

# Energy Intensive Users Group

British Ceramic Confederation  
Chemical Industries Association  
British Cement Association  
Major Energy Users Council  
UK Steel

British Glass Manufacturers Confederation  
John Hall Associates; Utiylx  
Confederation of Paper Industries  
Alcan; Anglesey Aluminium  
BOC; Air Products

Andy Burgess  
Head of Enforcement & Competition Policy  
Ofgem  
9 Millbank  
London SW1P 3GE

10 November 2008

Dear Mr Burgess

## **Proposed merger between British Energy and EDF**

EIUG represents energy intensive industries in the UK that depend on access to secure competitive energy supplies to remain in business (see letterhead above).

British Energy is the largest supplier to the industrial sector and plays a crucial role in providing the base load power on which manufacturing industry depends. We recognise that the proposed merger, if it goes ahead, could help assure a productive future for Britain's existing nuclear power stations and enhance the prospects for new build. We remain concerned however that British Energy's focus as an independent player in providing innovative options for industrial supply (where choices for large users are currently very limited) could be lost within a merged entity.

Ofgem is well aware of our concerns about the extent of consolidation and vertical integration in the British power market. The acquisition of British Energy by one of the 'big six' players would further increase this concentration, leaving EDF controlling around a quarter of the generation market. The integration of one of Britain's few remaining independent generators with a major supplier risks eroding liquidity in the wholesale market, which has already sunk to worryingly low levels – as Ofgem's recent market probe confirmed.

We therefore believe attention should be given to the negative impacts of the proposed merger on competition in power generation and wholesale market liquidity, and possible implications for industrial supply. We believe it would be appropriate to consider whether the merger should be conditional on a degree of plant divestment from the merged business, or more likely an undertaking to trade a proportion of generation openly on the wholesale market, in order to mitigate these impacts.

We hope the issues raised in this letter will be given due consideration and reflected in Ofgem's response to the Commission.

Yours sincerely,



**Jeremy Nicholson**  
Director

