

Electricity and Gas Supply Market Report

Report

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Contact: Tim Collins, Regulatory Economist
Team: GB Markets
Tel: 020 7901 7212
Email: tim.collins@ofgem.gov.uk

Overview:

We estimate net margin on supplying a typical, standard tariff, dual fuel customer to be approximately £15 per customer for the year from June 2011. This is a significant reduction on the net margin indicator published in March.

The main driver of reduced net margins is the increase in wholesale gas and electricity prices. Gas prices, in particular, have had a strong upward shift in the last six months, owing to global events. This means that the price for next Winter's gas is around 30% higher than the price for last Winter's gas. Other factors have also had an effect on suppliers' margins, and these are explained in the report.

The £15 net margin figure is not affected by the recent price increase announced by one of the Big 6 energy supply companies, as this price increase is not effective until August. This will cause the average dual fuel customer bill in our analysis to rise from that date by about £15.

Associated Documents

- 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>
- Electricity and Gas Supply Market Report. December 2010. Reference number 146/10
<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Electricity%20and%20Gas%20Supply%20Market%20Report%20December%202010.pdf>
- Electricity and Gas Supply Market Report. March 2011. Reference number 36/11
http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/Supply_Market_Report_March2011.pdf

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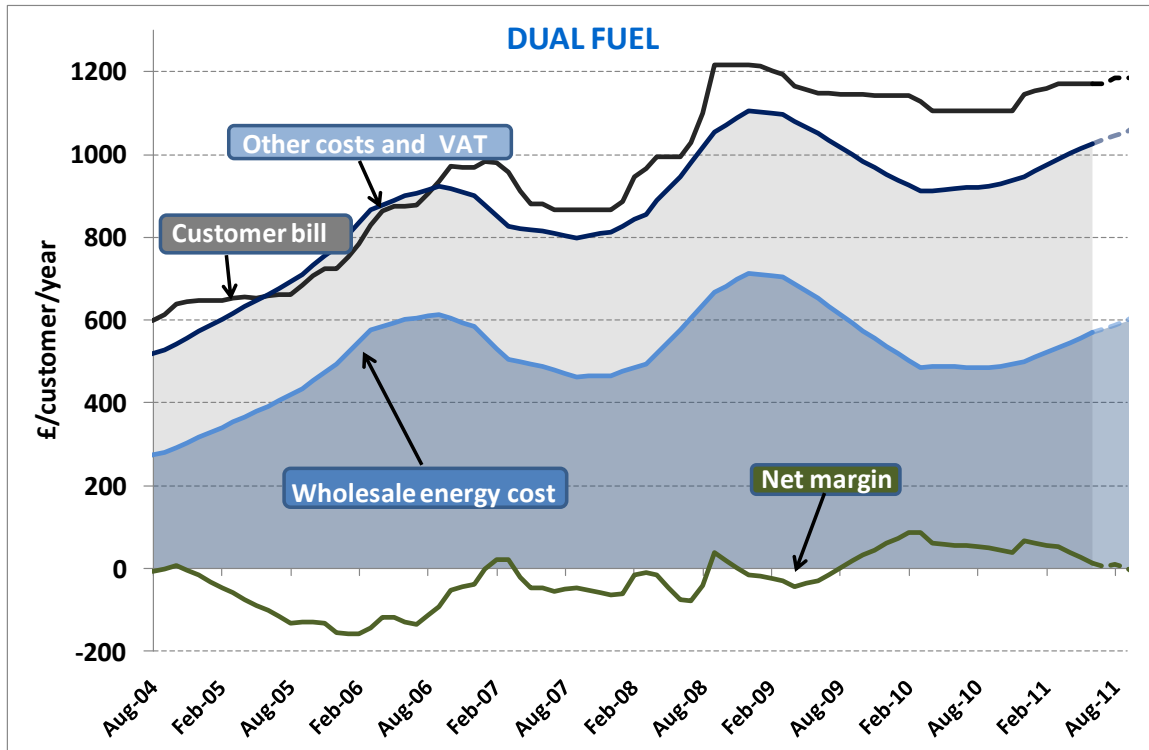
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Executive Summary

Our indicator of the net margin on supplying a standard tariff, dual fuel customer is £15 for the year from June 2011. This represents a significant reduction in net margin compared to our March report. The £15 net margin figure is not affected by the recent price increase announced by one of the Big 6 energy supply companies, as this price increase is not effective until August.

This bill increase does, however, affect our forecast and is shown by the dashed black line representing the predicted average dual fuel customer bill on the top right hand side of the chart. The increase in the average customer bill from August is about £15. This is much smaller than the increase in prices announced by that supplier, because the average customer bill in the chart takes account of the standard tariffs of all Big 6 suppliers, five of whom have made no announcements on prices.

