

Electricity and Gas Supply Market Report



Document type: Report

Ref: 146/10

Date of publication: 26 November 2010

Our indicator of the net profit margin from the supply of gas and electricity has increased since our last report. We estimate net margins for supplying a typical, standard tariff, dual fuel customer are approximately £90 per customer for the year from December 2010, up from £65 in our September report.

This figure for net margin incorporates the new, higher prices of the three Big 6 energy supply companies that have already announced price rises for this winter. Only one Big 6 supplier has promised to freeze prices between now and March 2011. The other two Big 6 suppliers have not yet made their pricing positions known.

Looking forward we forecast our estimate of wholesale costs to increase towards March 2011, before leveling off. This will erode the levels of net margins we currently observe, but any further price increases by the Big 6 suppliers will have the effect of increasing net margins.

Ofgem continues to monitor the market closely, both in terms of the pricing behaviour of suppliers and the effectiveness of our market reforms. Towards this we have today announced a review of the effectiveness of the retail markets to examine if further reforms are required in the interest of customer protection. We will report on this review in March of next year, at the time of publication of the next Supply Market Report.

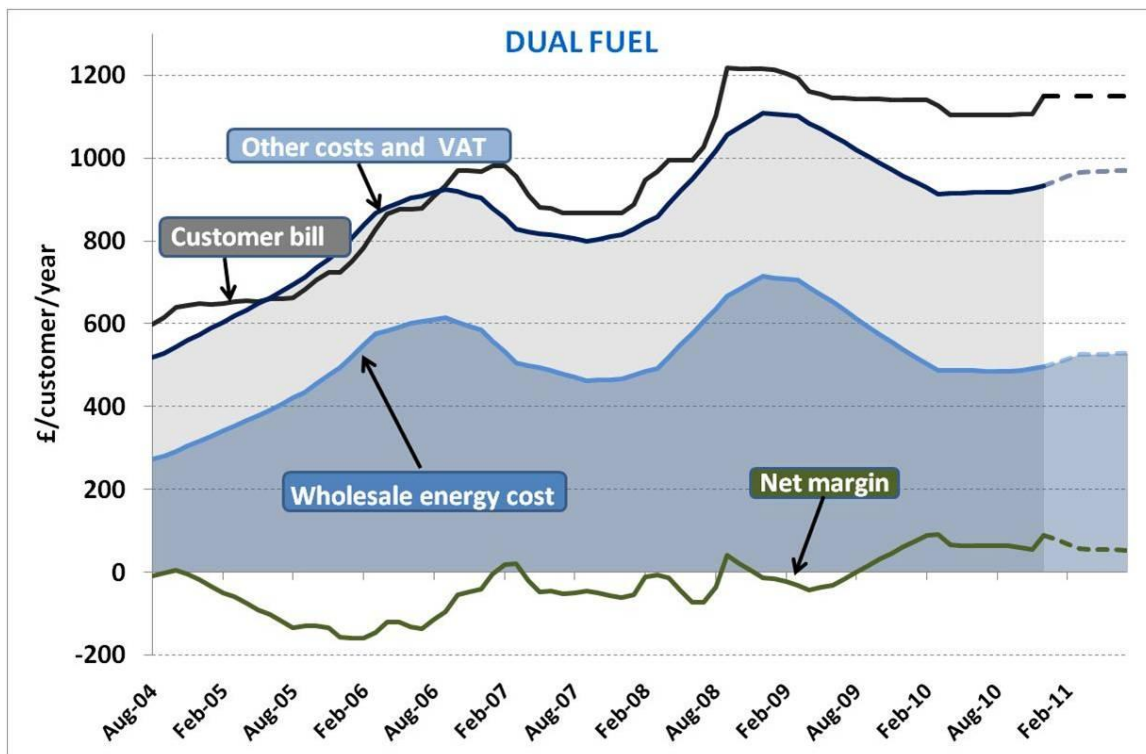
Associated documents

- Energy Supply Probe — Initial Findings Report. October 2008. Reference number 140/08
<http://www.ofgem.gov.uk/MARKETS/RETMKTS/ENSUPPRO/Documents1/Energy%20Supply%20Probe%20-%20Initial%20Findings%20Report.pdf>
- Quarterly Wholesale/Retail Price Report. February 2009. Reference number 15/09
<http://www.ofgem.gov.uk/MARKETS/RETMKTS/ENSUPPRO/Documents1/Wholesale%20retail%20price%20link%20report%20-%20February09.pdf>
- Quarterly Wholesale/Retail Price Report. May 2009. Reference number 57/09
<http://www.ofgem.gov.uk/MARKETS/RETMKTS/ENSUPPRO/Documents1/Wholesale%20retail%20report%20-%20May.pdf>
- Quarterly Wholesale/Retail Price Report. August 2009. Reference number 111/09
<http://www.ofgem.gov.uk/MARKETS/RETMKTS/ENSUPPRO/Documents1/August%20quarterly%20price%20report.pdf>
- Quarterly Wholesale/Retail Price Report. December 2009. Reference number 150/09
<http://www.ofgem.gov.uk/MARKETS/RETMKTS/ENSUPPRO/Documents1/Quarterly%20Wholesale%20Retail%20Price%20Report%20November%202009.pdf>
- Electricity and Gas Supply Market Report. February 2010. Reference number 23/10
<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/QPR%20final%20feb.pdf>
- Electricity and Gas Supply Market Report. June 2010. Reference number 73/10
<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Electricity%20and%20Gas%20Supply%20Market%20Report%20June%202010.pdf>
- Energy supply probe remedy: publication of segmental generation and supply accounts by energy companies. July 2010
<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/location%20of%20these%20accounting%20statements%20on%20each%20suppliers%20web%20site.pdf>
- Electricity and Gas Supply Market Report. September 2010. Reference number 126/10
<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Electricity%20and%20Gas%20Supply%20Market%20Report%20September%202010.pdf>

Summary

Our indicator of the net margin from supplying a standard tariff, dual fuel customer, which takes account of the price increases by three of the Big 6 energy suppliers, shows an increase to £90 for the year from December 2010. This is up from £65 in our September report.

