



Code of Conduct

Effective March 30, 2006

Letter from John Wilder, Chairman, President and Chief Executive

TXU has always been committed to conducting business in accordance with the highest ethical standards and in compliance with applicable laws and regulations. Our core values embrace this commitment, particularly with regard to the core values of Excellence, Respect, and Ethical Conduct.

The *Code of Conduct* expands upon this fundamental commitment by providing guidance in making the right choices regarding behavior. Each of us must be committed to following the *Code of Conduct*, as well as the letter and spirit of all applicable policies, procedures, laws and regulations.

Every employee will be instructed on the *Code of Conduct* and on standards, laws and regulations that relate to their responsibilities. It is important that each of us complete any related training that is provided.

The *Code of Conduct* is comprehensive. However, it cannot address every situation that we may encounter. Should any employee face a situation where the meaning or application of any policy including the *Code of Conduct* is not clear, they should contact their manager or supervisor. The Compliance Officer; the members of the Compliance Committee; and the individuals in charge of Internal Audit, Corporate Security, Ethics & Compliance and Human Resources are also available to address your concerns.

It is everyone's responsibility to report suspected violations of the *Code of Conduct*, policy, laws or regulations. The reporting person's identity will be kept confidential to the fullest extent possible. And there will be no retaliation against any employee who reports a concern in good faith.

I know each of you will join me in complying with the *Code of Conduct*, and in demonstrating the highest standards of openness, fairness, honor, honesty, and integrity in all situations affecting TXU. It is imperative that we not only do things right, but that we do the right things.

A handwritten signature in black ink, appearing to read "John Wilder", is positioned below the main text of the letter.

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SCOPE \ APPLICATION

This Code of Conduct applies in TXU Corp. and all of its subsidiaries (“TXU”).

This document may not address every situation related to the title subject. Other relevant material may include, and is not limited to, other policies and principles, business unit or work area procedures, and laws and regulations.

INTRODUCTION

This Code of Conduct has been prepared under TXU’s Corporate Compliance Program and applies to all employees of TXU. The Code of Conduct also applies to Directors of TXU Corp. except with regard to provisions pertinent only to employees. The material in the Code of Conduct provides a summary of certain TXU policies and procedures, including but not limited to:

Affiliate Standards Compliance Plan	Employee Expenses – Reimbursable
Affiliate Standards Compliance Procedure – Employee Transfers	Employment
Affirmative Action	Employment of Relatives
Compliance Program	Harassment and Sexual Harassment
Discipline	Information Disclosure
Inventions, Discoveries and Developments	Internet, Intranet and E-Mail
Diversity Action Plan	Smoking
Drugs – Intoxicants, Drugs and Narcotics Testing	Solicitation
Drugs – Use and/or Possession of Intoxicants, Drugs and Narcotics	Weapons and Firearms

The Code of Conduct provides employees with rules and guidance on ethical issues. It states TXU’s expectations for ethical conduct. Employees are expected to know and comply fully with the Code of Conduct and all TXU policies and procedures. Successful implementation depends on the conduct of all TXU employees.

The Code of Conduct is a set of general principles, and, therefore, must be used together with good judgment. While it is not possible to cover the infinite variety of situations to which the Code of Conduct and its related policies and procedures apply, it is imperative that all actions be based on honesty and integrity, and that each employee conduct his/her business affairs in a manner that will ensure there is no real or apparent conflict between his/her personal interests and the interests of TXU. In addition to the Code of Conduct, compliance standards include the Core Values, policy manuals, procedure manuals, safety manuals, employee handbooks and federal, state, and local laws and regulations.

I. RELATIONSHIPS WITH CUSTOMERS, AFFILIATES, SUPPLIERS AND COMPETITORS

Employees are held to the highest standards of personal conduct and business ethics in their relationships with customers, affiliates, suppliers, and competitors. This includes providing a high-quality service, treating everyone in an equitable manner, displaying dignity and courtesy in business dealings, and competing vigorously, effectively, and fairly.

Antitrust and Dealing with Competitors

Federal and state antitrust laws prohibit various practices that could limit competition or restrict fair trade. Under these laws, companies may not enter into agreements with other companies, however informally, that unreasonably restrict competition. Some examples of prohibited agreements include: an agreement with competitors to charge customers the same price for products or to divide markets or service territories (*i.e.*, to divide customers); an agreement with suppliers not to sell to the company's competitors; and forcing any customer to buy an item or service as a condition of buying another item or service. Accordingly, employees are expected to be sensitive to the possibility of legal concerns under competition laws and raise any concerns with their manager, the Compliance Helpline at 1-800-453-0801 or the TXU Legal Department.

Business Solicitation

Employees should not offer financial or other inducements that exceed customary courtesies to existing or potential customers or suppliers in order to obtain business or preferential treatment. Purchasing and sales decisions must be independent of each other. This means that an employee's decision to buy from a supplier must not depend on the supplier's decision to buy from TXU.

Competition and Marketing

TXU should compete solely on the merits of its products, services, and ability to serve. Employees are expected to be accurate and truthful to customers, suppliers, and competitors and not misrepresent themselves or the quality, features, price, or availability of TXU's products and services. Prohibited activities include:

- Using deceptive or misleading statements.
- Inducing a competitor or customer to breach a contract with a third party.
- Obtaining unauthorized access to confidential or proprietary data or documents.
- Securing an unfair competitive advantage.
- Engaging in any activity that could damage TXU's reputation.

Endorsements

Employees, on behalf of TXU, should not endorse, promote, or give testimony for products, services, or equipment of suppliers, customers, or competitors, unless specifically authorized to do so by a vice president or higher.