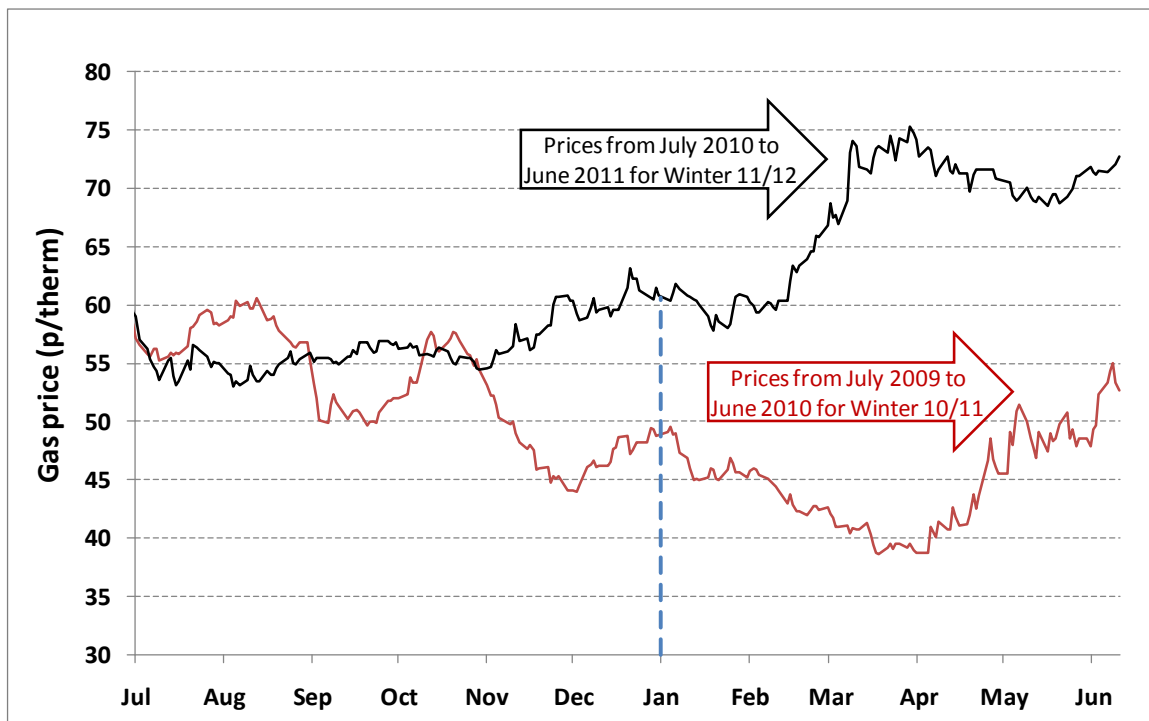
Typical dual fuel customer bill, costs and net margin



In our last supply market report in March, we noted a general trend of rising wholesale energy costs, particularly for gas. We also noted further increases in wholesale energy prices shortly before we published our last report, resulting from the earthquake and tsunami in Japan and events in the Middle East. The figure below gives an indication of the extent of these increases. It compares the changing price over the past year of purchasing a contract for the delivery of gas in the coming Winter (the black line), with the changing price, a year earlier, of an equivalent contract for the delivery of gas for last Winter (the red line).

The figure shows that during 2011 this Winter's contract (Winter 11/12) has risen from around 60p/therm, in January of this year (marked by the blue dotted line), to nearly 75p/therm by the end of March. Since then, the price has only fallen slightly and, as of the start of June 2011, stood at just above 70p/therm. This contrasts with the evolution in price of last Winter's contract (Winter 10/11). This fell initially from around 50p/therm, in January 2010 (also marked by the blue dotted line), to around 40p/therm, before recovering to around 55p/therm by June 2010. The chart therefore shows that the current price for next Winter's gas is around 30% higher than the price for last Winter's gas a year ago. This has pushed up wholesale energy costs and reduced our net margin figure for June and our projected net margin looking forward.

Winter gas price contract comparison in 2010 and 2011



1. Customer Bills, Wholesale Energy Costs and Net Margin

Chapter Summary

The estimated net margin on supplying a standard tariff, dual fuel customer is £15 for the year from June 2011. The £15 net margin figure is not affected by the recent price increase announced by one of the Big 6 energy supply companies, as this price increase is not effective until August. The £15 net margin figure for June represents a decrease of £60 since our March report.

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 earned for 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 and Retail Market Review. 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 3 for more details about our assumptions, including figure 3.2 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. The average customer bill is represented by the black line. Wholesale energy costs are estimated using our 18 month hedging strategy and are represented by the blue shaded area. Other costs, such as network charges, social and environmental supplier obligations¹ and VAT, are represented by the grey shaded area.

1.4. We have included the revised network charges applicable from April 2011 in this report. These charges are higher overall than they were previously, particularly for gas distribution networks. Because our analysis models net margins for the year ahead, the change in network charges will affect net margin figures dating back to May 2010.

