the Company a complete and correct copy of the certificate of formation and bylaws of Merger Sub as in effect on the date of this Agreement.

(b) Corporate Authority. No vote of holders of limited partnership interests of Parent is necessary to approve this Agreement and the Merger and the other transactions contemplated hereby. Each of Parent and Merger Sub has all requisite corporate or limited partnership power and authority and has taken all corporate or limited partnership action necessary in order to execute, deliver and perform its obligations under this Agreement, subject only to the adoption of this Agreement by Parent as the sole shareholder of Merger Sub (the "Requisite Parent Vote"), which will occur immediately following the execution of this Agreement, and to consummate the Merger. This Agreement has been duly executed and delivered by each of Parent and Merger Sub and is a valid and binding agreement of, Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(c) Governmental Filings; No Violations; Etc.

(i) Other than the FERC Approval, the NRC Approval and the FCC Approval and filings in respect thereof and the filings and/or notices (A) pursuant to Section 1.3, (B) required as a result of facts or circumstances solely attributable to the Company or its Subsidiaries, a direct or indirect change of control thereof or the operation of their businesses and (C) under the HSR Act (other than those in clauses (A) and (B), all such approvals being collectively the "Parent Approvals"), no notices, reports or other filings are required to be made by Parent or Merger Sub with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Parent or Merger Sub from, any Governmental Entity in connection with the execution, delivery and performance of this Agreement by Parent and Merger Sub and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby, except those, the failure to make or obtain which would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the ability of Parent and Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement.

(ii) The execution, delivery and performance of this Agreement by Parent and Merger Sub do not, and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the certificate of incorporation or formation or certificate of limited partnership or bylaws or comparable governing documents of Parent or Merger Sub or the comparable governing instruments of any of its Subsidiaries, (B) with or without notice, lapse of time or both, a breach or violation of, a termination (or right of termination) or a default under, the creation or acceleration of any obligations under, or the creation of a Lien on any of the assets of Parent or any of its

Subsidiaries pursuant to, any Contracts binding upon Parent or any of its Subsidiaries or any Laws or governmental or non-governmental permit or license to which Parent or any of its Subsidiaries is subject, (C) assuming compliance with the matters referred to in Section 5.2(c)(i), a violation of any Law to which Parent or any of its Subsidiaries is subject, except, in the case of clause (B) or (C) above, for any breach, violation, termination, default, creation, acceleration or change that would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the ability of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement.

(d) Litigation. As of the date of this Agreement, there are no civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to the knowledge of Parent, threatened against Parent or Merger Sub that seek to enjoin, or would reasonably be expected to have the effect of preventing, making illegal, or otherwise interfering with, any of the transactions contemplated by this Agreement, except as would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the ability of Parent and Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement.

(e) Financing. Section 5.2(e)(i) of the Parent Disclosure Letter sets forth a true and complete copy of the commitment letter, dated as of the date of this Agreement, among Citigroup Global Markets Inc., Goldman Sachs Credit Partners L.P., JPMorgan Chase Bank, N.A., J.P. Morgan Securities Inc., Lehman Brothers Inc., Lehman Brothers Commercial Bank, Lehman Commercial Paper Inc. and Morgan Stanley Senior Funding, Inc. (the "Debt Financing Commitment"), pursuant to which lenders party thereto have committed, subject to the terms and conditions set forth therein, to lend the amounts set forth therein for the purposes of financing the transactions contemplated by this Agreement and related fees and expenses (the "Debt Financing"). Section 5.2(e)(ii) of the Parent Disclosure Letter sets forth true and complete copies of the equity commitment letters, dated as of the date of this Agreement, from (i) KKR 2006 Fund L.P., (ii) TPG Partners V, L.P., (iii) J.P. Morgan Ventures Corporation, (iv) Citigroup Global Markets Inc. and (v) Morgan Stanley & Co. Incorporated (collectively, the "Equity Financing Commitments" and together with the Debt Financing Commitment, the "Financing Commitments"), pursuant to which the investor parties thereto have committed, subject to the terms and conditions set forth therein, to invest the amounts set forth therein (the "Equity Financing" and together with the Debt Financing, the "Financing"). Prior to the date hereof, (i) none of the Financing Commitments has been amended or modified, (ii) no such amendment or modification is contemplated, and (iii) the respective commitments contained in the Financing Commitments have not been withdrawn or rescinded in any respect. Merger Sub has fully paid any and all commitment fees or other fees in connection with the Financing Commitments that are payable on or prior to the execution hereof. The Financing Commitments are in full force and effect as of the date hereof and are the legal, valid and binding obligations of Merger Sub and, to the knowledge of Parent, of the other parties thereto. Notwithstanding anything in this Agreement to the contrary, one or more Debt Financing Commitment may, in accordance with the provisions of this Agreement, be superseded at the option of Parent after the date of this Agreement but prior to the Effective Time by instruments (the "New Debt Financing Commitments") replacing existing Debt Financing Commitment, provided that the terms of the New Debt Financing Commitments shall not (a) expand upon the conditions precedent to the

