



13 June 2018

Thank you for your email to our Director General, Andrew Slade, of 30 May and the opportunity to respond to the Competition and Markets Authority Issues Statement, which identifies matters which may be relevant to the inquiry on the merger of SSE Retail and Npower Group. The current reservation of responsibility for regulation of the energy market limits the visibility of relevant information to Welsh Government. However, we hope this note is useful in indicating our position in principle on the matter.

We understand that the role of the CMA is to look at whether the merger between the domestic retail energy business of SSE plc (SSE Retail) and Npower Group plc (Npower) may be expected to lead to a substantial lessening of competition. We note that the CMA reference decision is that a GB-wide frame of reference is appropriate in this case. However, on the basis that one of the parties is the previous monopoly supplier for South Wales, we believe CMA may wish to reconsider this. Welsh Government will wish to be assured that this merger would not lead to a substantial lessening of competition for domestic customers in Wales, not just the GB market. Should CMA determine this to be the case, we believe this consideration should be material both in the decision and in any remedies the CMA determines are appropriate.

SSE has a dominant market share in their historic monopoly supply area of South Wales. CMA suggests in the Issues Statement that this might affect how suppliers think about competition in their area. We have asked Ofgem for detailed information on the market share for SSE in Wales, but as this data is commercially sensitive they are not able to share it with us. We believe the market share of SSE in Wales should be a material consideration in this inquiry, and the CMA should ensure this information is available to inform the inquiry's decision.

The stated aim of the parties is “to create an efficient new independent retail energy supplier in Great Britain by combining the resources and experience of two established players in a new market model”; and the merger is “expected to lead to substantial synergy potential”. We would like to be assured that this synergy potential, should it lead to reduced costs for the new supplier, will benefit domestic customers in Wales in terms of reduced energy costs. Should the CMA have concerns that this would not be the case, we believe CMA should consider what remedies might be appropriate to ensure all relevant customers in Wales can be protected from the impact of the merger.

*Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.*

*We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.*

We hope this letter is helpful and look forward to hearing about the progress of the inquiry in due course.