Typical dual fuel customer bill, costs and net margin



Since September’s report, wholesale energy costs (as modelled by our 18 month hedging strategy) have begun to increase. This is because prices in wholesale forward markets have increased since September. However, the effect of the retail price increases announced by three of the Big 6 suppliers, will more than offset increases in the purchasing costs of wholesale energy for the year from December. This is why our estimate of net margin from December is higher than it was in September.

Our modelling suggests that net margins are likely to decline slightly in the new year, as the impact of higher wholesale energy purchase costs begins to offset December’s retail price increases. However, whether net margins follow this path depends on energy suppliers’ pricing decisions. Further price increases, beyond those already announced by three of the Big 6 suppliers, would result in actual net margins for early 2011 being higher than we currently forecast.

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Customer bills, wholesale energy costs and net margin

The estimated net margin for supplying a standard tariff, dual fuel customer is £90 for the following year from December 2010. This figure takes account of price announcements by three of the Big 6 energy suppliers, all of which will be effective by mid-December. The net margin from December has increased since September's report, when we estimated it at £65 per standard, dual fuel customer.

1.1. This report examines the relationship between wholesale energy costs and standard tariff energy bills for a typical customer. It provides an indicator of the margin from supplying energy to a typical customer, rather than an estimate of energy supply company profits. It has been carried out by Ofgem based on information from publicly available sources, data which Ofgem purchases (e.g. price data) and information gathered as part of the Energy Supply Probe. Suppliers may use different hedging strategies and their operating costs may vary, so actual margins for individual suppliers may differ from our indicator.

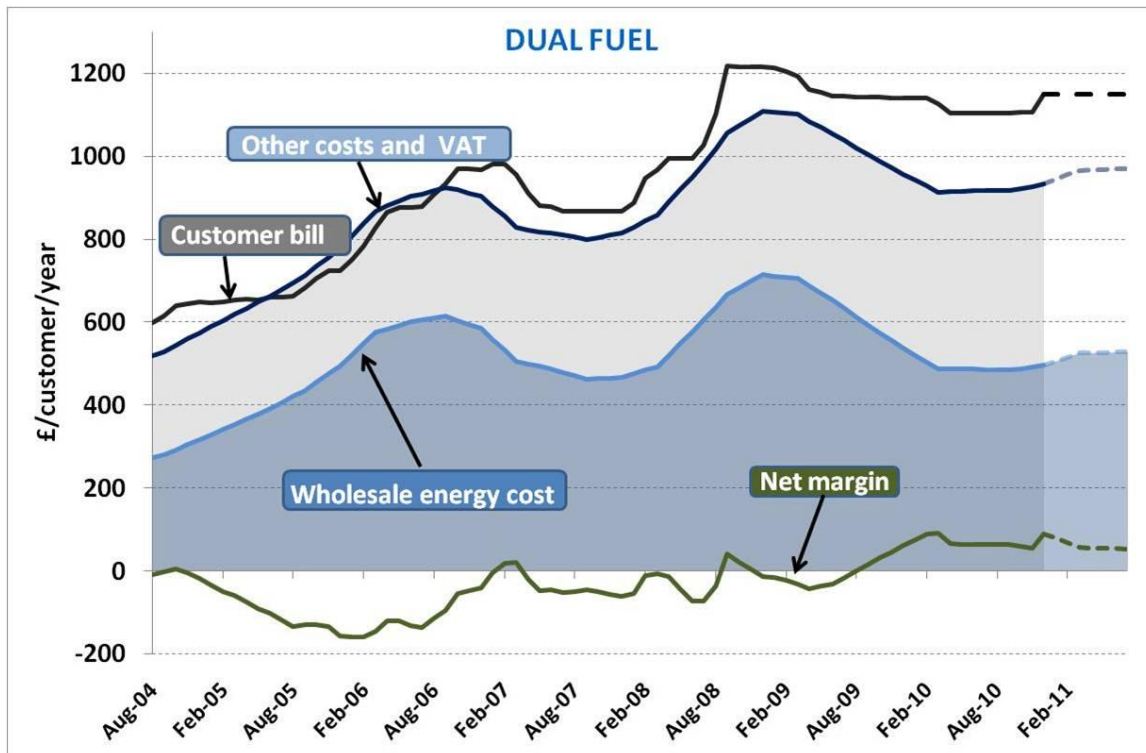
1.2. As with our previous reports, we welcome feedback on our methodology as well as our findings. Please see Appendix 4 for more details about our assumptions, including figure 4.2 for a summary of any changes made since the previous report.

1.3. Each point on the charts in this section represents the expected cost, revenue or margin for the following year, for an average customer on a £/year basis. Wholesale costs are estimated using our 18 month hedging strategy. The cost of the average customer bill is represented by the black line. Wholesale costs are represented by the blue shaded area. Other costs, such as network costs, environmental charges, and VAT, are represented by the grey shaded area. The area between the customer bill and the combined wholesale and other costs lines represents gross margin. Subtracting operating costs from the gross margin gives the net margin, represented by the green line.

1.4. Operating costs include: staff costs, IT costs and overheads. They also include discretionary elements (such as marketing) and bad debt costs. We have made assumptions about how these have been affected by the ongoing economic climate, although there is some uncertainty around how these costs have changed. Please refer to Appendix 4 for further details on how we calculate net margin.

1.5. Figure 1.1 shows that the estimated net margin on supplying a typical dual fuel customer has increased to £90 for the year from December 2010. This compares to £65 in our last report. The increase in net margin is due to three of the Big 6 energy suppliers announcing price increases which will all be effective by mid-December. Our modelled wholesale energy costs have also risen during the period September to December, but by a smaller amount than the average customer bill.