Procurement Activities

Employees responsible for procuring supplies, equipment, and services for TXU should adhere to sound business practices that result in the fair and ethical treatment of suppliers and the purchase of materials and services at the lowest total cost to TXU. This standard applies to evaluating and selecting an appropriate number of qualified suppliers; providing appropriate confidentiality and protection of supplier proprietary information; being impartial, truthful, and independent in TXU dealings; and remaining free from personal obligation to any supplier. This standard also applies to all employees who are in a position to influence procurement decisions.

II. COMPANY PROPERTY AND RECORDS

Employees have a duty to safeguard TXU assets entrusted to their care. TXU assets include not only its physical property and equipment, but also confidential information; customer information; the services and labor of employees; the innovations and other proprietary information developed by or for TXU; and TXU records including time sheets, expense reports and field test reports.

TXU Assets

Theft of Company assets is prohibited. Employees are also responsible for protecting TXU assets from loss, theft, or misuse. Employees may use TXU tools, equipment, materials and supplies, software, cash, facilities, proprietary and confidential information, and other assets, as well as the services and labor of other employees, only for legitimate business reasons on behalf of TXU. Assets are not to be used for an employee's personal benefit without the permission of the employee's supervisor.

Confidential Information, Proprietary Information, and Material Nonpublic Information

Employees are responsible for safeguarding confidential and proprietary information and are prohibited from taking, using and/or disclosing such information, either directly or indirectly, for their personal gain or benefit, for the benefit of another company or entity, or to the detriment of TXU during or after their employment. Even after the end of employment, there is a continuing obligation of each individual not to use or disclose confidential and proprietary information. Upon termination of employment, employees must return to TXU all originals and copies of any materials in the employee's possession, custody or control which contain confidential and/or proprietary information.

Confidential and proprietary information means non-public information used in TXU's business, including information possessing one or more of the following characteristics:

- exclusive to TXU, about TXU, or created by TXU
- gives TXU a competitive business advantage or the opportunity to obtain such an advantage
- typically not disclosed by TXU, or unknown by persons outside TXU
- may be detrimental to the interests of TXU if disclosed
- designated as confidential information by TXU or, considering the circumstances, should reasonably be considered to be confidential to TXU

Confidential and proprietary information includes, but is not limited to:

- material nonpublic information relating to the Company's past, present or future business activities
- ideas, discoveries, developments, improvements and inventions, whether patentable or not
- trade secrets, processes, methods, formulas, know-how and other technical information
- business models, practices and methodologies
- financial data and information
- research and development projects and information
- performance and operational information
- transaction information
- business and operational plans, projects, studies, strategies, reports, and analyses
- computer programs and related documentation, algorithms and software systems
- nonpublic compilation of customer and prospect lists, customer and prospect data and other information related to customers and prospective business relationships
- marketing and sales plans and related information
- personnel records, personnel data and other personnel information
- communications plans, including developmental advertising and press releases and media purchases
- all nonpublic pricing and related information, including pricing curves, guidelines, models and methodologies
- training methods and processes
- nonpublic governmental filings, positions and reports
- consulting reports and studies

- legal advice and opinions

Employees should not:

- provide confidential or proprietary information to other TXU employees who are not authorized, or do not otherwise have a need, to know the information.
- divulge, disclose, or communicate to any person who is not employed by TXU or to any third party firm or company, either directly or indirectly, any confidential or proprietary information unless the non-employee or third party is authorized to receive such information pursuant to a confidentiality agreement or the prior written consent of the appropriate TXU manager, director or officer.
- use, copy, or transfer confidential or proprietary information other than as necessary in carrying out their duties on behalf of TXU and then only with proper authorization from the appropriate TXU manager, director or officer.

Employees are also required to comply with the Transactions in TXU Securities policy which prohibits, among other things, buying or selling TXU securities while in possession of material non-public information about TXU or TXU securities.

Material nonpublic information may include, but is not limited to information relating to:

- earnings projections,
- mergers, acquisitions, tender offers, joint ventures, or changes in assets,
- new products or discoveries, or significant developments regarding customers or suppliers,
- changes in control or in key management, and
- events regarding TXU's securities, such as redemption calls, repurchase plans, splits, and dividend actions.

In order to comply with federal law and the Information Disclosure policy, any disclosure of material non-public information to investors or securities market professionals must be coordinated through the office of Investor Relations. Therefore, Investor Relations should be consulted for prior determination as to whether public disclosure is required of potentially material nonpublic business information. In the event an employee becomes aware of any disclosure of potentially material nonpublic information, he/she has a duty to immediately inform the Compliance Department or the Compliance Helpline.

Corporate Records

Employees are responsible for recording and reporting honest, full, fair, accurate, timely and understandable information, including supporting material, on reports, expense accounts, time sheets, and other documents or electronic data, including those related to TXU benefit plans such as health, workers' compensation, and financing plans.

Books, records and data must accurately and fairly reflect the Company's assets and transactions in reasonable detail and internal accounting controls must provide reasonable assurance that:

- The Company's transactions are properly authorized, recorded, summarized and reported with no fraudulent or misleading entries.
- The Company's books, records, data and other assets are safeguarded against unauthorized or improper use, alteration or disposition.
- Financial statements are prepared from reliable information and fairly represent, in all material respects, the financial condition and results of operations of the Company in conformity with appropriate accounting standards, laws and regulations.
- No payment or approval for payment is made for any use other than that specifically described by documentation supporting the payment.

