



ASSOCIATION OF
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Rochelle Ladd
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Ofgem
9 Millbank
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By fax: 020 7901 7478

Wednesday 11 December 2002

Dear Ms Ladd

**CENTRICA'S COMPLETED ACQUISITION OF DYNEGY STORAGE
LIMITED AND DYNEGY ONSHORE PROCESSING UK LIMITED**

The Association of Electricity Producers welcomes the opportunity to comment on Ofgem's consultation document on Centrica's completed acquisition.

The Rough facility makes an important contribution to security of supply, but we share Ofgem's concern that its acquisition by Centrica might lead to a lessening of competition.

The Association has particular concerns over the potential impact on the market for gas supplies to power stations. Gas-fired generators require increasingly flexible gas supply arrangements in order to best manage their operations in the electricity market. Within day and day-on-day flexibility are both required.

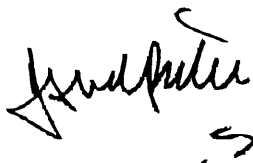
With the flattening of gas supply profiles at the beach in coming years, parties wishing to offer flexible supplies to customers (not only power stations) will increasingly need to secure within day and day-on-day flexibility from other sources. The main alternative source of such flexibility is storage and the Rough facility is by far the largest in terms of space, deliverability and duration. Through acquiring the Rough facility Centrica will therefore have a pivotal role in the market for flexible gas supply, either directly or indirectly through other suppliers. The consequences of this might not only affect the price to customers, but could also have an impact on the electricity market, through interruptions under LTI contracts and the management of alternative supplies.

The Association was glad to see that Centrica is willing to enter into undertakings in respect of the use of this facility and its intention to offer, through Rough, new services to customers. In view of Centrica's position in the energy market, compared with that previously occupied by Dynegy, the Association shares Ofgem's initial view that any such undertakings should go deeper and wider than

those entered into by Dynegy. Ofgem will need to assure itself that any undertakings can be monitored effectively, allowing Centrica to enjoy the proper benefits of its acquisition, without reducing competition in the gas and electricity markets.

Please do not hesitate to contact the Association if you wish to discuss further any of the issues raised in this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Porter', with a stylized flourish at the end.

David Porter
Chief Executive
Association of Electricity Producers