Mick Bates AM
Chair of the Sustainability Committee
National Assembly for Wales
Cardiff Bay
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Nwy Prydain British Gas

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March 6, 2008

Dear Mick,

**SUSTAINABILITY COMMITTEE MEETING OF 13 MARCH 2008: EVIDENCE SESSION ON THE ENERGY PRICING STRUCTURE IN WALES**

Thank you for your letter inviting Centrica to the evidence session of the Sustainability Committee on March 13th.

Unfortunately, we will not be attending although we would be willing to assist the committee with its work in future if possible. We believe it would be inappropriate for Centrica to comment independently on pricing structures or any other aspects of competition between energy suppliers.

We firmly believe that the UK's energy market is competitive and delivering for UK consumers. As the Committee may be aware, independent research by energy consultancy Oxera released by the Government in January shows that *"the UK energy market is the most competitive in both the EU and G7,"* and that *"creating an open and competitive energy market has meant that UK consumers have consistently benefited from amongst the lowest energy prices in Europe."*

Since 2001, there have been 15 different inquiries into the UK's energy market and the current volatility in the UK's highly liquid competitive energy market has consistently been shown to stem from problems with the Continent's highly illiquid uncompetitive energy markets. For some time we have been calling for faster progress in liberalising energy markets in Continental Europe to help break the historic link between gas prices and oil prices and provide greater long-term price stability to the UK energy market.

As the Committee will be aware, Ofgem and the House of Commons Business Enterprise and Regulatory Reform Select Committee have recently announced investigations into the UK's energy markets. Centrica will be cooperating with these inquiries and believe that they will prove just how competitive the UK's energy market is.

In the meantime, we are acutely aware of the burden which recent energy price rises have placed upon households in Wales and are committed to providing measures to assist vulnerable customers. In fact, £7 in every £10 spent by UK energy suppliers on vulnerable customer initiatives comes from Centrica (British Gas).

For example, our 'Essentials' tariff provides access to our standard direct debit rates for our most vulnerable customers, irrespective of their payment method. We delayed our recent price announcement for 340,000 of our Essentials customers on

this tariff until 1 March. In addition, 2.4 million customers on fixed priced products were not affected.

We have also committed to extending our financial commitment to the British Gas Energy Trust for a further four years, bringing our total investment in the Trust to £21.3 million. The Trust operates independently of British Gas and provides grants and sustainable advice to help customers in debt pay their utility and other household bills.

We have also offered 25,000 of our most vulnerable elderly households a bespoke winter warmer support package to help them this winter. This initiative includes free loft and cavity wall insulation for the over 70s, a credit of up to £90 and a "Warmer Homes" pack which includes advice from British Gas and Help the Aged for customers on how to manage their energy use and finances.

If there are any other matters the committee wishes to raise with Centrica going forward, please do not hesitate to contact me

Yours sincerely

Rhys Jones

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Cc Joanne Clinton, deputy committee Clerk