Providing Information

Employees should never provide incorrect, misleading, or fraudulent information, either in writing or orally, to the Company or any Company representative; any public official, governmental agency, or internal or external auditor; or in any public communications. Any communication with news media on behalf of TXU by any employee must be coordinated through the appropriate Communications representative. Employees involved in the preparation of reports and documents on behalf of TXU filed with, or submitted to, the Securities and Exchange Commission shall ensure, to the best of their ability, that such reports and documents disclose full, fair, accurate, timely and understandable information. Employees shall fully cooperate and shall not withhold information or give false or misleading information in an investigation including Company investigations and those conducted by external parties. Additionally, employees who conduct business with affiliates of the electric utility engaged in a competitive energy-related market in Texas must comply with the restrictions concerning the sharing of information with these business entities.

Internet, Intranet and E-Mail

TXU provides employees, contractors and agents acting on behalf of TXU (“Users”) with Internet and Intranet access and E-mail for authorized business-related purposes (e.g., to communicate with co-workers, customers and suppliers, conduct research and obtain business information), and should not be abused through inappropriate or excessive personal use. It is the responsibility of all Users to see that the Internet, Intranet and E-mail systems are used in an efficient, ethical, and lawful manner in accordance with TXU policy.

The use of Internet, Intranet and E-mail may be suspended immediately upon the discovery of a potential violation of TXU policy or other possible wrongful conduct. An employee’s violation of any provision of the Internet, Intranet and E-Mail policy may result in disciplinary action, up to and including termination.

It is a violation for a User to assist others in activities that violate the Internet, Intranet and E-Mail policy or to authorize others to perform activities that violate that policy. If a User is uncertain about whether an activity may violate the policy, the User should refrain from performing the activity and contact his/her supervisor and/or manager.

Company Monitoring, Inspection and Control — TXU reserves the right to monitor the usage of its computers and networks and to monitor and inspect any and all information received, contained or transmitted on its computers or networks (including all related hardware and storage devices). In exercising this right, TXU may, among other things, inspect files, data, or messages (including those that may appear to be deleted), electronically scan Users’ E-mail for information or activity that may violate TXU policy, and identify Internet sites viewed by Users. TXU may also use software to block User’s access to inappropriate Internet sites. Where TXU deems it appropriate, it may disclose to third parties activities or information identified from monitoring or inspection. Users are required to sign an Acknowledgment consenting to monitoring, inspection, and disclosure by TXU.

No Privacy Expectations — Users should not have any expectation of privacy in connection with their use of Internet, Intranet and E-mail services at or with TXU, or with the transmission, receipt, or storage of E-mail or other information in connection with Internet, Intranet and E-mail usage. The practice of using passwords should not lead users to expect privacy with regard to messages sent or received.

Company Ownership — TXU retains the copyright to any material created by any User in the course and scope of his/her employment with TXU that is posted or transmitted to any forum, news group, web page, etc.

Reporting Inappropriate Activity — Users who know of or have reasonable grounds to suspect violations should notify their supervisor and/or manager or call the TXU Compliance Helpline at 1-800-453-0801 to report their concerns. If a User receives an E-mail that violates the Internet, Intranet and E-

Mail policy, the User should forward a copy via a Lotus Notes E-mail addressed to "IT Security", notify his/her supervisor and/or manager and delete the original.

Reporting Viruses — If a User believes a PC, file or software has a virus, he/she should immediately contact the Information Technology (IT) Support Center.

Responsible Internet, Intranet & E-Mail Use —

1. Computers connected to TXU's network or computers used for Internet access must have Company-approved anti-virus software installed and must be configured to update the virus signature files automatically.
2. If a User accidentally becomes connected to an Internet or Intranet site containing material that violates the Internet, Intranet and E-Mail policy (e.g., sexually explicit, pornographic, or offensive material), or confidential material that the User is not authorized to access, the User should disconnect from the site immediately.
3. Each User must identify him or herself honestly, accurately and completely (including Company affiliation and function where requested) when using the Internet, Intranet and E-mail. Only duly authorized TXU representatives may communicate to the media, market analysts, or in public gatherings via Internet and/or E-mail in the name of or as a representative of TXU.
4. Internet, Intranet and E-mail are provided by TXU for business-related use. Any personal use by Users must be kept to a minimum (no more than five (5) User IDs per E-mail), must comply with all TXU policies, and must not involve sending or storing files which consume large amounts of computer storage space. Personal E-mail should not typically exceed one-half (1/2) page in length or contain large file attachments including photographs or videos. Additionally, sending a chain letter or non-business related bulk E-mail, as well as the creation and exchange of spam, is prohibited. Users may not use TXU resources to create a personal home page, web page, or computer programs.
5. Any software, files, or other information downloaded or stored in TXU's network or computers must be used consistent with applicable licenses or copyright. To upload any software owned by or licensed to TXU, a User must have explicit approval from the manager responsible for the software.
6. Personal E-mail accounts provided through an individual's internet service provider should not be used for TXU business purposes unless prior documented approval is obtained from IT Security. In addition, confidential, proprietary or material nonpublic information must not be communicated using Public Instant Messaging (IM) and, to protect against viruses, file transfers through IM are prohibited.