Figure 1.1: Typical dual fuel customer bill, costs and net margin

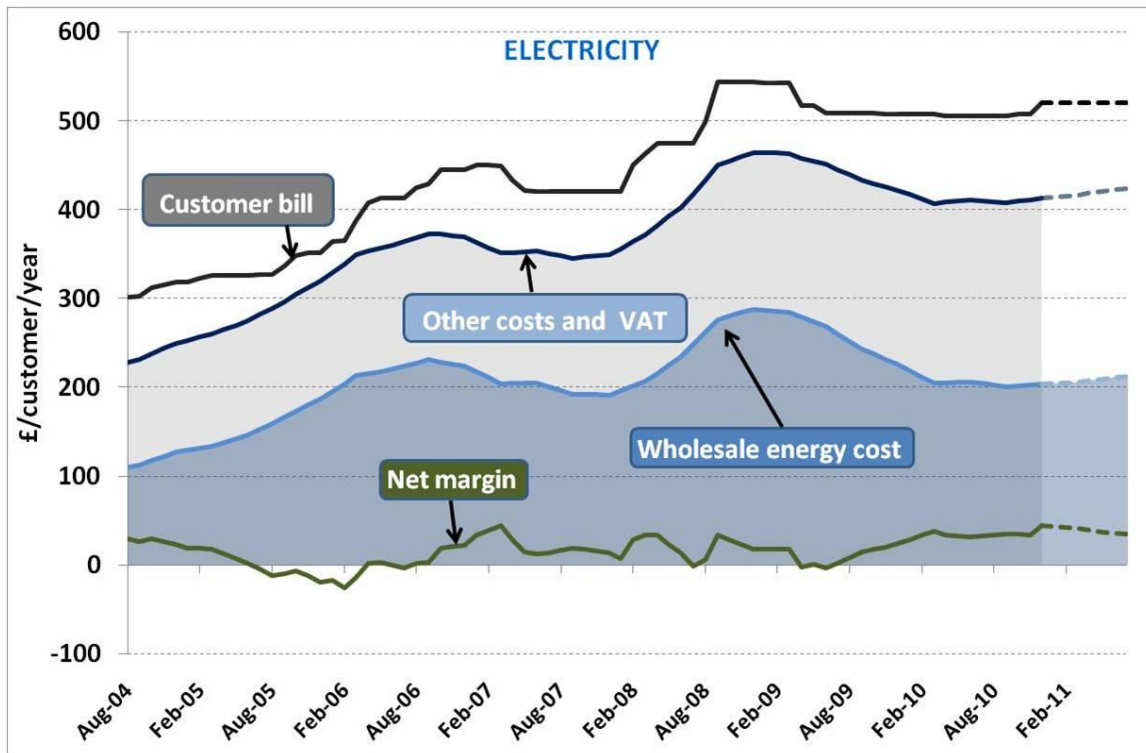


1.6. Wholesale energy costs are estimated using our assumed 18 month hedging strategy. These costs have risen slightly from around £485 from September per customer per year, to £495 from December. This increase over the period is a result of rising wholesale electricity and gas forward prices. Our modelling suggests that wholesale energy costs are likely to rise further, to around £525 per customer per year, by March 2011, before levelling off. Wholesale gas prices are forecast to rise more than electricity prices over the coming months.

1.7. Future wholesale energy costs are unpredictable, so our estimate of net margin may vary over time. However, if wholesale energy costs do follow our estimated path, we forecast net margin to fall to around £55 by March 2011, before levelling off. This is a level slightly below our figure for September 2010. This also assumes that there are no further retail price increases beyond those already announced by three of the Big 6 suppliers.

1.8. It is possible to estimate the effect on net margin using a hypothetical scenario in which the two remaining suppliers, who are yet to make public their price positions for the winter, increase prices from 1 January 2011. In this hypothetical scenario, if these two Big 6 suppliers increased their gas and electricity prices by 6%, we model that net margin would rise to £95 in January 2011. This is compared with our current, actual forecast of £80 in January. The figure of 6% is equivalent to the average increase made by the three suppliers who have already announced price increases for their dual fuel customers and is in no other way representative.

