

Ofgem's Five Year Strategy 2009 - 2014

I refer to Lord John Mogg's letter of 21st August.

The Confederation of UK Coal Producers (CoalPro) represents member companies who produce over 90% of UK coal output. As the great majority of indigenous coal production is sold to the electricity generating industry, CoalPro takes a close interest in all matters affecting that industry, including Ofgem's proposals and actions. CoalPro is therefore pleased to be able to respond to your chairman's letter on Ofgem's five year strategy.

CoalPro considers that by far the most important issue likely to affect the electricity industry over the 2009 - 2014 period is the emerging threat to security of supply posed by the closure of a significant proportion of the UK's generating capacity over the next few years and its likely replacement, by default, by gas-fired capacity.

Whilst the market may find a solution to this problem, indications are that dependence on gas-fired generation will rise to over 50% by 2016 - 18 and up to 75% on a cold, still winter's day. The market solution may thus be one of extremely high and volatile prices.

Security of electricity supply and electricity prices are two sides of the same coin. As security of supply concerns increase, so do prices. For the fuel poor, unable to afford high prices, it amounts to the same thing. Unaffordability means a lack of supply.

CoalPro therefore urges Ofgem to put this issue at the heart of its strategy for 2009 - 2014 as being likely to be far more important for consumers than any other issue.

Regards

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Director General