Prohibited Conduct — Users are prohibited from the following actions in connection with computer, Internet, Intranet and E-mail use:

1. Communicating, releasing, or transmitting TXU's confidential, proprietary or material nonpublic information unless authorized to do so. Users are also prohibited from transmitting information with the intent to damage TXU's reputation.
2. Attempting to access or accessing information to which the User is not entitled.
3. Infringing or misappropriating the copyright, patent and/or trademark rights of another through the use of TXU's computers or networks, the Internet, Intranet or E-mail.
4. Using Internet, Intranet and/or E-mail for transmitting communications, or releasing or accessing information that violates applicable codes of conduct, including TXU Codes of Conduct and/or state and federal codes of conduct for utilities and their affiliates.
5. Using Internet, Intranet and/or E-mail in violation of local, state or federal laws, regulations, or rules, including, but not limited to, transmitting libelous, harassing, defamatory, or threatening communications.
6. Displaying, transmitting, forwarding, viewing, archiving, or storing any message or graphic which is reasonably determined to be offensive, inappropriate, harassing, threatening, discriminatory, sexually-explicit, pornographic, or obscene.
7. Creating, propagating or forwarding any program intended for harmful purposes, disabling or overloading any computer system or network or circumventing any control or security system. In

addition, no User should use, download or have installed onto their PCs hacker/cracker programs or encryption devices/software for any reason, without the prior written consent of IT Security. However, such consent is not required for IT supported programs (e.g., Lotus Notes, MS Internet Explorer, and WinZip) that may include encryption capabilities. Encryption devices/software may not be used, under any circumstances, to avoid detection of a violation of this policy or to circumvent any control or security system.

8. Using the Internet, Intranet and/or E-mail to conduct outside business activities, to interrupt or interfere with the work of employees, to be disruptive to the work environment, or for any other purpose that would violate TXU policies.

III. CONDUCT IN THE WORKPLACE

The safety and health of employees and the public are of prime importance to TXU, and TXU is committed to providing a safe work environment, free of discrimination and harassment. Employees are expected to treat others with respect and dignity. Full cooperation should be extended to others in all business-related matters.

Health and Safety

Safety rules and work practices are developed to help preserve the safety and health of employees and the public and to comply with applicable regulations. All employees are expected to know the safety rules pertaining to their job assignments, and to comply with these rules in the performance of their jobs. TXU does not tolerate any conduct by employees that jeopardizes the safety of the workplace, other employees, or the public. Examples of prohibited conduct include making threats; using abusive or profane language; engaging in threatening or violent physical conduct; or other inappropriate behavior including the possession of weapons, firearms, ammunition, explosives, or illegal drugs.

If an employee does not understand a safety rule or if clarification of a rule is needed, the employee should consult his/her supervisor. It is also an employee's responsibility to report any unsafe conditions or acts to his/her supervisor. Failure to comply with safety rules or procedures will subject the employee to disciplinary action.

If an employee is injured on the job, the injury must be reported immediately to the employee's supervisor and an "Employee Injury Report" must be completed, and any involved employee shall cooperate in preparation of such reports.

Intoxicants, Drugs, and Narcotics

The use or possession of intoxicants, drugs or narcotics can create a danger to employees and the general public. TXU has adopted two comprehensive policies regarding these substances:

- Drugs - Intoxicants, Drugs & Narcotics Testing Procedures addresses, among other things, that all employees and prospective employees are subject to being tested.
- Drugs - Use and/or Possession of Intoxicants, Drugs & Narcotics addresses, among other things, prohibited conduct, illegal and prescription drugs, searches, and off-duty conduct.

It is each employee's responsibility to report unsafe or hazardous conditions that are caused by the use or possession of intoxicants, drugs, or narcotics.

Respect in the Workplace, and Harassment

All employees are expected to act in a responsible and professional manner to maintain a respectful working environment free of harassment. Employees are prohibited from discriminating against or harassing any individual, or allowing discrimination or harassment to go unreported. Inappropriate conduct or comments based on race, color, religion, sex, sexual orientation, national origin, age, disability or veteran status, or any other conduct contrary to creating an environment free of discrimination and harassment, will not be tolerated and will subject an employee to severe disciplinary action, up to and

including termination. Due to TXU's strong stance against harassing conduct, in addition to prohibiting conduct that violates local, state and federal law, conduct that may not necessarily rise to the level of unlawful harassment is also prohibited. The Company will not tolerate any form of harassment of employees, whether imposed by an employee, independent contractor, vendor, or visitor.

Harassment — Harassment includes, but is not limited to, verbal, physical or other conduct that harms or exhibits hostility or aversion toward an individual because of his or her race, color, religion, sex, sexual orientation, national origin, age, disability, veteran status, or that of his or her relatives, friends, or associates, and that:

- Has the purpose or effect of creating an intimidating, hostile, or offensive work environment;
- Has the purpose or effect of unreasonably interfering with an individual's work performance;
- or
- Otherwise adversely affects an individual's employment opportunities.

Harassment also includes any other conduct that creates an environment determined to be intimidating, hostile, or offensive, including the creation of such an environment through the use of verbal or physical conduct, and/or the display, transmission, or communication of messages, graphics, phrases, pictures, or objects.

Sexual Harassment — In addition to the above, sexual harassment includes, but is not limited to, unwelcome sexual advances, requests for sexual favors or other verbal or physical conduct of a sexual nature, including when:

- Submission to such conduct is an explicit or implicit condition of employment;
- Submission to or rejection of such conduct is used as the basis for employment decisions; or
- Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, offensive, or hostile work environment.

Examples of Prohibited Conduct — Prohibited conduct includes, but is not limited to, disparaging, abusive and/or sexual words, phrases or materials; slurs; negative stereotyping; threatening, intimidating, or hostile acts, including jokes or pranks that might reasonably be perceived as hostile or demeaning; unwelcome touching; written or graphic material or objects that are sexually-oriented, obscene or criticize or show hostility or aversion toward an individual or group.

Reporting Responsibilities — Employees who are aware of or who personally feel victimized by harassment or discrimination should immediately report the situation to their supervisor, manager, the Human Resources Department, or the Compliance Help Line at 1-800-453-0801. If an employee chooses to report a situation to a supervisor or manager and is not satisfied with action taken by the supervisor or manager, the employee should report the situation to Human Resources or the Compliance Help Line.

