

**MOWLEM
ENERGY** *working for you*

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Strategy and Corporate Transactions Manager
Ofgem
9 Millbank
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July 2, 2002

For the attention of Mr. Ben Woodside

Dear Mr. Woodside,

Subject: London Electricity Group Proposed Acquisition of CSW Investments

I am writing in response to the Ofgem consultation paper dated June 2002.

You have invited comment on whether the proposed acquisition has an effect on the level of competition in electricity connections and metering within the GB electricity sectors.

It is our view that LEG would not simply maintain a significant monopoly position in that area of electricity connections but increase its monopoly position in an area where competition has yet failed to develop.

The proposed acquisition would result in 27% of all LV connections and 43% of all HV connections carried out under the combined parent company and would account for an average of 29% of total connections revenue for all electricity distribution businesses.

You will be aware of the work being undertaken by the Electricity Connections Steering Group, which is chaired by Ofgem. The expected benefit of opening competition in electricity connections has yet to materialise and the delay in opening this market has an effect on the efficient operation of this business. On a daily basis we have difficulty acquiring points of connection, design approval and the overall co-operation of the host distribution business in dealing with regulated non-contestable activities associated with the provision of electricity connections. We find a number of variances in how each distribution business has organised itself and the degree of difficulty we encounter in concluding negotiations around the Joint Construction and Adoption Agreement has led to loss of business. We find that the timescales that the distributors work to unacceptable in a commercial and competitive world.

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Although competition in connections has been around since 1996, the fact that in the EPN and LPN areas, 100% of all HV connections and >99% of all LV connections have been made by 24Seven, a wholly owned subsidiary of LEG, has shown that there is a monopoly market in operation. Within the SEEBOARD area 100% of HV and LV connections are provided by its own connection business. There is no competition to provide connection services within the southeast. The proposed acquisition will only consolidate the monopoly position. Our comments are not confined solely to the geographic areas covered by London Electricity Group and SEEBOARD but based on experience across England, Scotland and Wales.

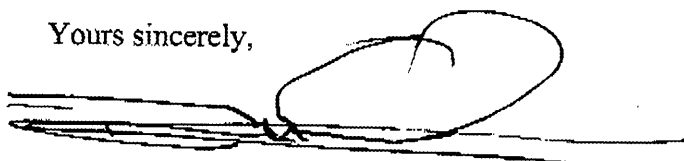
The acquisition threatens to strengthen a dominant position potentially impeding the development of effective competition.

It has been our experience that lowering or removing barriers to entry to allow a competitive market to develop can not be achieved by consolidation of an existing monopoly market place. Reducing the number of participants in a monopoly market has a detrimental effect on customers and competitors.

We encourage Ofgem to make recommendations to the Director General of Fair Trading highlighting these competition issues.

We are more than happy to comment further should Ofgem or the DGFT wish.

Yours sincerely,



David Clare
Sales and Development Manager
Mowlem Energy