Financing as set forth in the Debt Financing Commitment or (b) otherwise delay the Closing. In such event, the term "Financing Commitments" as used herein shall be deemed to include the Financing Commitments that are not so superseded at the time in question and the New Debt Financing Commitments to the extent then in effect. There are no conditions precedent or other contingencies related to the funding of the full amount of the Financing, other than as set forth in or contemplated by the Financing Commitments. As of the date hereof, no event has occurred that, with or without notice, lapse of time or both, would constitute a default on the part of Parent or Merger Sub under any of the Financing Commitments. As of the date hereof, Parent has no reason to believe that any of the conditions to the Financing contemplated by the Financing Commitments will not be satisfied or that the Financing will not be made available to Parent on the Closing Date. Assuming the Financing Commitments are funded, Parent and Merger Sub will have at and after the Closing funds sufficient to pay the aggregate Per Share Merger Consideration (and any repayment or refinancing of debt contemplated by this Agreement or the Financing Commitments) and any other amounts required to be paid in connection with the consummation of the transactions contemplated hereby, and to pay all related fees and expenses.

(f) Capitalization of Merger Sub. The authorized capital stock of Merger Sub consists solely of 1,000 shares of Common Stock, no par value, all of which are validly issued and outstanding. All of the issued and outstanding capital stock of Merger Sub is, and at the Effective Time will be, owned by Parent or a direct or indirect wholly-owned Subsidiary of Parent. Merger Sub has not conducted any business prior to the date hereof and has no, and prior to the Effective Time will have no, assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement and the Merger and the other transactions contemplated by this Agreement, including the Financing.

(g) Parent's ERCOT Generation. Parent and its "affiliates" (as defined in Section 11.003(2) of the Texas Utilities Code as in effect on the date hereof) do not directly or indirectly own, control or have under construction any electric generation facilities that offer electricity for sale in the ERCOT Region or that are located in, or are capable of delivering electricity for sale to, the ERCOT Region. Neither Parent nor its "affiliates" (as defined in Section 11.003(2) of the Texas Utilities Code as in effect on the date hereof) have a present intention to acquire or construct any electric generation facilities offering, or capable of offering electricity for sale to, the ERCOT Region, except through the Company or its Subsidiaries.

(h) Foreign Ownership, Control or Influence. Each officer and manager of the sole general partner of Parent is a U.S. citizen, and to the knowledge of Parent, none of the members owning 5% or more of the limited liability company interests in the sole general partner of Parent is, or is controlled by, a foreign Person or entity. To the knowledge of Parent after due inquiry, none of the limited partners owning singularly or collectively 10% or more of Parent's limited partnership interests is, or is controlled by, a foreign Person or entity. As of the Closing, no foreign Person will control TXU Generation Company LP.

(i) Brokers. No agent, broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Merger Sub for which the Company could have any liability prior to the Closing.