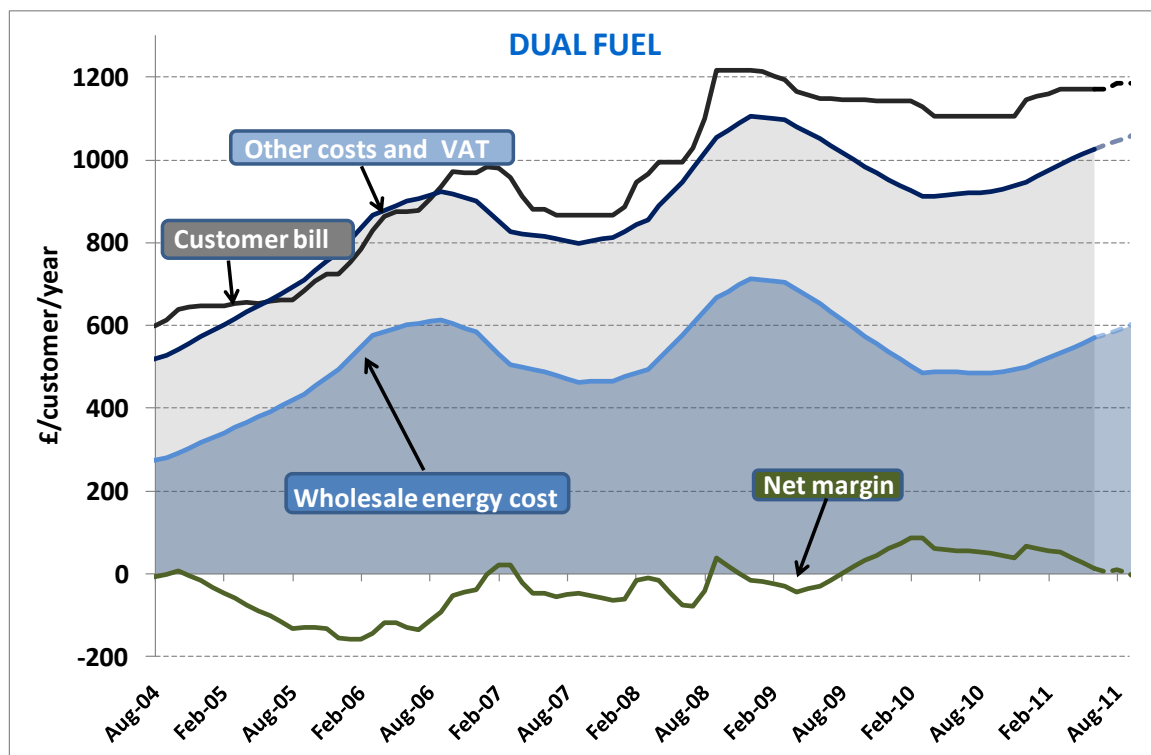
1.5. The area between the customer bill and the combined wholesale and other costs lines represents gross margin. Subtracting operating costs from the gross margin gives the net margin, represented by the green line. Operating costs include:

¹ Please see Appendix 3 for an explanation of our methodology, including our treatment of social and environmental costs.

staff costs, IT costs and overheads. They also include discretionary elements (such as sales and marketing costs) and bad debt costs. We recently updated these costs so they reflect information obtained from the Big 6 energy suppliers as part of the Retail Market Review. The updated operating costs are slightly higher than the figures used previously.

1.6. Figure 1.1 shows that the estimated net margin for supplying a typical dual fuel customer has decreased to £15 for the year from June 2011. This compares to £75 in our last report. The decrease in net margin is largely due to the persistence of high wholesale energy costs following the significant rises we reported in March. Net margins have also decreased as a result of higher network charges, particularly for gas distribution networks.

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



1.7. The average dual fuel retail bill in June is very similar to our March report. However, one of the Big 6 energy suppliers has announced a substantial increase in their prices from August, which will cause the average customer bill in our analysis to rise from that date by about £15. The effect of this increase is shown in the forecast region of the chart by the dashed black line representing the predicted average customer bill. The price increase for a dual fuel customer, with that supplier, will increase annual bills by around £175.

