

Our Ref: BJR/4104/af  
19.08.02

Ben Woodside  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Dear Mr Woodside

### **BGT's Completed Acquisition of ED (UK) Ltd – Consultation Paper**

The Confederation of UK Coal Producers (Coalpro) represents member companies who produce over 80% of UK coal output. Some 90% of this output is sold to the electricity generation industry. Coalpro therefore takes a close interest in all matters affecting the electricity industry.

In response to previous consultation documents on mergers affecting the electricity industry, Coalpro has frequently expressed concern at the increasing extent of vertical integration in the industry from fuel supply, through generation to supply. Coalpro believes that large scale vertical integration offers opportunities for anti-competitive cross-subsidisation. Ofgem has also asked for views on vertical integration in respect of certain mergers.

Whilst this merger increases concentration in the supply sector only to a limited extent, and does not in itself extend vertical integration, it further increases the market penetration and hence the market power of an already large vertically integrated group. Coalpro considers that the merger enhances BGT's ability to subsidise one part of its operations from others to the detriment of competition in the electricity industry generally, and thus ultimately consumers.

Ofgem have previously indicated that they might have concerns about vertical integration. Sooner or later, Ofgem will have to establish criteria against which such concerns can be assessed, and make representations to the competition authorities accordingly. Coalpro considers that this merger represents a suitable occasion on which to start to do so.

Yours sincerely



**Brian J Rostron**  
**Director General**