

R/17

Tuesday 25 February

## **Ofgem welcomes the Competition Commission's inquiry into Centrica's purchase of the Rough gas storage facility**

- **Centrica's purchase of Rough is likely to reduce competition substantially**
- **Ofgem's submission to the Competition Commission will propose that an appropriate remedy in the case is for Centrica to agree to undertakings to ensure fair access to Rough for other companies and to prevent competition from being undermined**

Energy regulator Ofgem today (Tuesday) issued a summary of its views on the transaction, following the decision by the Secretary of State for Trade and Industry, to refer Centrica's purchase to the Competition Commission.

Director of Gas Trading, Kyran Hanks said: "We welcome the opportunity the Competition Commission reference gives for further examination of the implications of this transaction in detail."

"Our current view is that this sale has the potential to lead to higher prices for gas customers because it gives Centrica the power to withhold capacity, including at Rough, to force up gas prices. Without undertakings to limit Centrica's use of Rough and to allow other firms access to the facility competition will be undermined."

### **Notes to editors:**

1. Ofgem is concerned that Centrica's purchase of Rough in addition to its ownership of the Morecambe gas fields will give it the power to influence prices. Ofgem will put its analysis of the detriment associated with Centrica's ownership of Rough, and its proposals for overcoming these detriments, to the Competition Commission.
2. On 14 November 2002, Centrica announced the completed purchase of Dynegy Storage Limited and Dynegy Onshore Processing UK Limited. The size of the purchase meant that merger clearance was required by the Office of Fair Trading (OFT). Given the nature of the purchase, the OFT sought the advice of Ofgem. This was provided to OFT on 15 January 2003, following a consultation document in November 2002. OFT then made a recommendation to the Secretary of State for Trade and Industry (SoS) who today referred the issue to the Competition Commission (CC).
3. Copies of *Centrica's completed acquisition of Dynegy Storage Limited and Dynegy Onshore Processing UK Limited Summary of Ofgem's views on the transaction* are available from the Ofgem website [www.ofgem.gov.uk](http://www.ofgem.gov.uk) and in hard copy from the distribution centre by telephone: 020 7901 7116 or by email: [distribution@ofgem.gov.uk](mailto:distribution@ofgem.gov.uk). Please quote 11/03 when ordering.

4. Ofgem is the Office of the Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. Ofgem is governed by the Gas and Electricity Markets Authority. Its powers are provided for under the Gas Act 1986 and the Electricity Act 1989.

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