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Andrew Bainbridge
DIRECTOR GENERAL

Dear Ms Vango

RWE Group's proposed acquisition of Innogy Holdings plc

The Major Energy Users' Council, which represents approximately 200 commercial and industrial organisations, is grateful for the opportunity to comment on the proposed acquisition of Innogy by RWE.

A year ago the MEUC responded to the consultation on the proposed acquisition of Yorkshire Electricity by Innogy and expressed concern that the team from Yorkshire providing demand side participation for larger customers was likely to be disbanded.

This prediction proved correct, but the team subsequently joined RWE to set up a new trading operation for that company in London. Potential demand side participants warmly welcomed this.

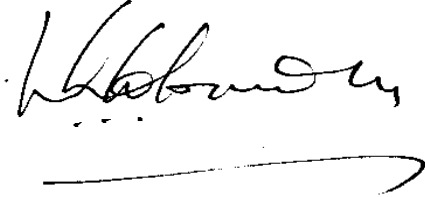
However with the take-over of Innogy there must be a clear risk that RWE will now treat demand side participation in a different light as this offers a competitive alternative to generation. It is difficult to see how generation and demand sides sit comfortably together in an organisation that will gain most of its revenue from generation activities.

We appreciate that RWE's acquisition of Innogy may not appear to have much effect on the level of competition within the UK gas and electricity markets. On the other hand, if the company making the acquisition is from overseas and has a dominant position within its home market - a market that seems reluctant to embrace competition - we believe it has the potential to reduce the level of competition in the UK, particularly where there is vertical integration between generation and supply.

You will recall that one of the major weaknesses of the market post-privatisation was the dominance of two generators, which was only resolved by Offer, as it was then, forcing the two companies to divest power stations. It took several attempts at divestment to produce a fully competitive generation market. We believe that much of the difficulty now is as a direct consequence of vertical integration.

The MEUC therefore urges Ofgem to recommend to the Director General of Fair Trading that the proposed acquisition be referred to the European Commission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H.R.G. Conway', with a long horizontal flourish extending to the right.

H.R.G. Conway
For the Major Energy Users' Council