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Dear Callum

Innogy's Proposed Acquisition of Yorkshire Power Group

We wish to register our deep concern at Innogy's proposed take over of Yorkshire Power and the consequent loss of its largely independent subsidiary Yorkshire Electricity (YE).

YE is not simply 'one of many' – it has a key role in supplying the industrial market, where it has been notably innovative and responsive to industrial customers' needs. It is the leading player on the demand side in pool trading and the ancillary services market, armed with unique, dedicated hardware linked directly to customers' premises. Its loss as an independent entity would therefore be of particular significance to industrial customers, but could be mitigated if key demand side facilities were divested to a third party with fewer generation assets and a less flexible plant portfolio than those currently operated by Innogy.

EIUG believes that consolidation and vertical integration runs counter to recent developments that have done so much to open up the market to effective competition. The restriction on self-contracting in YE's licence would disappear after a take over, leading to a reduction in liquidity in the wholesale market to the detriment of customers.

One of the key objectives of NETA was to achieve improvements in the demand side of the market. The demand side of the reformed market must therefore be allowed time to establish itself to confirm if the intended benefits have been realised.

EIUG believes that the take over should not be allowed to proceed as proposed. In any case, at this critical juncture, it would be wholly inappropriate to approve such a move until after the new market has established itself some time after NETA has gone live.