

LAST RESORT SUPPLY DIRECTION

Direction made by the Gas and Electricity Markets Authority under standard condition 29 of the electricity supply licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 to British Gas Trading Limited

To: British Gas Trading Limited (Company Number: 03078711)

Whereas

- (A) The Gas and Electricity Markets Authority ("the Authority") has the principal objective under section 3A(1) of the Electricity Act 1989 ("the Act") to protect the interests of consumers in relation to electricity conveyed by distribution systems, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity, and has a duty under section 3A(2)(a) of the Act to secure that all reasonable demands for electricity are met.
- (B) Circumstances have arisen which entitle the Authority to revoke the electricity supply licence of Zest4 Electricity Limited.
- (C) British Gas Trading Limited (Company Number 03078711) ("the Licensee") is the holder of an electricity supply licence ("the Licence") granted or treated as granted under section 6(1)(d) of the Act.
- (D) It appears to the Authority that the Licensee could comply with this last resort supply direction without significantly prejudicing its ability to continue to supply its customers and to fulfil its contractual obligations for the supply of electricity.

1. Direction

- 1.1 Pursuant to paragraph 1 of standard condition 29 ("the Condition") of the Licence, the Authority hereby directs the Licensee to supply electricity to the customers of Zest4 Electricity Limited at such premises as are specified or described in the Schedule to this direction, and otherwise in accordance with the terms of this direction and the terms of the Condition.
- 1.2 This direction shall take effect from 00:00 hours on 4 February 2006 and shall continue until 00:00 hours on 4 August 2006.

2. The Schedule

- 2.1 Premises supplied by meters with a Meter Point Administration Number registered on any distribution licensee's Metering Point Administration Service Systems to Zest4 Electricity Limited as set out in the accompanying annex (omitted from published version of this document).

Signed.....
Philip Davies
Authorised on behalf of the
Gas and Electricity Markets Authority
Dated: 3 February 2006

NOTICE PURSUANT TO SECTION 49A(1)(c) OF THE ELECTRICITY ACT 1989

Reasons for the last resort supply direction issued by the Gas and Electricity Markets Authority under standard condition 29 of the electricity supply licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 to British Gas Trading Limited

Introduction

- 1.1 The Gas and Electricity Markets Authority (“the Authority”), has the principal objective under section 3A(1) of the Electricity Act 1989 (“the Act”) to protect the interests of consumers in relation to electricity conveyed by distribution systems, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity, and has a duty under section 3A(2)(a) of the Act to secure that all reasonable demands for electricity are met.
- 1.2 Standard condition 29 of the electricity supply licence (“the Licence”) granted or treated as granted to British Gas Trading Limited (“the Licensee”) contains provisions pursuant to which the Authority may direct the Licensee to supply electricity to the customers of another electricity supplier.
- 1.3 By Notice of 3 February 2006 (accompanied by a Notice of reasons published on 3 February 2006) the Authority revoked the electricity supply licence of Zest4 Electricity Limited (“Zest4”).
- 1.4 It appears to the Authority that the Licensee could comply with a last resort supply direction without significantly prejudicing its ability to continue to supply its customers and to fulfil its contractual obligations for the supply of electricity.

2. Direction

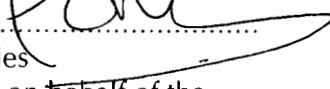
- 2.1 Pursuant to paragraph 1 of standard condition 29 (“the Condition”) of the Licence, the Authority has directed the Licensee to supply electricity to the customers of Zest4 at such premises as are specified or described in the Schedule to the direction, and otherwise in accordance with the terms of the direction and the terms of the Condition.
- 2.2 The direction to the Licensee shall take effect from 00:00 hours on 4 February 2006 and shall continue until 00:00 hours on 4 August 2006.

3. Reasons for the Direction

- 3.1 The Authority has decided to revoke Zest4’s electricity licence and appoint the Licensee as Supplier of Last Resort (“SoLR”) pursuant to its powers under standard condition 29 of the Standard Licence Conditions for Electricity Supply, in order to ensure continuity of supplies of electricity to Zest4’s customers, and payment of appropriate charges.
- 3.2 In accordance with its 2003 Guidance relating to the appointment of SoLRs, the Authority collected information from Zest4 and subsequently sent information requests to 7 companies holding licences for the supply of electricity relating to

their willingness to act as a SoLR, their capability to supply the customers, the proposed terms of any proposed deemed contracts and other related issues as set out in the Guidance. 5 licensees had responded at the time of making a final decision, and there was no indication that the other 2 intended to respond.

- 3.3 A Panel was established to assess the information provided. The Panel discussed the material differences between offers by assessing them against the criteria as set out in appendix 5 to the 2003 Guidance. In the case of many criteria there were no material differences. The following points were established as material differences when assessed against the criteria in the Guidance:
- 3.4 Of the licensees responding, 3 replied that they were not willing to act as SoLR (though would if required¹). Ofgem's Guidance points out that it would prefer to appoint a willing party as this is likely to be in the interests of customers;
- 3.5 Of the two parties which indicated a willingness to act as SoLR, both ruled out the use of ability to raise a levy (this is a process set out in the licence and described in the 2003 Guidance). This has an important impact on assessment of prices offered, as the ability to raise a levy may be used to mask lower pricing.
- 3.6 Ofgem considered the prices for electricity proposed by the two parties. Based on the information available to Ofgem concerning the regional location of the customers and their consumption levels, in Ofgem's view, British Gas Trading Limited offered the best price to the majority of customers.
- 3.7 Following an assessment against the criteria in Ofgem's Guidance, British Gas Trading Limited had therefore provided the most favourable offer for consumers. In light of this, and viewed more generally in light of the Authority's principal duty to protect the interests of consumers, the appointment of British Gas Trading as supplier of last resort was decided upon.

Signed.....
Philip Davies
Authorised on behalf of the
Gas and Electricity Markets Authority
Dated: 3 February 2006

¹ Indeed, while the Authority would prefer to appoint a willing supplier, it does have the power to appoint an SoLR without its consent or agreement.