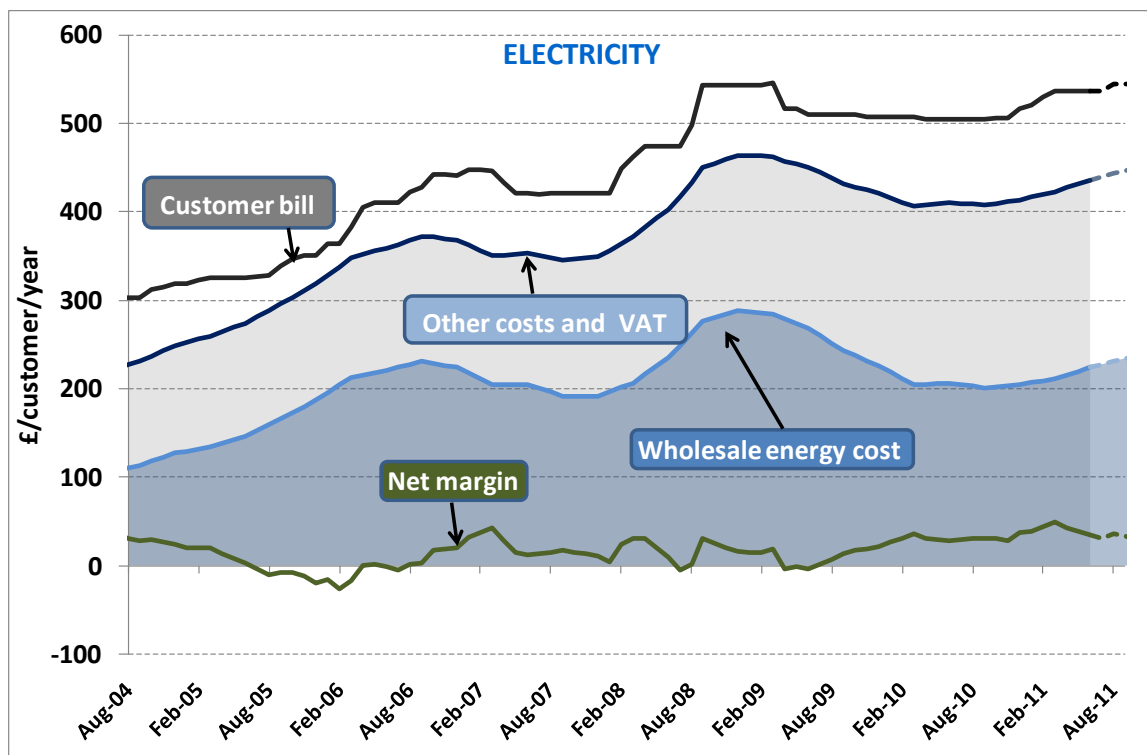
1.8. The increase in the average customer bill from August is much smaller than the increase in prices announced by that supplier, because the average customer bill takes account of the standard tariffs of all the Big 6 suppliers, five of whom have made no announcements on prices.

1.9. Wholesale energy costs are estimated using our 18 month hedging strategy. These costs have risen from around £530 in our previous report to around £570 for the year from June 2011. This increase is a result of high wholesale electricity and gas forward prices persisting since events in the Middle East and Japan earlier in the year. Wholesale gas costs are responsible for the bulk of the increase in absolute terms.

1.10. Our current projections suggest that wholesale costs may rise further in the months ahead. However, as noted in our previous report, it is important to recognise that our projected wholesale energy costs and projected net margins (represented by the dashed lines on the right hand side of the charts) are uncertain and subject to change as more information on wholesale costs becomes available.

1.11. Figure 1.2 replicates figure 1.1 for a typical, stand-alone electricity customer account. The figure shows that our estimated net margin for the year from June has fallen by £15 since our last report to £35.

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



1.12. The decrease in net margin from March to June is largely due to an increase in wholesale electricity costs over the period.

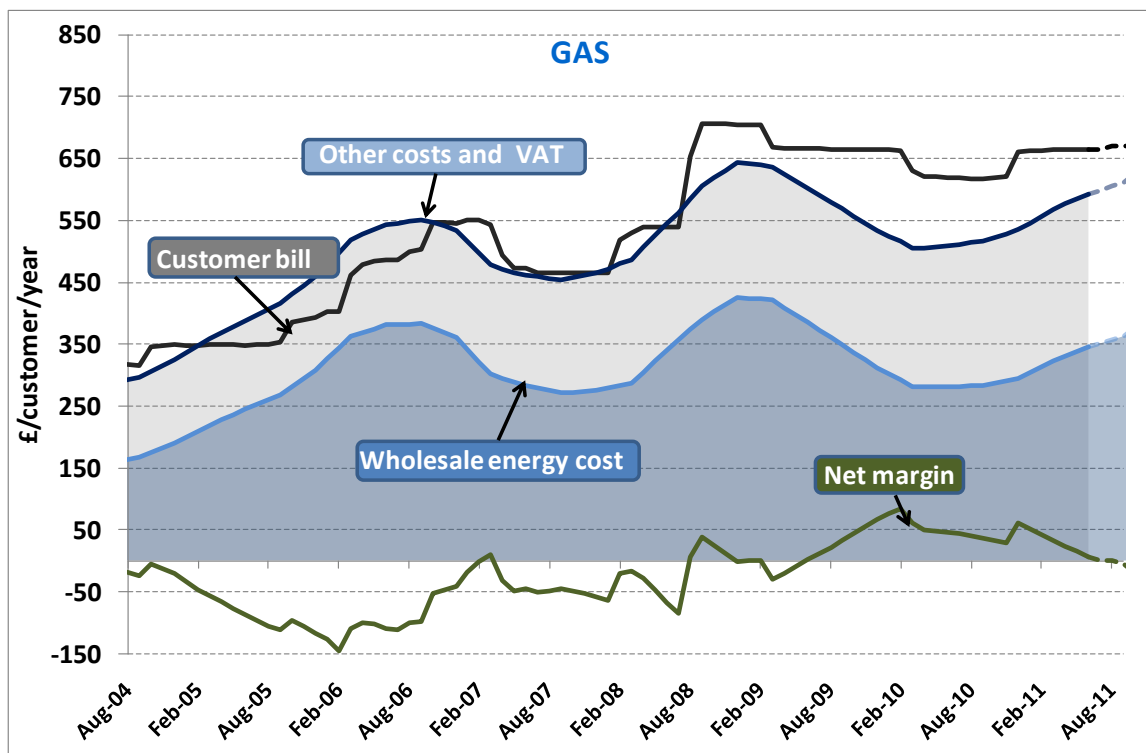
1.13. As noted earlier in the report, one of the Big 6 suppliers has announced a price increase from August, which causes the average customer bill to rise from that date. The increase in the average customer bill from August is much smaller than the increase in prices announced by that supplier, because the average customer bill