Manager Responsibilities — Any member of Management who receives a complaint of harassment or discrimination should immediately report the complaint to his/her manager and the Employee Relations Manager.

Complaint Processing — All individuals must fully cooperate in any TXU investigation and provide truthful and accurate information. No employee will be subject to any form of retaliation for pursuing a good faith claim of harassment or discrimination or providing truthful information during an investigation. Employees who are dissatisfied with the resolution of a harassment or discrimination problem may file an appeal with a member of management or in accordance with the appropriate problem resolution procedure.

Smoking

Smoking is prohibited in all buildings owned or leased by TXU, and TXU vehicles and equipment with enclosed cabs unless otherwise provided in the Smoking Policy. Management at each TXU facility may designate appropriate outdoor area(s) where smoking is permitted.

Use of Cellular Phones and Wireless Devices

All employees are prohibited from using cell phones or other wireless devices (e.g., pagers, Blackberry or PDA devices, laptops, etc.) while conducting TXU business in situations, including but not limited to driving a vehicle, in which it appears to the employee that the use of such devices is likely to increase the risk of injury to an employee or to the public. Employees are encouraged to use a hands-free device or to safely stop the vehicle before using a cell phone or other wireless device while driving. Under no circumstances are employees allowed to place themselves or others at risk to fulfill TXU's business needs.

Possession of Weapons and Firearms

The TXU policy regarding possession of weapons, firearms and ammunition summarized here strictly prohibits the possession of weapons, firearms (with or without a license) and ammunition whether classified as legal or illegal on TXU property, including buildings, parking lots, recreation facilities, equipment and vehicles, with only the limited exceptions listed below. This policy applies to all employees, visitors, vendors, clients, job applicants, contractors and consultants.

The following limited exceptions are allowed:

- Legal personal firearms and hunting and sporting weapons (if those firearms and weapons are unloaded), ammunition and equipment are permitted in personal vehicles provided that they are stored in locked compartments, and in compliance with all applicable laws.
- Authorized TXU and contract security personnel may carry weapons, firearms and ammunition on TXU property or on duty in the conduct of their assigned security or investigative duties;
- Use or possession of firearms, ammunition and explosives for specific situations is permitted if approved by elected officer.

Unless specifically permitted under the exceptions above, employees may not carry weapons, firearms (with or without a license), ammunition or other equipment or devices (e.g., explosives) determined by management as presenting a hazard, on or about their person while on duty, regardless of assigned work location.

In order to enforce these rules, all employees, employee vehicles, personal belongings, offices, lockers and any TXU property may be subject to search. Refusal on the part of any employee, after being requested to do so, to submit immediately to a search of his/her person and/or property, will subject the employee to discharge.

To inquire further or to report concerns or possible violations of this policy, employees should contact their supervisor or Corporate Security.

IV. CONFLICTS OF INTEREST

Employees are expected to avoid conflicts of interest between their personal interests and those of TXU. Employees should promptly and fully disclose to the employee's manager and/or supervisor any situation that could reasonably present either an actual conflict of interest or the appearance of a conflict of interest. Any activity that may even appear to represent a conflict of interest should be disclosed and avoided. Every situation is unique and determination of an actual conflict will depend on such factors as job position and the extent of the employee's involvement.

Gifts, Gratuities, and Entertainment

Employees or members of their immediate families (spouse, mother, father, son, daughter, brother, sister or any of the step- or in-law relations, whether established by blood or marriage) should not solicit nor accept cash or its equivalent, entertainment, favors, gifts or anything of substance from competitors, vendors, suppliers, customers, or others that do business or are trying to do business with TXU. Exceptions would include items of nominal value that are neither excessive nor exceed customary courtesies. Cash or its equivalent should never be accepted. Loans from any persons or companies having or seeking business with TXU, except recognized financial institutions, should not be accepted. All relationships with those with whom TXU deals should be cordial, but must be on an arm's length basis. Nothing should be accepted, nor should the employee have any outside involvement, that could impair, or give the appearance of impairing, an employee's ability to perform his/her duties or to exercise business judgment in a fair and unbiased manner.

For example, TXU employees on occasion may be invited to be the guests of an outside company or person at meetings, trips, etc., usually overnight, that have an emphasis on recreation of some type. Employee participation in such events should be limited only to those where a benefit to TXU is expected to result, and as much of the employee's expenses as is possible and practical should be paid by TXU. The sponsor of the event should be in good standing with TXU based on prior performance. As a rule, employees should attend such events only when other representatives from a broad spectrum of industry also will be in attendance. While certain business-related topics of a general nature may be discussed during the event, specific business transactions should be avoided. Further, prior written approval of participation must be obtained from a vice president, or higher level for officers, in the employee's business unit/company.

Employment of Relatives

No personnel action (including hiring, transfer or promotion) will be taken which will create a situation in which any two immediate relatives have a common immediate supervisor, are in direct line reporting relationship, work in close physical proximity, or in any other situation which may present an actual or perceived conflict of interest.

Financial Interests

Employees should not be involved in selling goods and services to TXU. Employees or members of their immediate families should not:

- receive compensation from, or have any financial interest in, a current or prospective supplier, customer, or competitor if that compensation or financial interest constitutes a conflict of interest for the employee.
- own a significant financial interest in any business that supplies TXU with a substantial amount of goods or services or where sales to TXU are a substantial part of the other business's revenues.

Any exceptions must be approved by the employee's manager and/or supervisor in writing and a copy should be forwarded to the Compliance Officer. Ownership of less than one percent of the securities of a corporation listed on a recognized stock exchange is not considered a significant financial interest.

