

## **NOTICE PURSUANT TO SECTION 38A(1)(a) OF THE GAS ACT 1986**

### **Reasons for the decision of the Gas and Electricity Markets Authority revoking the Licence treated as granted under Section 7A(1) of the Gas Act 1986 to The Team Group of Companies UK Limited**

The Gas and Electricity Markets Authority ("the Authority"<sup>1</sup>) 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 **8pm on 2<sup>nd</sup> December 2005**.

Notice of Revocation was issued to the Licensee on **1<sup>st</sup> December 2005**.

#### **Reasons for Decision**

OFGEM was informed by the licensee in the late afternoon of 30<sup>th</sup> 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 same day OFGEM had been alerted to the existence of financial difficulties on the part of the licensee. OFGEM entered into discussions with three parties with a particular focus on the position in relation to the Licensee and other interested parties in the electricity market: 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 electricity contracts (the potential purchaser). The main points arising from those discussions are set out in a Notice under 49A(1)(a) Electricity Act 1989 published by OFGEM on 1<sup>st</sup> December 2005, giving reasons for the revocation of the Electricity Supply Licence (held by the same company).

On further examination, it is apparent that certain equivalent or similar considerations apply in respect of the gas supply licence:

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 a potential

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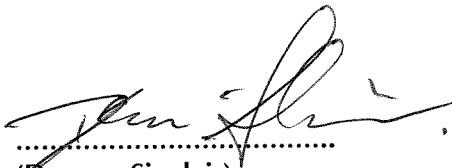
<sup>1</sup> The final decision was taken by the Authority under delegated powers. In practice, members of the Office of the Gas and Electricity Market (OFGEM) dealt with the relevant parties.

purchaser's point of view (for the avoidance of doubt, OFGEM had discussions with a potential purchaser of the gas contracts alone on 1 December 2005; a different party altogether from the potential purchaser referred to in our notice relating to the licensee's electricity licence). The facts again suggested that any trade sale would be most unlikely.

3. There was exposure on the part of the broader industry and to customers to a failure of the licensee arising out of its activities in gas supply.

OFGEM recognises that in principle a trade sale will be preferable to appointment of a Supplier of Last Resort (SOLR)<sup>2</sup>. However, it is apparent that a trade sale in this instance is at best unlikely. 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 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 to allow for appointment of SOLR.

**Signed:**

A handwritten signature in black ink, appearing to read 'Duncan Sinclair', written over a dotted line.

(Duncan Sinclair)

Duly authorised on behalf of the Authority

1 December 2005

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<sup>2</sup> As set out in its 2003 Guidance.