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Lisa Vango
Ofgem
9 Millbank
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Dear Ms Vango

British Gas Trading Limited*s acquisition of the gas and electricity supply businesses of Enron Direct Limited - Consultation Paper

The Confederation of UK Coal Producers (Coalpro) represents member companies who produce over 80% of UK coal output. Some 90% of that output is sold to the electricity generating industry and Coalpro therefore takes a close interest in all developments related to the electricity market.

The consultation paper indicates that Ofgem is relaxed about this acquisition as the additional degree of market concentration is limited. Coalpro believes, however, that the issue of vertical integration (para 5.12 of the paper refers) merits more detailed consideration.

British Gas is a producer of fuel for use in the electricity generating industry, a generator in its own right (its generating interests having been significantly increased by the recent acquisition of the King*s Lynn and Peterborough power stations) and a major supplier of electricity to both the industrial and domestic markets. It is clear that this degree of vertical integration affords the opportunity, now that the market is no longer regulated, of anti-competitive cross-subsidisation between fuel production, generation and supply.

Against this background, further concentration of ownership, however small, is undesirable and Coalpro urges Ofgem to take more account of this aspect of the acquisition.

Incidentally, the consultation paper describes the King*s Lynn and Peterborough power stations as being combined coal and gas turbine stations. This is a serious error. Neither of these stations is in any way equipped to burn coal.

Yours sincerely,
Brian J Rostron
Director General
CONFEDERATION OF
UK COAL PRODUCERS