

Terms of reference and conduct of the inquiry

1. On 25 February 2003 the DTI sent the following reference to the CC:

Whereas it appears to the Secretary of State that it is or may be the fact that a merger situation qualifying for investigation, as defined in section 64(8) of the Fair Trading Act 1973 (“the Act”), has been created in that:

(a) enterprises carried on by or under the control of Centrica Plc (a body corporate incorporated in the United Kingdom) have within the four months preceding the date of this reference ceased to be distinct from enterprises carried on by or under the control of Dynegy Inc; and

(b) the value of the assets taken over exceeds £70 million.

Now, therefore, the Secretary of State, in exercise of her powers under sections 64 and 69(1) and (2) of the Act, hereby refers to the Competition Commission (“the Commission”), for investigation and report within a period ending on 9 June 2003, the following questions:

(i) whether a merger situation qualifying for investigation has been created as a result of the matter described in paragraph (a) above; and

(ii) if so, whether the creation of that situation operates, or may be expected to operate, against the public interest.

In relation to the question in paragraph (i) above the Commission shall exclude from consideration one of paragraphs (a) and (b) of section 64(1) of the Act if they find the other satisfied.

25 February 2003

(signed) PAT SELLERS
An official of the Department of Trade and Industry

2. On 23 May 2003 it was announced that the Secretary of State had agreed that the period for reporting on the reference should be extended to 9 July 2003.

3. The composition of the Group of members responsible for this investigation and report is indicated in the list of members in the preface.

4. Notices inviting interested parties to submit evidence to the CC were placed in *The Financial Times* and *Utility Week* and on the CC web site. In addition we sought evidence and views from Ofgem, gas and electricity suppliers, energy traders, oil and gas producers, bodies representing consumer interests and other interested parties. We received written evidence from 33 parties (besides Centrica) and held hearings with nine.

5. We received written evidence from Centrica and the company attended three hearings.

6. Members of the Group, accompanied by staff, visited offices of Centrica in Slough and Staines and the Rough offshore platform.

7. In April 2003 we sent an issues letter to Centrica and published an issues statement for public consultation. An extract from the issues statement is reproduced at Appendix 2.1. In May 2003 we sent a remedies letter to Centrica and published a remedies statement for public consultation. The contents of the remedies statement are reproduced at Appendix 2.2.

8. Some of the evidence obtained during the course of our inquiry was of a confidential nature and our report contains only such information as we consider necessary for an understanding of our conclusions.

9. We should like to thank all those who helped us in our inquiry, particularly Centrica, Ofgem and Transco.