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23 April 2002

Ms. Lisa Vango
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Dear Ms.Vango,

"RWE GROUP'S PROPOSED ACQUISITION OF INNOGY HOLDINGS PLC"

I am writing in response to the above consultation. The chemical industry is the largest user of electricity in the manufacturing sector, accounting for 20% of industrial demand, which is approximately 6% of total UK supply. The sector uses some 23000GWh annually, of which approximately 15000GWh is purchased from electricity supply companies at a cost greater than £400m. CIA is concerned by the news of yet more merger and acquisition activity in the UK electricity sector. The trend towards both horizontal and vertical re-integration (which is encouraged by NETA) is something we observe with increasing unease. Though we welcome the increased competition in generation that arose from the RETA process, we believe that the trend to large consolidated generator/supplier businesses is resulting in reduced competition, particularly in the retail part of the supply chain. Our members report increasing difficulty in finding interested suppliers to provide competitive electricity supply quotations. This observation highlights a risk that, without careful control of the market structure, NETA may not work in the manner intended. We do not believe that the acquisition of a large-vertically-integrated player by an even larger group will improve this situation.

Though we accept that, at present, RWE is not a significant player in either the UK electricity generation or supply markets, we oppose the acquisition for the following reasons:

- RWE is a European major and has already demonstrated that acquisition is part of its strategy for growth. When de-regulation of European markets is finally realised we would expect a liberal single energy market to be characterised by healthy competition among many players and a realistic possibility of new entry. While the effect of this particular takeover on the UK supply or generation market may not be immediately apparent, permitting the acquisition helps sow the seeds for dominance of a future European energy market by a handful of very large players. We also believe that the current arrangements are inequitable because, though European players are very active in their acquisitions of UK Utilities, there are few reciprocal options. The Continental market continues to be dominated by state-owned monopolies and effectively remains closed with regard to changes of ownership.

- RWE’s existing British company, RWE Trading, employs a number of specialists who previously formed the Yorkshire Electricity Special Markets team, but who left after YE’s acquisition by Innogy. We believe that these specialists played a key role in bringing demand side services to market under the Pool and that they have the potential to play the same constructive role under NETA. CIA believes that there is a strong need for these type of specialist services Though full-demand-side-participation was a plank of NETA’s design, to-date the arrangements have failed to deliver anything but token activity. In NETA’s 13 months of operation there have only been two active demand-side sites in the balancing mechanism, both of which are owned by the same company. This can be compared with in excess of twenty demand side players under the Pool. We understand that the existing Innogy management will run the combined RWE Trading and Innogy Company. We therefore fear that the Special Markets team will again be a minor consideration in the structure of the new entity and that the specialists it employs (along with the potential to introduce competitive pressure in the BM) will be lost as a result.

I trust that you will consider the above points in all seriousness in your response to consultation by the relevant competition authorities and would be pleased to discuss them in greater detail with you.

Yours sincerely.

Rob Siddall – Utilities Policy Manager.