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Tuesday, 11 May 2004

Pamela Taylor
Ofgem
9 Millbank
London
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Dear Ms Taylor,

Re: Scottish and Southern Energy's acquisition of Atlantic Electric and Gas Ltd, a Consultation Paper.

Thank you for the opportunity to respond to the above consultation paper, although Centrica is broadly in support of Ofgem's views on this matter, there are some points we would wish to highlight. This response is non-confidential.

In respect of Ofgem's analysis of the competitive effects of the acquisition, we agree that the impact will be minimal, having only a marginal effect on concentration and overall customer prices.

We understand that as part of the acquisition, SSE acquired a quantity of uncollected customer debt. Whilst this is not, of itself, a matter for concern, the sums involved may be relatively substantial, given the purchase price and the numbers of customers involved. Centrica is of the view that this may mean that many Atlantic customers have not been properly billed for a considerable period, and hence may have accumulated significant debt. We believe it is important that Ofgem and energywatch should monitor very closely the complaints statistics collected in respect of the Atlantic licences to ensure that haste to collect the debt does not result in distress or undue hardship to customers.

With respect to the Renewables Obligation (RO), if the liability associated with the portfolio remains with the administrators, a shortfall in the buyout fund is probable. After the administrations associated with TXU and Maverick, Centrica took an active part in the industry working group (co-ordinated by the RPA and AEP) which debated possible mechanisms for managing shortfalls in the RO buyout fund. Centrica continues to support the objectives of this group and in particular two of the options that the group were exploring, namely Suppliers providing Security in advance and Mutualisation after the event.

We strongly support Ofgem's view that breaches of the RO and EEC obligations are very serious, and hope that Ofgem will continue to stress these points in their representations to DEFRA and the DTI. Whilst we appreciate that the mechanisms discussed would require an amendment to the Energy Bill, which has been rejected by the Government, we hope that the

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third administration of a supply business in such a short space of time, will lead the DTI to give further consideration to this matter.

In the absence of such a mechanism, we would encourage Ofgem to evaluate and publish the likely scale of the shortfall as soon as possible, together with Ofgem's proposed course of action.

We hope these comments have been helpful, but should you wish to discuss any of the points raised in more detail, I would be happy to help.

Yours sincerely,

Issued by e-mail and hence not signed.

Alison Kuck
Regulatory Issues Manager