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Iain Osborne  
Office of Gas and Electricity Markets  
9 Millbank  
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01-07-2002  
Reference CF/OFGEM/SSR

Dear Mr Osborne

**Ofgem proposals upon removing the Restriction on 'Self Supply' within certain Electricity Supply Licences.**

With regard to the above consultation document which was issued by your office in May 2002. Powergen is pleased to provide the following response.

Powergen is broadly in agreement with the arguments that have been presented by Ofgem, in relation to the removal of the 'Self Supply Restriction' (the "restriction") within certain electricity supply licences. The restriction was introduced to assist with the full de-regulation of the UK electricity supply market and in general the evidence presented by Ofgem, is in line with Powergen's own assessment. This is that, given the deregulation of the retail market and the removal of the supply price controls, the restriction has served its useful purpose and should now be removed.

Since the restriction was introduced there have been several fundamental changes in the UK wholesale electricity market. The introduction of NETA, combined with divestment, new entrants and participation by traders has significantly increased competition and market liquidity.

The UK electricity retail market has also experienced some fundamental changes since the introduction of the restriction with competition now being well established between suppliers. These suppliers are now generally competing at a national level, rather than local level within the ex PES regions. The level of competition within the market is demonstrated by the fact that Ofgem felt prepared to remove the price control from supply licences with effect from 1<sup>st</sup> April this year.

Further, Powergen is concerned that the restriction is applied in a discriminatory fashion on two counts. First, there is no similar restriction in the gas market and secondly only certain firms within the electricity market face the restriction. It is clearly inequitable, and damaging to natural competitive conditions within the market, to place additional regulatory burdens, upon firms that are trading in a very competitive market place, when these burdens are not faced by non restricted firms, such as Centrica.

In summary, Powergen is satisfied that Ofgem's proposal to remove the restriction on self supply, is the appropriate response to the changes that have taken place within the UK electricity market.

Yours sincerely,

Carl Foulkes

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