

Statement by the Authority under section 5A(3)(b) of the Utilities Act 2000

Section 5A(3)(a) of the Utilities Act 2000 requires the Authority to carry out and publish an assessment of the likely impact of implementing a proposal to which the section applies. Alternatively, where the section applies, under section 5A(3)(b) the Authority must publish a statement setting out its reasons for thinking that it is unnecessary for it to carry out an assessment. This publication constitutes such a statement.

Further to the purchase of Midlands Electricity plc by Powergen UK plc ("Powergen"), the Authority proposes to modify special condition B of the licences treated as granted to Aquila Networks plc and East Midlands Electricity Distribution plc to reduce the combined allowed revenues of Powergen's distribution businesses by a total of £32m (in 2001/02 prices) over the next five years. The proposal reflects the Authority's policy of compensating customers for the impact of distribution company mergers on the efficacy of comparative price regulation.¹

This policy was established in May 2002 following an open consultation, and in November 2002 was applied to London Electricity Group plc's purchase of CSW Investments (the holding company of SEEBOARD Group plc).

Since this proposal results from the application of a pre-existing and established policy, which was developed following an assessment of the impacts on customers of mergers between electricity distribution companies and an appropriate compensation mechanism, Ofgem does not consider it necessary to carry out an impact assessment in this case.

¹ As a result of this merger, the number of independent electricity distribution network operators has reduced from 8 to 7.