

NOTICE PURSUANT TO SECTION 49A(1)(a) ELECTRICITY ACT 1989

Reasons for the decision of the Gas and Electricity Markets Authority revoking the Licence treated as granted under Section 6(1)(d) Electricity Act to The Team Group of Companies UK Limited

NON-CONFIDENTIAL VERSION

The Gas and Electricity Markets Authority ("the Authority"¹) was informed by The Team Group of Companies UK Limited ("the Licensee") that it had proposed a voluntary arrangement with its creditors under section 1 of the Insolvency Act 1986.

Decision

The Authority will be revoking the Licence with effect from **11pm on 1st December 2005**.

Notice of Revocation was issued to the Licensee on **30th November 2005**.

Reasons for Decision

OFGEM was informed by the licensee in the late afternoon of 30th November that it was unable to meet its debts and had proposed a voluntary arrangement with its creditors under section 1 of the Insolvency Act 1986.

Earlier in the day OFGEM had been alerted to the existence of financial difficulties on the part of the licensee. OFGEM entered into discussions with three parties: the licensee itself, a second company acting behalf of the licensee in respect of balancing and other charges and apparently the principal if not the only creditor (the creditor) and a third party that had considered purchasing or otherwise taking an assignment of the licensee's contracts (the potential purchaser). The following points became apparent from those discussions:

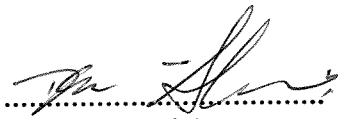
1. The licensee, in its role as a supplier, had entered into supply contracts for a fixed price and was thus exposed to upwards movements in purchase prices.
2. For this reason, though quite possibly for a number of other subsidiary reasons, the sale or assignment to the potential purchaser was unattractive from the potential purchaser's point of view. Indeed, the facts (including the fact that even assignment without any, or any significant, payment by way of consideration was not acceptable to the potential purchaser) suggest that any trade sale would be most unlikely.

¹ The final decision was taken by the Authority under delegated powers. In practice, members of the Office of the Gas and Electricity Market (OFGEM) dealt with the relevant parties.

3. Given the position of the licensee, the creditor was exposed to a financial loss that was increasing on a daily basis – estimated to be some some £[DELETED] per day – that is large relative to its own financial position. With the financial exposure increasing on a daily basis, the financial position of the creditor would become increasingly difficult if there were to be any significant delay in appointing a supplier of last resort in place of the licensee.
4. Importantly, the creditor is itself a licensee under the Act, and acts as the licensed supplier for a wider portfolio of customers on behalf of a number of companies. There was therefore a further potential detriment to customers should the creditor company fail.
5. There was clearly exposure on the part of the broader industry to a failure not only of the licensee, but of a second licensee (the creditor). Likewise, if the creditor in question remains solvent, some of the potential costs to the industry – which would eventually be passed on to consumers - which would otherwise arise due to failure of the licensee will be avoided.

OFGEM recognises that in principle a trade sale will be preferable to appointment of a Supplier of Last Resort (SOLR)². However, it is apparent that a trade sale in this instance is at best unlikely (not least because a major industry party would not accept an assignment even without payment). Further, there is the potential for a domino effect in this case if action to appoint an SOLR is not taken quickly. Appointment of an SOLR requires as a first step the revocation of the supply licence. In light of the above considerations and facts as apparent from discussions with the three parties mentioned, the decision was taken that consumers are best served by revocation of this licence, and for such revocation to take place within a short timeframe.

Signed:



(Duncan Sinclair)

Duly authorised on behalf of the Authority

1 December 2005

² As set out in its 2003 Guidance.