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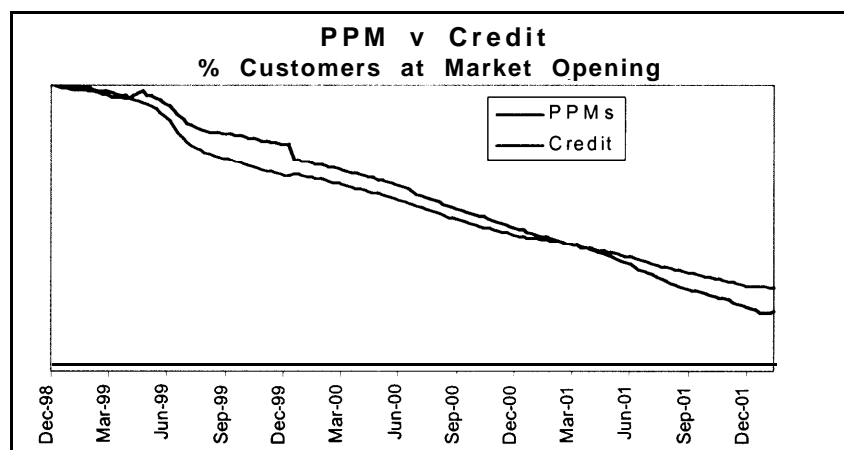
20 March 2002

Dear Iain

Review of domestic gas and electricity competition and supply price regulation. Conclusions and final proposals.

Powergen supports Ofgem's proposal to end supply price regulation. Last year's competitive market survey confirmed our experience that all customer groups have a choice of suppliers and are exercising their choice. Developments since the survey provide additional evidence that competition is well-established:

- ◆ Suppliers have adopted different competitive strategies in response to increases in gas costs over the last two years, with in general an increase in the savings available to prepayment meter customers;
- ◆ The MORI conclusion that switching of prepayment meter customers has accelerated over the last year, which was based on a sample, is supported by retention figures for Powergen's authorised area:



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In addition, further progress has been made on the potential concerns of access to competition in the Hydro region, with the publication of proposals on Shared Unmetered Supplies and Dynamic Teleswitching, and on debt-blocking with suppliers' commitment to a programme which should see firm proposals for prepayment meter customers later this year.

Conclusion

We fully support Ofgem's analysis in the Final Proposals paper and the conclusion that the removal of price controls is in customers' interests. Indeed, we expect the benefits from ending price controls to be wider than described, as suppliers develop innovative strategies for delivery of energy efficiency measures, based on competition in energy supply.

We support Ofgem's Final Proposals and will shortly bring forward a request to disapply our price control licence conditions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Kirby', with a stylized, cursive script.

Graham Kirby
Competition & Regulation Manager