ACQUISITIONS (ELECTRICITY): THE LEG / SEEBOARD CASE

Subject: Acquisitions

Industry: Electricity

Parties: London Electricity Group
Seaboard Group plc (formerly owned by AEP (US))
Electricité de France

Source: Commission Statement IP/02/1166, dated 26 July 2002

(Note. This case reflects two trends in the electricity supply industry in Britain: first, as the Commission points out, the supply activity in the UK used to feature strong regional characteristics but is today moving to competition at a national level; second, the ownership of the electricity industry is becoming increasingly internationalized. But competition does not appear to be prejudiced.)

The Commission has authorised the acquisition of Seeboard Group plc, formerly belonging to AEP of the US, by London Electricity Group, the British arm of Electricité de France. London Electricity Group (LEG), an integrated British electricity company historically based in the London area and South West England, intends to acquire Seeboard, another integrated British electricity company whose historical base is South East England, which will boost its customer base in the UK. The Commission's market investigation has shown that the operation will not lead to any competition concerns either in the wholesale or in the retail market of electricity. Even with the Electricité de France sales at the Channel interconnector taken into account, the combined entity will remain a second-tier player in the British electricity generation market, which is already very competitive. In the distribution business, the transaction will not lead to overlaps since distribution is based on an exclusive authorised area, London and South West England for LEG and South Eastern England for Seeboard, and is fully regulated by the Office of Gas and Electricity Markets (Ofgem). The supply activity in the UK used to feature strong regional characteristics but is today moving to competition at a national level. Whichever scale is considered, the acquisition will lead to only marginal overlaps in a competitive market and therefore does not give rise to competition concerns. The Commission has also analysed the competitive impact in other activities, namely the management and operation of network assets, the connection works and the metering activities, which have been traditionally linked to the distribution business and where Ofgem is trying to enhance competition. The Commission investigation showed that only meter reading and meter operation markets are actually emerging, but in none of these activities the operation give rise to any competition concern. Throughout its investigation, the European Commission has worked in close relationship with the Office of Fair Trading (OFT), with the British merger control authority, and with Ofgem, the British electricity markets regulator. ■