Outside Activities

Employees shall not participate in any outside activity (including as an officer, director, owner, consultant, or employee) that could or appears to interfere with the performance of their or other employees' duties and responsibilities, affect their independent and objective judgment, compete with a TXU business, or discredit TXU. Each employee's primary business obligation should be to TXU, and personal business affairs or outside employment should be kept separate and distinct from those of TXU in every respect and not be based on Company property, information or position, and not divert business opportunities away from TXU.

An employee's outside activities should not be conducted on TXU property and not involve the use of any TXU assets, materials, property, or the services of other TXU employees, or involve the employee's activities during TXU work hours. Exceptions may be granted by the employee's manager and/or supervisor, where the situation warrants.

Employees should not use TXU prestige or influence, directly or indirectly, for personal gain or benefit. In this regard, an employee, while on the job or as a TXU representative, should not solicit customers to hire or contract with him/her for outside work of any kind.

Public Office

Employees are encouraged to take an active interest in the political affairs of the local community, the state and the nation. However, this action is to be done as an individual and not on behalf of TXU.

Participation in an appointed or elected capacity at either the local, county, state, or federal level in positions such as a member of a city council, a county commissioners court or a tax appraisal board within a TXU business' service and operating area can represent a potential conflict of interest. Employees wishing to serve in such capacity must notify their function level manager prior to taking any action. When, in the judgment of TXU, a perceived or actual conflict of interest arises, TXU will take, or require the employee to take, appropriate action to resolve the conflict.

V. LAWS AND REGULATIONS

TXU's activities are subject to a broad set of federal, state and local laws, and employees must adhere strictly to both the letter and the spirit of all applicable laws and regulations.

Bribery, Kickbacks, and Foreign Business Dealings

Employees should never offer incentives to a foreign or domestic government official or agent in the hopes of influencing that individual. TXU funds, services, or labor must not be given, directly or indirectly, to anyone in an improper effort to obtain or retain business for TXU or to obtain any special or unusual treatment in connection with a business transaction. Expenditures and transactions of any kind involving foreign officials, including social meetings, must be discussed with function level management in advance. Any such expenditure or transaction must be accurately recorded in the books and records of TXU.

Copyright or Patent Infringement

Employees should verify that duplication is permissible before reproducing any copyrighted material including from books, magazines, newspapers, videotapes, computer programs, the Internet, or copies of design drawings. In addition, employees should be aware that certain designs, processes and devices are subject to patents. Employees should not infringe or violate the intellectual property rights of others.

Environmental Protection

Environmental commitments that go beyond regulatory compliance are interwoven into every level and every activity of TXU. To formalize TXU's leadership role in environmental excellence, TXU has adopted a statement of Environmental Principles. Employees are expected to comply with environmental regulations and maintain TXU standards.

Insider Trading and Selective Disclosure

Employees should not use confidential or material nonpublic TXU information for personal gain or disclose such information to any unauthorized person. In addition, employees should not speak with journalists, financial analysts, or shareholders on behalf of TXU unless authorized to do so. All communications on behalf of TXU with securities market professionals and shareholders must be coordinated through Investor Relations. Certain transactions in TXU securities are restricted by securities law and TXU's Transactions in TXU Securities policy.

Political Contributions and Activities

Payment or use of corporate assets of any type as payment, directly or indirectly to any person, business, political organization, or public official for any unlawful or unauthorized purpose is prohibited. Employees should not make any political contribution on behalf of TXU, use any TXU resources to assist a candidate or elected official in any campaign, or coerce or direct another employee to vote a certain way. Employees should never attempt to offer any incentives to public officials in the hopes of influencing that individual.

Employees may form political action committees (PACs) to solicit contributions from management and employees. PACs are subject to campaign finance laws, which generally require that the PAC be administered separately from the affairs of TXU.

Employees responsible for contacts with state and federal agencies and other levels of government must be familiar with, and abide by, the standards adopted by the various agencies or other government bodies. In addition, these employees shall comply with all lobbyist registration and reporting requirements including disclosing what they do and what they spend. Only employees who are registered and file reports as lobbyists may engage in any lobbying activity.

State and Federal Regulations, Standards, and Codes of Conduct

Employees are subject to standards, regulations, and codes of conduct approved by state and federal regulatory agencies that govern TXU business activities. Two such regulations are addressed below.

Affiliate Rules – The Public Utility Commission of Texas has adopted detailed rules that govern the transactions and interactions between the electric utility and its affiliates. The rules address topics including nondiscriminatory access to the electric utility's services, sharing electric utility information with a competitive affiliate, protecting proprietary customer information, prohibiting the electric utility providing unfair advantages to its competitive affiliates, and prohibiting the electric utility from subsidizing its affiliates.

Wholesale Market Rules – The Public Utility Commission of Texas has also adopted rules that govern entities participating in the wholesale electricity market administered by ERCOT. The rules include standards that require compliance with ERCOT protocols and the reporting of accurate information to market publications and the Commission and prohibit operating generation to create artificial transmission congestion, creating trades that offset each other, offering resources for reliability services that cannot or will not be delivered, engaging in fraudulent behavior, colluding with other participants to manipulate prices or restrain competition, and engaging in market power abuse including withholding production.

VI. CERTAIN OTHER POLICIES

Employees are prohibited from engaging in conduct that negatively affects: an employee's ability to perform his or her job; a co-worker's confidence in or ability to work with an employee; or the public trust in the ability of TXU or an employee to carry out TXU's responsibilities. Employees are also prohibited from requesting or encouraging another party to engage in conduct or activities that they as employees are prohibited from doing under TXU policy. TXU has established certain other policies, some of which are summarized below.