Figure 1.2: Typical electricity customer bill, costs and net margin

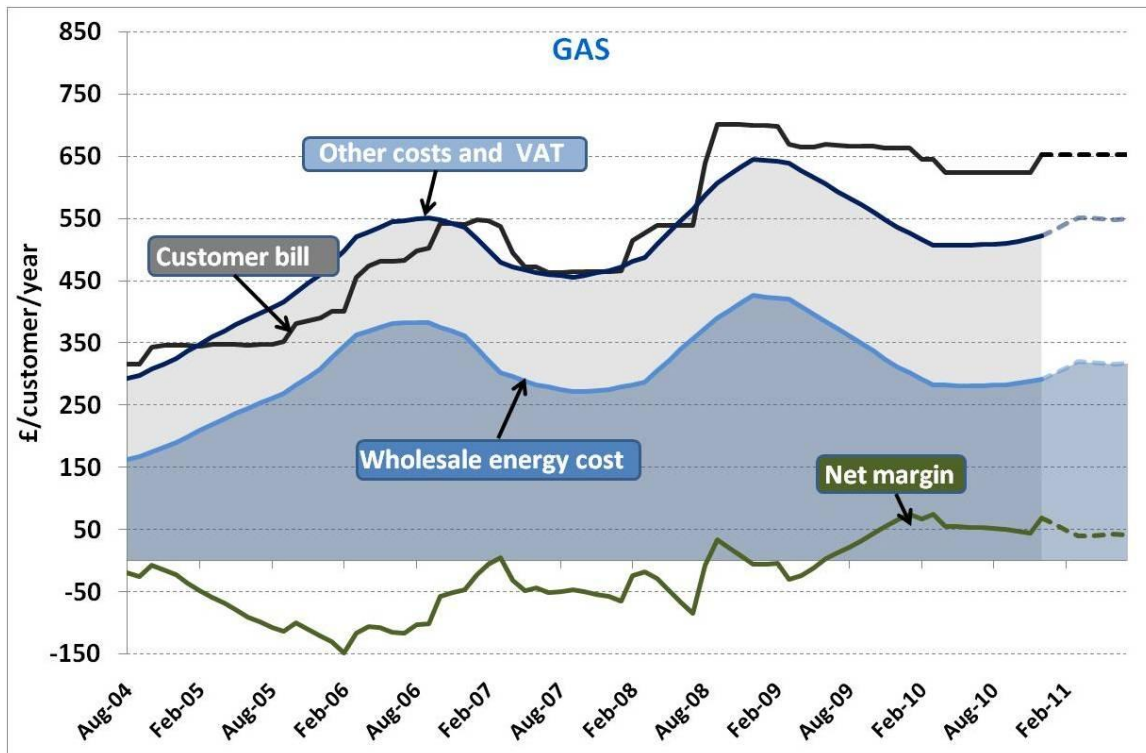


1.9. Figure 1.2 replicates figure 1.1 for a typical, stand-alone electricity customer account. The figure shows that our estimated net margin from December has increased by £10 since our last report to around £45 per customer per year. This is due to two of the Big 6 energy suppliers announcing increases to their electricity prices which will both be effective by mid-December.

1.10. The figure shows that since September, wholesale electricity costs, as estimated by our 18 month hedging strategy, have risen only slightly, from £200 to £205, per customer per year. Looking forward, our modelling suggests electricity purchase costs are expected to rise by only a further £5 per customer per year by July 2011. Our estimate of other costs and VAT – which includes environmental, social, network, metering, balancing costs – follows a similar pattern, edging up slightly over the coming months.

1.11. The effect of these changes is that we would expect net margin to fall back to around £35 by July 2011, provided there are no further electricity price increases by the Big 6.

Figure 1.3: Typical gas customer bill, costs and net margin



1.12. Figure 1.3 presents our analysis for a typical stand-alone gas customer account. It shows that our estimate of net margin for December has increased to £70, up from £50 in our previous report. This is primarily due to three of the Big 6 suppliers announcing price increases which will all be effective by mid-December.

1.13. Wholesale gas costs have also risen since September. Our modelling indicates that a typical supplier hedging over 18 months is paying around £10 more on gas purchases for the year from December than compared with September. Our modelling also indicates that these costs are forecast to rise further by March 2011, before levelling off.

1.14. Combining this with the assumption that there are no further gas price increases by the Big 6, we forecast net margins to fall back to around £40 by March 2011, before levelling off. If any of the Big 6 decide to raise prices between now and March, our forecast reduction in net margin will be less pronounced.

1.15. To enable comparison of customer bills and suppliers' costs over time, we assume a constant level of consumption. A declining consumption trend impacts on net margin, as a substantial proportion of suppliers' costs are fixed. Holding

consumption constant over time means we may have overstated margin in recent years, but understated margin in even earlier periods. The margins over time at constant consumption are presented in the tables below¹.

Figure 1.4: Dual fuel summary table (£/customer/year)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Customer bill	£970	£865	£1215	£1140	£1150
Wholesale costs	£585	£465	£715	£535	£495
VAT and other costs	£320	£350	£395	£420	£440
Gross margin	£65	£50	£105	£185	£215
Operating costs	£105	£115	£120	£125	£125
Implied net margin	£-40	£-60	£-15	£60	£90
Notes:	<i>Customer bill is for standard tariffs, weighted by payment method and market share. Average figures assume electricity consumption of 4MWh/yr, gas consumption of 16.9MWh/yr. Figures rounded to nearest £5 and may not sum due to rounding</i>				

Figure 1.5: Electricity summary table (£/customer/year)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Customer bill	£445	£420	£545	£505	£520
Wholesale costs	£225	£190	£290	£225	£205
VAT and other costs	£145	£160	£175	£195	£210
Gross margin	£75	£70	£80	£85	£105
Operating costs	£55	£55	£60	£60	£65
Implied net margin	£20	£15	£20	£25	£45
Notes:	<i>Customer bill is for standard tariffs, weighted by payment method and market share. Average figures assume gas consumption of 16.9MWh/yr. Figures rounded to nearest £5 and may not sum due to rounding</i>				

Figure 1.6: Gas summary table (£/customer/year)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Customer bill	£540	£465	£700	£665	£655
Wholesale costs	£360	£275	£425	£310	£290
VAT and other costs	£175	£190	£220	£225	£230
Gross margin	£5	£0	£55	£130	£130
Operating costs	£55	£55	£60	£60	£65
Implied net margin	£-45	£-60	£-5	£65	£70
Notes:	<i>Customer bill is for standard tariffs, weighted by payment method and market share. Average figures assume gas consumption of 16.9MWh/yr. Figures rounded to nearest £5 and may not sum due to rounding</i>				

¹ We will update our consumption figures for the purposes of this analysis to reflect the latest trends as required.

Appendices

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Appendix 1 – Feedback and questions

1.1. Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. Feedback should be received by 31 December 2010 and should be sent to:

Tim Collins
GB Markets
9 Millbank
London
SW1P 3GE
020 7901 7212
tim.collins@ofgem.gov.uk

1.3. Unless marked confidential, all responses will be published by placing them in Ofgem’s library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

