

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 1989 to Zest4 Electricity Limited (“the licence”)

The Gas and Electricity Markets Authority (“the Authority”¹) was informed by Zest4 Electricity Limited (a company registered in England and Wales under company registration number 03849595) (“the licensee”) that it is in a position of insolvency.

Decision

The Authority will be revoking the licence with effect from **00:00hrs on 4 February 2006**.

Notice of Revocation was issued to the licensee on **3 February 2006**.

Reasons for Decision

OFGEM was informed by the licensee during the afternoon of 3 February 2006 that it was unable to meet its debts and that the court had made an administration order under section 8 of the Insolvency Act 1986 in relation to it.

OFGEM had first been alerted to the existence of financial difficulties on the part of the licensee on 24 January 2006 and was informed that the licensee was seeking a sale of its customer portfolio. It was informed on 3 February 2006 that the final attempt to agree a sale had failed.

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 not feasible. On 3 February 2006 David Rubin and Partners were appointed as administrator. Rod Reeken of David Rubin and partners has subsequently informed Ofgem that no sale of the business or the customer portfolio could be achieved and that given the ongoing liabilities the licence should be revoked.

Appointment of a SoLR requires as a first step the revocation of the supply licence. Any delay in revoking the supply licence in the event of a supplier becoming insolvent may lead to accrual of imbalance and other charges (which would then have to be smeared across the industry³). In light of the above considerations and facts as apparent from discussions with the licensee and its appointed administrator David Rubin and Partners, the decision

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.

² As set out in its 2003 Guidance.

³ And ultimately at least part of any such costs may require to be passed on to consumers.

was taken that consumers are best served by revocation of this licence, and for such revocation to take place within a short timeframe.

Signed:

A handwritten signature in black ink, appearing to read 'PD', with a long horizontal flourish extending to the right.

.....
Philip Davies
Duly authorised on behalf of the Authority
3 February 2006