

## LAST RESORT SUPPLY DIRECTION

### Direction made by the Gas and Electricity Markets Authority under standard condition 8 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 (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 Electricity 4 Business Limited ("E4B").
- (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.

#### Direction

Pursuant to paragraph 1 of standard condition 8 ("the Condition") of the Licence, the Authority hereby directs the Licensee to supply electricity to the customers of E4B at such premises as described in the Schedule to this direction, and otherwise in accordance with the terms of this direction and the terms of the Condition<sup>1</sup>.

This direction shall take effect from 00:01 hours on 24 October 2008 and shall continue in force for a period of six months from the date on which this direction takes effect.

#### The Schedule

Premises supplied by meters with a Meter Point Administration Number registered on any distribution licensee's Metering Point Administration Service System to E4B.

Signed.....



Andrew Wright

Authorised on behalf of the Gas and Electricity Markets Authority

Dated 23 October 2008

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<sup>1</sup> The description of the premises of customers of E4B contained in the Schedule is omitted from the published version of this document for reasons of confidentiality.

## **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 8 of the electricity supply licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 ("the Act") to British Gas Trading Limited

### **Introduction**

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.
2. Standard condition 8 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.
3. By Notice of 22 October 2008 (accompanied by a Notice of reasons published on 22 October 2008) the Authority revoked the electricity supply licence of Electricity 4 Business Limited ("E4B").
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.

### **Direction**

5. Pursuant to paragraph 1 of standard condition 8 ("the Condition") of the Licence, the Authority hereby directs the Licensee to supply electricity to the customers of E4B at such premises as described in the Schedule and in accordance with the terms of this direction and the terms of the Condition<sup>1</sup>.
6. This direction shall take effect from 00:01 hours on 24 October 2008 and shall continue in force for a period of six months from the date on which this direction takes effect.

### **Reasons for the Decision**

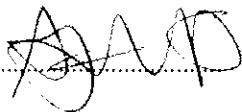
7. The Authority has decided to revoke E4B's electricity supply licence and appoint the Licensee as Supplier of Last Resort ("SoLR") pursuant to its powers under standard condition 8 of the Standard Licence Conditions for Electricity Supply, in order to ensure continuity of supplies of electricity to E4B's customers, and payment of appropriate charges from the date of which the SoLR direction takes effect.
8. In accordance with its 2003 Guidance relating to the appointment of SoLRs, the Authority collected information from E4B and subsequently sent information requests to 10 companies holding licences for the supply of electricity relating to their willingness to act as a SoLR, their capability to supply the customers, the terms of any proposed deemed contracts and other related issues as set out in the Guidance. All 10 licensees had responded at the time of making the final decision.

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<sup>1</sup> The description of premises of customers of E4B is omitted from the published version of this document for reasons of confidentiality.

9. A Panel was established to assess the information provided. The Panel discussed the material differences between the 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.
10. Of the licensees who responded, 6 replied that there were volunteering to act as SoLR. Ofgem's guidance points out that it would prefer to appoint a willing party as this is likely to be in the interests of consumers.
11. Of the 6 parties which volunteered to act as SoLR, all 6 were prepared to waive their right to raise a last resort supply payment (otherwise referred to as the "levy") (this is a process set out in the licence and described in the 2003 Guidance). This has an important bearing on the assessment of the prices offered as it avoids the SoLR seeking to retrieve any levy costs from the industry as a whole.
12. In accordance with the selection criteria set out in the 2003 Guidance and the requirements of standard licence condition 8.1(b), Ofgem considered whether the 6 companies could supply the additional customers without significantly prejudicing their ability to continue to supply their own existing customers and to fulfil their contractual obligations for the supply of electricity. Formal information requests sought information regarding the potential SoLR's industry processes, in particular: their ability to source electricity; how they proposed to manage the transfer of customers; how they will maintain adequate current and increased credit cover under the existing industry agreements; and lastly whether customer services are adequate to deal with a SoLR situation.
13. Ofgem considered the prices proposed by the 6 companies. Based on the information available to Ofgem concerning the regional location of the customers, their profile classes and their anticipated consumption levels, in Ofgem's views, British Gas Trading Limited offered the best price to customers as a whole.
14. Following an assessment against the criteria in Ofgem's 2003 Guidance, British Gas Trading Limited offered the most favourable offer to 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 as supplier of last resort was decided upon.

Signed.....



Andrew Wright (Ofgem)

Authorised on behalf of the Gas and Electricity Authority

Dated 23 October 2008