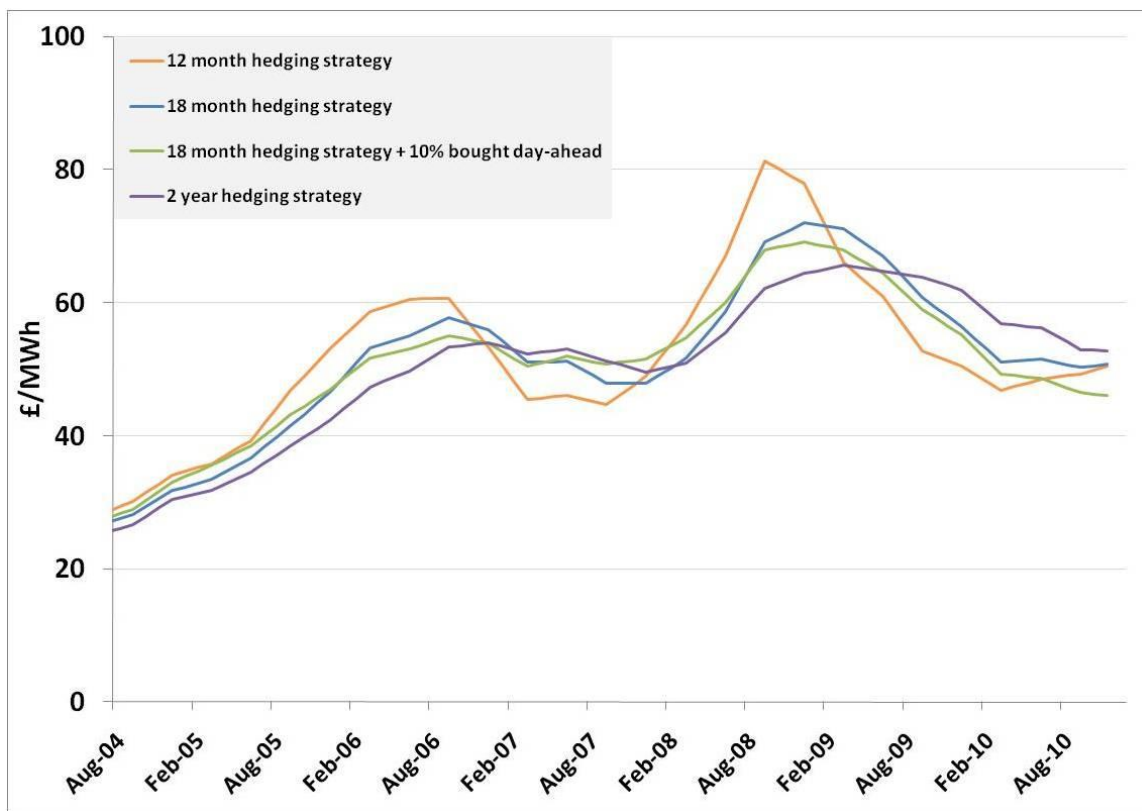
1.4. Respondents who wish to have their responses remain confidential should clearly mark the document(s) to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.5. Any questions on this document should, in the first instance, be directed to Tim Collins, whose contact details are given above.

Appendix 2 – Hedging strategies

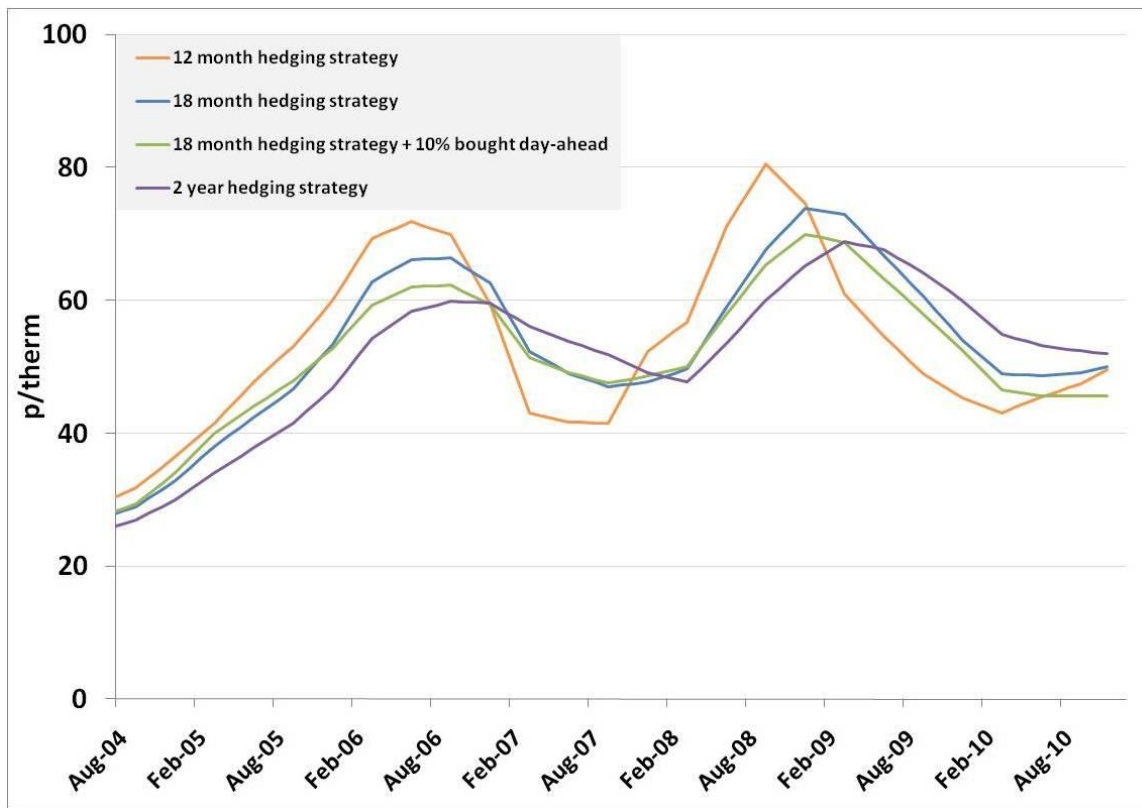
1.1. Suppliers use a range of hedging strategies and can change their approach over time. This section compares the cost to a supplier of adopting different wholesale energy hedging strategies. The four strategies are designed based on information collected in the Energy Supply Probe. Note these strategies are intended to represent the industry as a whole rather than any particular firm. Please refer to Appendix 4 for an explanation of the methodology.

Figure 2.1: Electricity hedging strategies



1.2. Figure 2.1 shows that the decline in wholesale electricity costs seen earlier in 2010 is beginning to slow, and in the case of the 12 month hedging strategy, wholesale electricity costs are beginning to rise again. Depending on the hedging strategy, the current average value of the contracted position is in the range £46-53/MWh.

