

Our Ref BJR/db/4106

09 December 2002

Rochelle Ladd  
Strategy and Corporate Transactions Manager  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Dear Ms Ladd

**Consultation Paper on Centrica's completed acquisition of Dynegy Storage Limited and Dynegy Onshore Processing UK Limited**

The Confederation of UK Coal Producers (Coalpro) represents member companies who produce over 80% of UK coal output. The great majority of this production is sold to the electricity generation industry and Coalpro therefore takes a close interest in all matters affecting, or which could affect, that industry.

Coalpro agrees with Ofgem that this acquisition could be detrimental to competition. Furthermore, we cannot see any straightforward way in which the impacts might be remedied by undertakings from Centrica. Coalpro therefore believes that Ofgem should advise the DGFT to refer the acquisition to the Competition Commission.

Coalpro also believes that there are certain wider issues of concern not referred to in the Consultation Paper. We have become increasingly concerned at the level and pace of vertical integration in the gas and electricity industries. We believe that this offers significant opportunities for anti-competitive cross-subsidisation. Coalpro has made this point in previous responses to merger and acquisition consultation papers which have made specific reference to vertical integration. Whilst this may not be a matter for reference to the Competition Commission in this instance, we believe that Ofgem needs to develop some form of economic and competition model to assess mergers and acquisitions which increase vertical integration. Coalpro urges Ofgem to consider this increasingly urgent task.

Yours sincerely  
Brian J Rostron  
Director General