takes account of the standard tariffs of all the Big 6 suppliers, five of whom have made no announcements on prices.

1.14. Looking forward, our modelling suggests that wholesale electricity costs could rise further over the course of the next three months. However, because the average customer bill will rise from August, we expect net margin to remain at similar levels over the next three months for a typical standard tariff electricity customer, based on the information available to us at this time.

1.15. Figure 1.3 presents our analysis for a typical stand-alone gas customer account. It shows that our estimate of net margin from March 2011 has fallen significantly since our last report, from around £55 in our March report to around £5 for the year from June 2011.

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

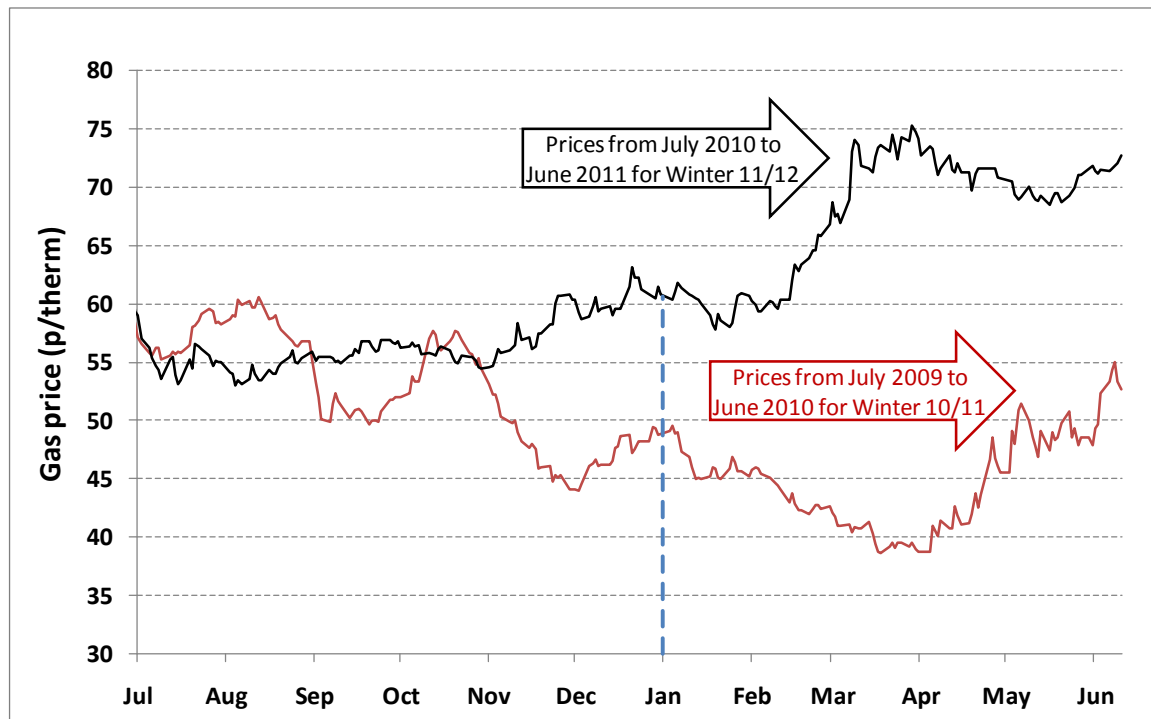


1.16. Two significant factors are responsible for the decline in net margin on gas supply since our last report. First, wholesale gas costs have risen significantly over the period. Figure 1.4 gives an indication of the extent of this rise. It compares the changing price over the past year of purchasing a contract for the delivery of gas in the coming Winter (the black line), with the changing price, a year earlier, of an equivalent contract for the delivery of gas for last Winter (the red line).

