

**R/23**

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## **OFGEM CONSULTS ON RESPONSE PLAN FOR NETWORK FINANCIAL DISTRESS**

Energy regulator Ofgem has published draft guidance on its response plan for dealing with the deterioration of the financial health of an energy network operator. This guidance is out for consultation. The publication has not been prompted by concerns about any particular network company but demonstrates the regulator's commitment to best practice and forward thinking in the interests of consumers.

Ofgem has long-established arrangements for its part in dealing with financial distress in a network company. The response plan provides guidance on the procedures Ofgem may apply in the event of all levels of financial distress in a network up to and including energy administration. Ofgem has tested these procedures by a simulation exercise and believes them to be robust.

This response plan will be reviewed periodically to ensure it remains up to date and continues to set out an efficient basis for responding to a case of financial distress.

The primary responsibility for the financial integrity of a network company lies firmly with that company's management and shareholders. Ofgem's primary responsibility is to manage effectively the risks to and impact on consumers, of the deteriorating financial health of a network company.

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### **Notes to editors**

1. This document is the final consultation before Ofgem publishes Initial Proposals on each company's revenue requirements in late July 2009. The Initial Proposals cannot be inferred from the figures contained in the Methodology and Initial Results Paper.
2. The consultation period will close on 5 June 2009.
3. 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. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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