

# Information Note

**TUESDAY 2 FEBRUARY 2010**

## **OFGEM SUSPENDS ENERGY NETWORK MERGER POLICY PENDING REVIEW**

Energy regulator Ofgem has today announced the suspension of its energy network merger policy following a consultation. The suspension is effective immediately and it will be in place until a review of the policy is completed.

Ofgem will consult on proposals for a revised merger policy this spring before publishing the new policy in the summer. Any mergers that are proposed in the interim period will be considered by Ofgem on a case-by-case basis.

The existing policy has been in place since 2002 and a review is now needed given the major changes in ownership structure that have occurred since then – in particular the smaller number of independent groupings in the electricity distribution sector and the sale by National Grid of four of its local gas grids. The review also needs to consider how any potential mergers may be treated in future.

Ofgem's role in network merger activity is to advise the Office of Fair Trading which can approve or reject a merger or refer it to the Competition Commission. Ofgem may need to advise the European Commission where a merger has an impact on other European markets. Ofgem is also able to propose conditions on merged entities through modifications to the companies' licences.

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1. Ofgem has published a letter explaining its decision here:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=266&refer=Networks/Policy>

To provide clarity to the industry the letter includes details of the factors Ofgem would consider in any case by case reviews, should they occur in the interim period before the revised policy is established.

2. Policy for electricity distribution network mergers was last reconsidered in 2002 while gas distribution mergers were reviewed in 2007. The review will cover mergers within and across the distribution and transmission sectors for gas and electricity.

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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