Figure 2.2: Gas hedging strategies

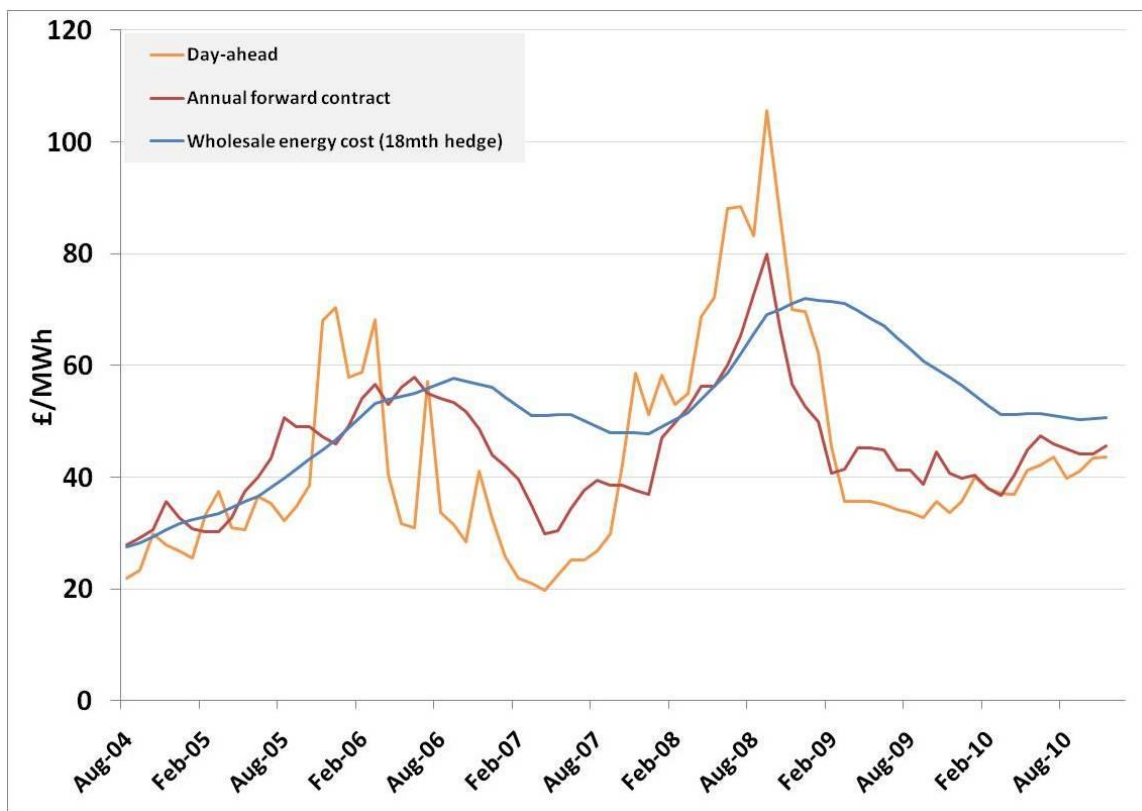


1.3. Figure 2.2 indicates that the downward trend in wholesale gas costs has more or less levelled off, and under the 18 month and 12 month hedging strategies, wholesale gas costs have already begun to rise again. Depending on the hedging strategy, the current average value of the contracted position ranges between 46-52p/therm.

Appendix 3 – Wholesale prices and wholesale costs

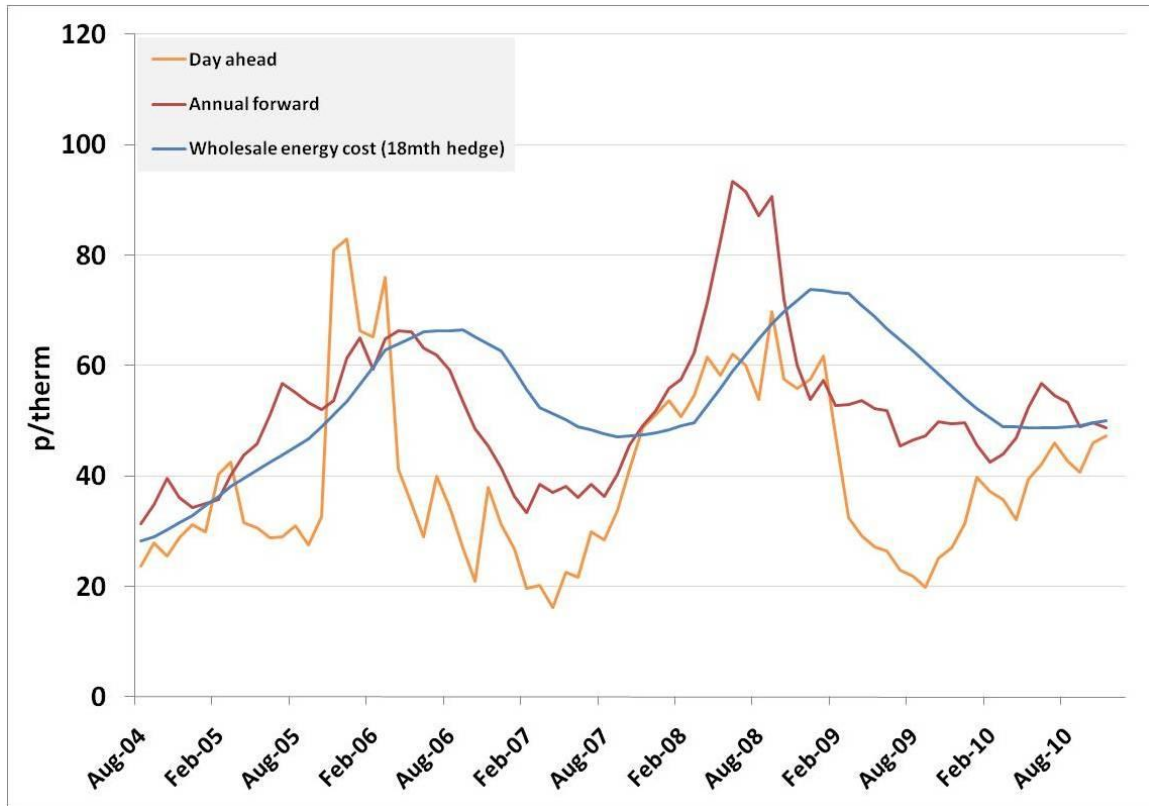
1.1. This section illustrates the relationship between the price of wholesale products and our estimate of wholesale energy purchase costs². It shows the extent of variation in wholesale prices and how suppliers can smooth costs by hedging. The charts compare day-ahead and annual forward products with our wholesale cost estimate based on an 18-month hedging strategy. Please refer to Appendix 4 for an explanation of the methodology.