1.17. The figure shows that during 2011 this Winter's contract (Winter 11/12) has risen from around 60p/therm, in January of this year (marked by the blue dotted line), to nearly 75p/therm by the end of March. Since then, the price has only fallen

slightly and, as of the start of June 2011, stood at just above 70p/therm. This contrasts with the evolution in price of last Winter's contract (Winter 10/11). This fell initially from around 50p/therm, in January 2010 (also marked by the blue dotted line), to around 40p/therm, before recovering to around 55p/therm by June 2010. The chart therefore shows that the current price for next Winter's gas is around 30% higher than the price for last Winter's gas a year ago.

Figure 1.4: Winter gas price contract comparison in 2010 and 2011



1.18. As suppliers purchase their gas over time, called hedging, the impact of the recent price rises will be spread across gas purchases at lower prices. Even so, our modelling indicates that a typical supplier, hedging over 18 months, is now paying around £25 more per customer, on gas purchases for the year from June 2011, compared to in March of this year.

1.19. The second reason for the decline in net margins on gas supply has been an increase in gas distribution network charges, effective from April 2011. This has driven up other costs and VAT by around £20 per gas customer compared to our previous report. As we model net margins for the next 12 months, these revised network charges will affect some historic net margin figures, including for March 2011. As a result, our estimate of the net margin on a typical stand-alone gas customer for the year from March has fallen from £55 to closer to £35.

1.20. From August 2011, we observe an increase in the average customer bill, which is due to the price increase announced by one of the big six suppliers. However, the increase shown on the chart is far lower than the increase announced by that supplier, because the average customer bill takes account of the standard

tariffs of all the Big 6 suppliers, five of whom have made no announcements on prices.

1.21. 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 below:

Figure 1.5: Dual fuel summary table (£/customer/year)

	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Customer bill	£880	£995	£1,145	£1,105	£1,170
Wholesale costs	£485	£575	£655	£485	£570
VAT and other costs	£325	£370	£400	£430	£455
Gross margin	£65	£45	£95	£185	£145
Operating costs	£110	£125	£130	£130	£130
Implied net margin	-£45	-£75	-£30	£55	£15
Notes:	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				

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

	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Customer bill	£420	£475	£510	£505	£535
Wholesale costs	£205	£235	£270	£205	£225
VAT and other costs	£150	£170	£180	£205	£210
Gross margin	£70	£70	£60	£95	£100
Operating costs	£55	£60	£65	£65	£65
Implied net margin	£10	£10	-£5	£30	£35
Notes:	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				

Figure 1.7: Gas summary table (£/customer/year)

	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Customer bill	£470	£540	£665	£620	£665
Wholesale costs	£285	£340	£385	£280	£345
VAT and other costs	£180	£205	£215	£230	£245
Gross margin	£10	-£5	£65	£110	£70
Operating costs	£55	£60	£65	£65	£65
Implied net margin	-£45	-£65	£0	£45	£5
Notes:	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				

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 5 August 2011 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, responses may 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.

