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WEDNESDAY MAY 17, 2006

GAS AND ELECTRICITY MARKETS AUTHORITY ISSUES STATEMENT OF OBJECTIONS AGAINST NATIONAL GRID FOLLOWING COMPETITION ACT INVESTIGATION

The Gas and Electricity Markets Authority today (Wednesday) issued a Statement of Objections¹ against National Grid as part of a Competition Act investigation into the provision of domestic-sized gas meters.

The statement sets out Ofgem's⁶ proposed findings that National Grid has entered into long-term exclusive contracts for the provision of domestic gas meters with energy suppliers. The contracts are considered to lock suppliers into National Grid for a significant share of their gas meter requirements and thereby restrict the development of competition. Ofgem believes that National Grid's conduct amounts to an abuse of dominance, which infringes competition law².

Ofgem has given National Grid eight weeks to make written representations on the statement, with the subsequent opportunity of making oral representations, which Ofgem will take into account before making a final decision.

ends

Notes to Editors:

1. A statement of objections gives notice of a proposed infringement decision under the Competition Act 1998 to the party being investigated. The party (in this case National Grid) then has the opportunity to make written and oral representations in response to the case set out by Ofgem. It is standard practice for Ofgem to issue such notices as part of its investigations and no assumption should be made that there has been an infringement of the Competition Act 1998.

2. The Gas and Electricity Markets Authority propose to find that National Grid has infringed the Chapter II prohibition of the Competition Act 1998 and Article 82 of the EC Treaty. Ofgem's Authority has concurrent powers with the Office of Fair Trading (OFT) under the Competition Act 1998 (CA98) to investigate and

take enforcement action in relation to suspected infringements of UK and EC competition law.

3. The Chapter II Competition Act 1998 prohibits the abuse of a dominant position in a market by one or more undertakings which may affect trade within the UK. Article 82 of the EC Treaty prohibits the abuse of a dominant position in a market by one or more undertakings which may affect trade between Member States.

4. Information about how the Authority applies the CA98 can be found in the Competition Act 1998 guideline, 'The application in the Energy Sector'. An electronic version of this guideline can also be obtained using the link in the further reading section. Guidance issued by the OFT on the CA98 can be obtained from the following website: www.ofg.gov.uk

5. Third parties who may wish to comment on Ofgem's proposed findings are invited to submit a written request for a non-confidential version of the Statement of Objections to Caroline Ormond (caroline.ormond@ofgem.gov.uk) at Ofgem by **5pm on 31 May 2006**. Ofgem will consider such a request in accordance with the Office of Fair Trading's guidance on "Involving third parties in Competition Act investigations" (OFT 451).

6. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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