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Mr Ben Woodside
Office of Gas and Electricity Markets
9 Millbank
London SW1P 3GE
By E-mail: ben.woodside@ofgem.gov.uk

29 October 2003

Dear Mr Woodside

Powergen's proposed acquisition of Midlands Electricity plc

I am writing on behalf of the Major Energy Users' Council as an interested party to respond to the proposal by Powergen to acquire Midlands Electricity.

The Major Energy Users' Council (MEUC) is an independent body representing the interests of some 200 large industrial, commercial, retail and public sector organisations for whom the cost of electricity (and gas) is a significant factor in its operations. It was formed approximately 13 years ago, shortly after the England and Wales electricity market was privatised and opened up to competition. Its principal objectives are to keep members informed of developments within the industry and lobby government and regulatory bodies where appropriate. MEUC members also sit on a number of industry committees to provide consumer representation.

Even though this acquisition is for a distribution company there are a number of issues raised by the proposal in relation to the competitive supply market about which the MEUC has concerns and which it suggests need to be carefully considered.

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Powergen has made no secret of the fact that it is being selective in the supply business to an extent that it is declining to offer to supply to new and even some long established customers. The reason given is the need to integrate the TXU business within Powergen. Whether it is the intention or not this behaviour produces an artificial barrier to competition and inevitably has an effect upon prices.

Our concern is that the acquisition of Midland Electricity will accentuate the problem, particularly in today's climate of increasing energy costs.

We now have a situation that the market is dominated by a small number of vertically integrated "International Champions". This cannot be in the interest of the competitive market either in the UK or Europe wide.

It is our understanding that Ofgem is already investigating the behaviour of the Company's generation strategy and in the circumstances we feel that you should recommend a full investigation by the OFT.

Yours sincerely,

A handwritten signature in black ink that reads "Hugh Conway". The signature is written in a cursive style. Below the signature is a horizontal line that extends to the right, ending at a vertical line that separates the signature from the typed name below.

H.R.G.Conway
For The Major Energy Users' Council

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