

≡ Scottish and Southern Energy plc

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Dear Rochelle

SSE Energy Supply Ltd's Completed Acquisition of Dynegy Hornsea Ltd's Gas Storage Facilities

I am writing in response to Ofgem's consultation on our recent acquisition of Dynegy Hornsea Ltd.

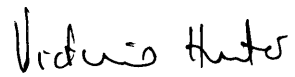
For the reasons set out in our submission to the OFT in respect of this acquisition, we do not believe that our purchase of Dynegy Hornsea Ltd raises any competition, regulatory or other public interest issues. We therefore agree with Ofgem's conclusion that the acquisition is beneficial to competition and does not raise any horizontal issues.

Similarly, we have set out our belief that normal competitive pressure will compel SSE to operate the Hornsea gas storage facility in a manner consistent with the underlying principles of the undertakings. In other words, failure to make the maximum physical capacity available to the market and/or failure to observe the confidentiality of storage customers' injection/withdrawal nominations would not be sound business practice and would not, therefore, be in SSE's interest.

Given the above, we agree with Ofgem's conclusion that it is not necessary for SSE to enter into formal undertakings in respect of the Hornsea storage facility. Nonetheless, we note that Ofgem suggests that some form of informal undertakings should be considered. We propose therefore that, if necessary, we discuss this issue further with Ofgem following the outcome of this consultation process.

In the meantime, please call me directly if you have any questions.

Yours sincerely

A handwritten signature in black ink that reads "Victoria Hunter". The signature is written in a cursive style with a large initial 'V'.

pp Rob McDonald
Group Regulation Manager

cc Andrew Tait, OFT