Employment

It is the policy of TXU to comply with all employment laws and to afford equal opportunity for employment to all individuals without regard to race, color, religion, sex, national origin, disability, age or disabled veteran, veteran of the Vietnam era or other covered veteran status. This Employment policy applies to recruitment, hiring, promotion, demotion, transfer, discipline, layoff, termination, rates of pay, selection for training, and every other type of pre- and post-employment personnel activity. All hiring, terminations, and selections for job opportunities will be based on the Company's business needs and the qualifications, skills and performance of the candidates, and not based on impermissible considerations.

Management personnel are responsible for ensuring that employees in their organizations are adequately informed about this policy and for assuring that the provisions of this policy are enforced in their organization.

Employee Discipline

To assure TXU business is conducted properly and efficiently, employees must conform to certain standards of work performance, conduct, attendance, and other work rules and regulations.

The TXU Discipline policy, summarized here, applies to regular employees who have completed 90 days of service and pertains to matters of conduct as well as an employee's performance. Steps of discipline described in the policy include: (1) an oral reminder, (2) a written reminder, (3) decision-making leave. However, the Company has the right to bypass one or more of these steps based on the circumstances and to terminate for a first-time offense. For example, an employee who does not display satisfactory conduct or performance on the job may be terminated without resorting to any of the steps set forth in the policy.

If any affected employee (not covered by a labor agreement) disagrees with any disciplinary action taken, the employee can appeal through the Employee Problem Resolution procedure.

Documentation — Certain documentation must be created and retained under the Discipline Policy.

Crisis Suspension — At TXU's discretion, an employee may be suspended with no oral or written warning and may be terminated or otherwise disciplined. Examples of situations where suspension may be utilized include when there is reason to believe that an employee has engaged in:

- Theft
- Falsification of TXU records
- Failure to follow safety practices
- Conflict of interest
- Harassment
- Threatening or unsafe conduct
- Willful or negligent destruction of property
- Violation of TXU's policy on use, and/or possession of intoxicants, drugs, and narcotics
- Neglect of duty
- Refusal to perform assigned work or to follow a direct order
- Violation of TXU's Code of Conduct
- Failure to fully cooperate in an investigation, including by withholding information or giving false or misleading information.

Off-Duty Conduct — Occasionally there are problems that involve employee conduct which may not be directly related to on-the-job activities. This conduct may affect an employee's ability to perform his or her job, a co-worker's confidence in or ability to work with this employee, or the public trust in the ability of TXU or an employee to carry out TXU's responsibilities. In these cases, TXU may suspend the employee without pay for an indefinite period of time pending the outcome of an investigation. Depending on the results of the investigation, the employee may be reinstated, terminated, or otherwise disciplined.

Reimbursable Employee Expenses

TXU's policy is to reimburse employees for actual expenses incurred in conducting TXU business. The expenses to be reimbursed are to be business related and reasonable, with appropriate supporting documentation, and not in conflict with government regulations. Reimbursable employee expenses, with appropriate management approval, include:

- Business meals. (Normally the senior manager in attendance will purchase the business meal in order for approval of the expenses to be authorized by the next level of management not in attendance at the business meal).

- Business expenses incurred while traveling out of town (e.g., overnight lodging at the single room rate; airline travel normally at the lowest regular coach airline fare).
- Use of personal automobile for TXU business -- Any vehicle used must be covered by liability insurance sufficient to meet minimum standards of state motor vehicle regulations. The employee must have a valid driver's license.

Personal expenses incurred by employees are considered non-business and will not be reimbursed by TXU.

Employees have a responsibility to conduct TXU business in such a manner as to avoid any conflict between their personal and TXU business expenses. Appropriate receipts and documentation should be submitted by employees. Further, TXU credit cards including the TXU System Travel Card and TXU System Purchasing Card, are to be used for authorized TXU business expenditures only. Employees failing to adhere to TXU's policy regarding expenses are subject to disciplinary action. Refer to Accounting policy 90-01 Employee Expense Reports - North America for details on reimbursable employee expenses or contact your supervisor if you have any questions.

Solicitation of Employees and Distribution of Literature

TXU does not permit third-party solicitation of employees at their work places or through the use of TXU records or communication facilities, including electronic media, except that the following activities are permitted:

- Solicitation of employees on behalf of specific charitable organizations approved by an officer at the executive vice president level or above.

The solicitation of TXU employees by other TXU employees and the distribution of literature or handouts are prohibited on TXU property except as follows:

- Employees may solicit only during non-work time at their work location. Non-work time includes time before and after the regularly scheduled shift, mealtime, recognized rest or coffee breaks.
- Employees may distribute literature only during non-work time in non-work areas at their work location. Non-work areas would include, but not be limited to, break rooms, hallways, cafeterias, parking lots and TXU entrances.
- Employees may post on TXU bulletin boards, where permitted, notices for the sales of their items of personal property (e.g., cars, boats and pets) and notification of social activities, provided these postings are neither on a continuous basis nor for business purposes.

The activities permitted above must not interrupt or interfere with the work of employees or be disruptive to the work environment. Any communication that violates commonly recognized standards of decency (e.g., sexually explicit or offensive material) or otherwise violates any provision of this Code of Conduct is expressly prohibited. Additionally, guidelines approved by the responsible corporate officer at the vice president level or above may be applicable in some locations. Local management is responsible for the review and approval of postings on TXU bulletin boards.

The solicitation policy is not intended to and does not cover TXU communications, announcements or literature which may be periodically disseminated in the normal course of TXU's operations, nor does this policy supersede TXU's Internet, Intranet, and E-Mail Policy.