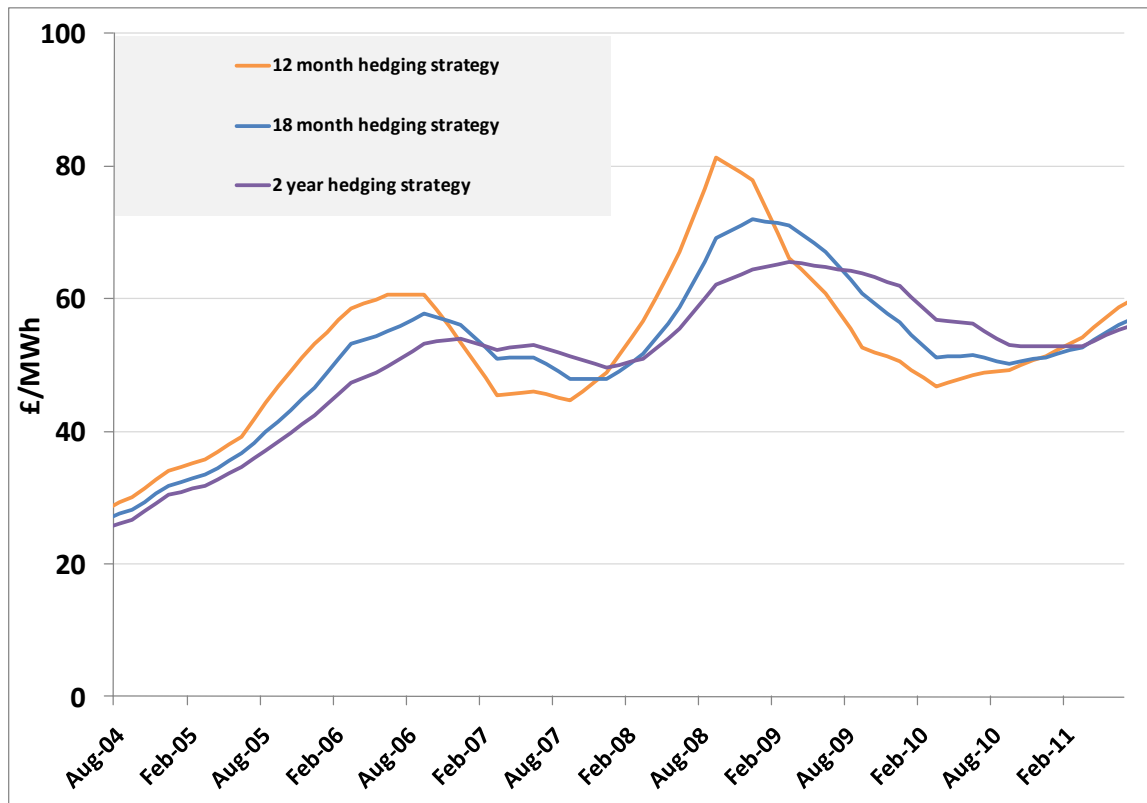
Appendix 2 – Hedging Strategies

1.1. Suppliers buy much of their energy requirement over a period of time to reduce the effect of large changes in wholesale prices. This practice is known as hedging.

1.2. Hedging helps suppliers to smooth their costs and provides suppliers with more certainty over future costs. Hedging strategies may vary from supplier to supplier according to their business objectives. Suppliers may also change their hedging strategies over time in reaction to market conditions or for other business reasons.

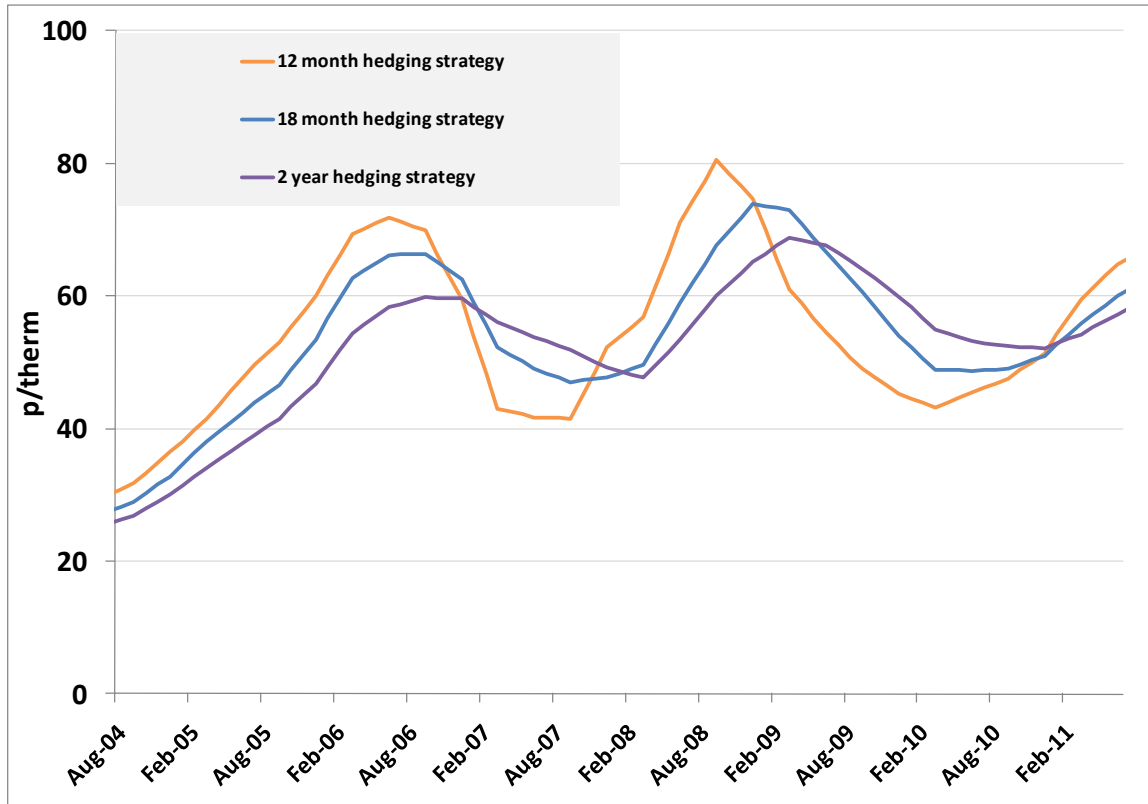
1.3. The charts below depict the costs to suppliers of adopting hedging strategies over 12, 18 and 24 months for both electricity and gas. These hedging strategies were designed based on information collected in the Energy Supply Probe and are intended to represent the industry as a whole rather than any particular firm. Please refer to Appendix 3 for an explanation of the methodology.

Figure 2.1: Electricity hedging strategies



1.4. Figure 2.1 shows that wholesale electricity costs are increasing under all three hedging strategies. We use the 18 month hedging strategy in our report. There is currently a range of between £55 and £59/MWh depending on the hedging strategy used.

