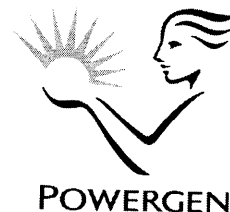


Christiane Sykes
Strategy and Regulation



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

29th October 2002
Reference

Dear Rochelle

Response to Consultation on SSE Energy Supply Ltd's completed acquisition of Dynegy Hornsea Ltd's gas storage facilities

Thank you for the opportunity offered to Powergen to respond to the consultation regarding SSE Energy Supply Ltd's acquisition of Hornsea gas storage facility.

Powergen support the acquisition as it introduces greater competition into the market, provided that SSE work openly and agree to equivalent undertakings on a non-statutory basis, detailed in Dynegy's purchase of Hornsea and Rough.

There remain concerns that SSE may withhold capacity from the market but we agree that although it would be in their best interests to make all capacity available, the non-stautory undertakings at least provide a sense of security. In order to maintain a transparent market, information on aggregate injections and withdrawals to the market should be publicised wherever possible, both on-the-day and historically.

In terms of their access to storage and other forms of flexibility, the purchase of Hornsea should not change their access rights. With increased competition from other gas storage service providers and other

Powergen UK plc
Westwood Way
Westwood Business Park
Coventry
CV4 8LG

T +44 (0) 24 7642 4000
F +44 (0) 24 7642 5432
www.powergenplc.com

sources of flexibility, an open market should result and any anti-competitive behaviour would be controlled by the Competition Act 1998.

The current rules and regulations in place, such as ringfencing, to prevent information from filtering between businesses, should compensate for any fears raised by a vertically integrated company.

Please feel free to contact me if you wish to discuss any points I have raised on 02476 424 737.

Yours sincerely,

Christiane Sykes.