Organization Memberships

It is the policy of TXU to be a good corporate citizen and to actively participate in certain community and civic affairs, such as Lions Club, Rotary Club, and youth organizations, in areas in which it conducts business. Employees must obtain approval from their management at the function level or above for TXU to sponsor such membership.

Employees may participate in organizations of a personal nature, such as churches, scouts, parent-teacher associations, alumni associations, and fraternal organizations; however, such memberships do not qualify for TXU sponsorship. If this participation will require significant time away from his/her job, the employee should first obtain approval from the appropriate manager.

Service by employees on boards of for-profit organizations is not allowed without approval of the Chairman of the Board of TXU.

GOVERNANCE \ IMPLEMENTATION

TXU maintains a working environment where employees are expected to comply with the Code of Conduct and all TXU policies and procedures. TXU provides education and training that will assist employees in understanding their responsibilities under the Code of Conduct and related policies. In addition, TXU provides resources to enable employees to comply with all pertinent laws and regulations, including the Compliance Helpline by which employees can report concerns or ask questions. TXU managers and supervisors shall assist in the following:

- Identifying the laws and regulations along with the standards in the current Code of Conduct that apply to the work group. (The current Code can be found on the TXU Intranet.)
- Identifying the procedures that guide actions under these standards.
- Effectively communicating standards and procedures through training programs and by disseminating publications that explain in a practical manner what is required. Any changes in the Code of Conduct or in the laws and regulations which apply to a work group will be timely communicated.
- Assessing the potential for unethical or illegal conduct in their area of responsibility.
- Enforcing the Code of Conduct including taking appropriate action, in consultation with Management and Human Resources, based upon the findings of a compliance investigation.
- Maintaining a reporting system that protects employee confidentiality and anonymity to the fullest extent possible and that ensures there is no retaliation against any employee for reporting a concern in good faith.
- Monitoring and documenting compliance with the Corporate Compliance Program.
- Administering disciplinary action where breakdowns in ethical conduct and violations of the Code of Conduct occur.

Referrals for Assistance

Breaches or possible breaches of the Code of Conduct must be referred to the appropriate compliance organization for investigation. A manager who becomes aware of a breach or possible breach shall document available details regarding the matter, and the appropriate compliance function per the following general guideline should be contacted in order that they may lead or assist in the investigation:

- Corporate Security — matters involving law enforcement agencies; alleged criminal activity; security; theft, weapons or violence; or misuse of the Internet, Intranet and e-mail.
- Internal Audit — matters involving alleged accounting or financial irregularities.
- Human Resources — matters involving discrimination, harassment, or labor and employment.
- Legal — matters involving antitrust, the Foreign Corrupt Practices Act, or insider trading.
- Environmental and Safety — matters involving environment, health, or safety.
- Ethics & Compliance — all other matters including affiliate standards.

If immediate action is required to remedy or mitigate the effects of a possible violation (e.g., a chemical spill), or to comply with a government-mandated disclosure requirement, the manager is responsible for taking immediate action.

Employees' Responsibilities

Employees are required to comply with the Code of Conduct, policies and procedures, and laws and regulations that are applicable to their jobs. Failure to abide by the Code of Conduct may result in disciplinary action, up to and including termination. An employee who assists in, or authorizes others to perform, activities that do not comply with the Code of Conduct or who knows of such activities and does not report them will be considered to have violated the Code of Conduct.

Employees shall report all suspected violations of laws, regulations, policies, procedures, or the Code of Conduct. Since employees may sometimes be uncertain as to whether a particular activity is a violation of these standards, they are encouraged to report any incident which they honestly believe may constitute a violation. There will be no retaliation taken against an employee for the act of making a good faith report regarding a possible violation.

Employees who suspect improper activities should report their concerns to any of the following:

- Their supervisor and/or manager
- The head of Internal Audit
- The head of Corporate Security
- The head of Human Resources
- The head of Ethics & Compliance
- The Compliance Officer or any member of the Compliance Committee
- The TXU Compliance Helpline, by calling 1-800-453-0801

If desired, the identity of the employee will be kept confidential to the fullest extent possible. Employees who desire to remain anonymous should utilize the TXU Compliance Helpline to express their concerns.

In addition to the general responsibilities outlined above and with regard to the receipt, processing, and escalation of accounting, internal accounting controls, or auditing concerns, the Company requires compliance with its Accounting, Internal Accounting Control and Auditing Complaints, and Related Retaliation and Employee Fraud policy.

Certain employees, as determined by management, will be required to confirm in writing that they have read and understand the Code of Conduct, have conducted themselves in accordance with the Code of Conduct, and are not aware of any violations by others.

Where to Seek Guidance

If employees are not certain whether a particular activity is a violation of the Code of Conduct or TXU policies and procedures, employees are encouraged to bring forward any situation they think may be a violation. If employees have a question or concern, they are encouraged to discuss it with their supervisor and/or manager or, when necessary, with the Corporate Compliance Officer, any member of the Corporate Compliance Committee, the head of Ethics & Compliance, the head of Internal Audit, the head of Human Resources, the head of Corporate Security, or by calling the **TXU Compliance Helpline (1-800-453-0801)**. Reported concerns will be kept confidential to the fullest extent possible, and there will be no retaliation against any employee for reporting a concern in good faith.

Waiver

It is not expected that waivers from this Code of Conduct would be necessary. If necessary, waivers may only be made in writing with the concurrence of the Chief Audit Executive and the Corporate Compliance Officer. Any waiver applicable to officers or Directors must also be approved by the TXU Corp. Board of Directors or the Audit Committee of the Board of Directors.