Figure 3.1: Electricity forward prices vs. 18 month hedge



1.2. Figures 3.1 and 3.2 illustrate the relationship between wholesale electricity and gas prices (wholesale day ahead and annual forward prices) with the wholesale energy purchase cost based on our 18 month hedging strategy. Hedged wholesale costs are much less volatile than spot prices. By hedging, suppliers reduce the level of price risk they are exposed to than if they chose not to hedge.

² Wholesale product prices are based on quoted prices in Heren’s EDEM and ESGM reports.

Figure 3.2: Gas forward prices vs. 18 month hedge

1.3. Figures 3.1 and 3.2 also illustrate the lag between wholesale price changes and changes in suppliers' forward energy costs. A longer hedging period leads to a greater lag between wholesale market prices and supplier energy costs but also to smoother price variations on average.

Appendix 4 – Methodology

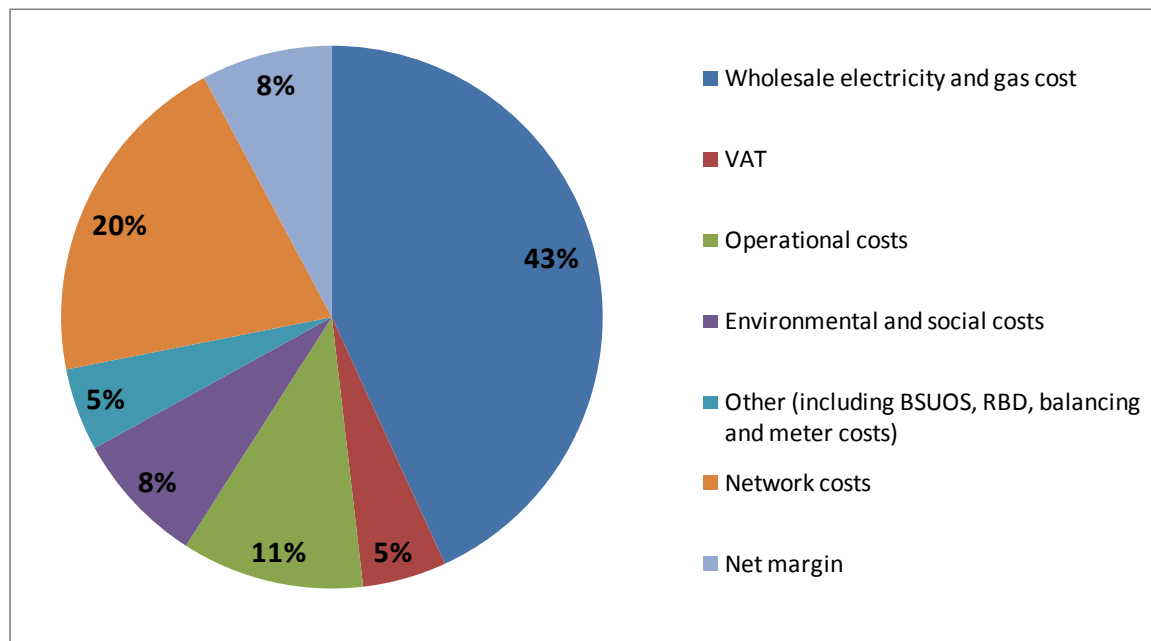
1.1. This section provides a detailed description of the methodology behind the following data we have used in this report:

- consumption levels;
- average customer bill;
- wholesale energy costs;
- other supply costs (including network, environmental and some meter costs);
- gross margin (average customer bill minus wholesale energy costs and other supply costs); and
- net margin.

1.2. Prices and costs are calculated at an average consumption per annum of 4MWh of electricity and 16.9MWh of gas and are held constant over time in the analysis presented in the text. This reflects data from DECC's *Energy Trends*, December 2009 publication. These values differ from the consumption figures we currently use in average bill calculations in other Ofgem publications, and do not represent a change in Ofgem's standard consumption figures (used for example in our 'Energy bills explained' factsheets).

1.3. All cost items are expressed in nominal terms.

Figure 4.1: Illustrative breakdown of a typical dual fuel customer bill



Average customer bill

1.4. The average customer bill is an estimate of the average cost paid by retail energy customers on standard tariffs in GB. All price changes announced by the Big 6 prior to publication of this report have been included.

1.5. The average customer bill in the report is constructed using monthly prices charged by the Big 6 companies and those charged by suppliers bought by, or merged with, the Big 6³. Each supplier's standard regional tariffs are averaged to give a national average price for each payment method. These national averages are weighted by the proportion of customers on each payment method and by the market share of each company.

1.6. We have not taken into account the impact of discounted and fixed price tariffs as we are carrying out the analysis from the perspective of a typical customer and standard tariffs remain the most popular tariff form. We are not trying to model supply business profits.

Wholesale energy costs

1.7. The proportion of a customer's final energy bill which is accounted for by wholesale costs varies between suppliers and over time with changing wholesale costs and other costs.

1.8. Wholesale prices can be volatile. Suppliers therefore buy much of their energy requirement over a period of time (hedging) to reduce the effect of large changes in the wholesale price. This helps suppliers to smooth costs and provides them with more certainty over future costs. Wholesale prices on any given day are therefore not a good indicator of suppliers' wholesale costs, nor are short term products such as within-day or day-ahead products. We use wholesale energy price data up to and including Friday 19 November 2010 in this report.

1.9. We estimate the relationship between wholesale prices and suppliers' wholesale energy costs. Our analysis is based on forward looking wholesale costs: it estimates the expected cost of supplying energy to a customer for the next year at each point in time, based on pricing information available at that time. Costs are based on buying seasonal and quarterly products in electricity and gas, respectively.

1.10. We have estimated costs based on a range of different hedging strategies. These strategies draw on information provided to us as part of the Energy Supply Probe. Our model shows what we believe to be generally representative of wholesale costs across the industry. However, it is important to note that hedging strategies

³ Source: www.TheEnergyShop.com

may vary between suppliers and suppliers may change their strategies over time in reaction to market conditions.

1.11. Firms operate a range of trading strategies, including purchasing energy internally and on long-term contracts. By using market-based prices to estimate wholesale costs, we are pricing energy at the price which firms are able to sell the energy at on the wholesale market⁴.

1.12. The actual weighted average cost of electricity and gas could be different from this if companies purchase energy internally from their upstream generation business at a price different from the prevailing market price. Any margin made on energy bought below market prices would mean an equivalently lower margin in the generation business.

1.13. In Appendix 2 we present costs based on four different hedging strategies. In the report we choose a central hedging strategy where costs are based on firms starting to purchase energy 18 months ahead of time t . Figures 2.1 and 2.2 in Appendix 2 show how wholesale costs vary with alternative hedging strategies. The alternative hedging strategies used are:

- Firms start to purchase energy 12 months ahead of time t ;
- Firms start to purchase energy 2 years ahead of time t ; and
- Firms start to purchase energy 18 months ahead of time t , but only hedge 90% with the remaining 10% purchased day-ahead.

1.14. Prices are weighted to take account of seasonal consumption trends (by quarter for gas and by season for electricity). For electricity, wholesale costs include both losses and our proxy for shaping costs. Wholesale energy cost is calculated by averaging forward electricity and gas product prices over the buying period, assuming a constant rate of purchase.

1.15. The wholesale cost model calculates wholesale costs on a quarterly basis, which are then converted into a monthly series by taking a straight line average between quarterly points.

Other supply costs

1.16. The components of other supply costs are network charges (transmission and distribution), balancing costs, meter costs, RBD costs, environmental costs (Energy Efficiency Commitment – EEC, Community Energy Savings Programme -CESP, Carbon Emissions Reduction Target – CERT, and Renewables Obligation Certificates – ROCs), other direct costs such as social tariffs and VAT. Note that electricity losses and shaping costs are included within the wholesale cost.

⁴ Formally this is known as an opportunity cost methodology.

1.17. Other costs are the expected costs over the next year. This means for example, that suppliers' costs for the year from August 2010 also take into account the extended CERT scheme introduced from April 2011.

Gross Margin

1.18. Gross margin is calculated as the difference between the average customer bill and the sum of wholesale costs and other supply costs.

Net margin

1.19. The net margin is calculated as the difference between gross margin and operating costs. Operating costs include customer service staffing, IT, marketing, billing and bad debt costs.

1.20. Detailed operating cost data was collected from the Big 6 as part of the Energy Supply Probe for the period 2005 to 2007. The data has been updated based on a range of sources including publically available information and data provided to Ofgem on a bilateral basis by the companies. This includes updated information on the evolution of bad debt costs.

1.21. It is important to recognise that the net margin calculations are inherently more uncertain than the gross margin calculations where network, fuel and environmental costs account for the majority of total suppliers' costs. We have had to use a range of assumptions to derive the figures for recent years where certain cost data items are not available to us. The key assumption here is that where updated operating cost information is not available, it is assumed that costs increase in line with changes in previous years. We have also equalised the operating cost data between electricity and gas.

Figure 4.2: Summary of changes since the last report

Updates	Source
Customer numbers updated	Datamonitor

Appendix 5 – The Authority’s powers and duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority’s powers and duties are largely provided for in statute (such as the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Acts of 2004, 2008 and 2010) as well as arising from directly effective European Community legislation.

1.3. References to the Gas Act and the Electricity Act in this appendix are to Part 1 of those Acts.⁵ Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This appendix must be read accordingly.⁶

1.4. The Authority’s principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gases and in the security of the supply of gas and electricity to them.

1.5. The Authority is generally required to carry out its functions in the manner it considers is best calculated to further the principal objective, wherever appropriate by promoting effective competition between persons engaged in, or commercial activities connected with,

- the shipping, transportation or supply of gas conveyed through pipes;
- the generation, transmission, distribution or supply of electricity;
- the provision or use of electricity interconnectors.

1.6. Before deciding to carry out its functions in a particular manner with a view to promoting competition, the Authority will have to consider the extent to which the interests of consumers would be protected by that manner of carrying out those functions and whether there is any other manner (whether or not it would promote competition) in which the Authority could carry out those functions which would better protect those interests.

⁵ Entitled “Gas Supply” and “Electricity Supply” respectively.

⁶ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

1.7. In performing these duties, the Authority must have regard to:

- the need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- the need to secure that all reasonable demands for electricity are met;
- the need to secure that licence holders are able to finance the activities which are the subject of obligations on them⁷; and
- the need to contribute to the achievement of sustainable development.

1.8. In performing these duties, the Authority must have regard to the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.⁸

1.9. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

- promote efficiency and economy on the part of those licensed⁹ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity; and
- secure a diverse and viable long-term energy supply, and shall, in carrying out those functions, have regard to the effect on the environment.

1.10. In carrying out these functions the Authority must also have regard to:

- the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.11. The Authority may, in carrying out a function under the Gas Act and the Electricity Act, have regard to any interests of consumers in relation to communications services and electronic communications apparatus or to water or

⁷ Under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Acts in the case of Electricity Act functions.

⁸ The Authority may have regard to other descriptions of consumers.

⁹ Or persons authorised by exemptions to carry on any activity.

sewerage services (within the meaning of the Water Industry Act 1991), which are affected by the carrying out of that function.

1.12. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation¹⁰ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

¹⁰ Council Regulation (EC) 1/2003.

Appendix 6 – Feedback questionnaire

1.1. We are keen to consider any comments or complaints. In particular, we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

Andrew MacFaul

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Ofgem
9 Millbank
London
SW1P 3GE
andrew.macfaul@ofgem.gov.uk