Figure 2.2: Gas hedging strategies



1.5. Figure 2.2 indicates that wholesale gas costs are rising under all three hedging strategies. We use the 18 month hedging strategy in our report. There is currently a range of between 57p to 65p/therm depending on the hedging strategy used.

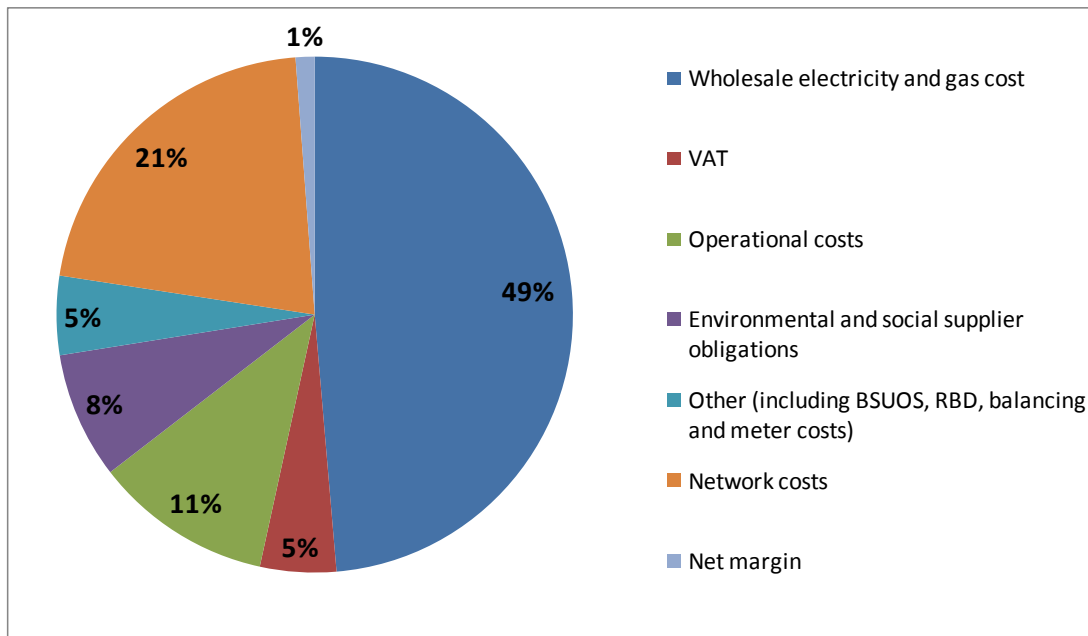
Appendix 3 – Methodology

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 charges, environmental supplier obligations 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).

Figure 3.1: Illustrative breakdown of a typical dual fuel customer bill



Average customer bill

1.3. The average customer bill is an estimate of the average cost paid by retail energy customers on standard tariffs in GB. The recent price increase announced by one of the Big 6 suppliers is captured from August onwards, when it takes effect.

1.4. The average customer bill in the report is constructed using monthly prices charged by the Big 6 companies. 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.

1.5. 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

1.6. 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.

1.7. 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 wholesale prices. 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 8 June 2011 in this report.

1.8. 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.

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

1.10. 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 market².

1.11. 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.

1.12. In Appendix 2 we present costs based on our 12, 18 and 24 month 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 shown are:

- Firms start to purchase energy 12 months ahead of time t ;
- Firms start to purchase energy 18 months ahead of time t ; and
- Firms start to purchase energy 24 months ahead of time t .

1.13. 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.

1.14. The wholesale cost model calculates wholesale costs on a quarterly basis. We convert these values into a monthly series by taking a straight line average between quarterly points.

Other supply costs

1.15. The components of other supply costs are network charges (transmission and distribution), balancing costs, meter costs, RBD costs, environmental supplier obligations (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 electrical losses and shaping costs are included within the wholesale cost of electricity, as is the cost of the EU Emission Trading Scheme (EU ETS), which is borne by electricity generators and will be reflected in the wholesale cost of the electricity they sell.

1.16. Other costs are the expected costs over the next 12 months. For example, suppliers' costs for the year from March 2011 will capture the additional cost of the extended CERT scheme introduced from April 2011.

² Formally this is known as an opportunity cost methodology.

Gross Margin

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

Net margin

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

1.19. Detailed operating cost data was collected from the Big 6 as part of the Energy Supply Probe for the period 2005 to 2007. We have recently updated our operating costs based on information provided to us by the Big 6 in connection with our Retail Market Review. We produce weighted average operating costs for electricity and gas based on the market shares of the Big 6 (on a customer numbers basis) to represent the operating costs of a typical supplier. This is consistent with our method of calculating the average retail bill.

Figure 3.2: Summary of changes to our calculations since the last report

Updates	Source
Network charges updated	Ofgem
Customer bill payment methods updated	DECC
Customer numbers updated	Datamonitor

Appendix 4 – 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.³ 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.⁴

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

³ Entitled “Gas Supply” and “Electricity Supply” respectively.

⁴ 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.

competition) in which the Authority could carry out those functions which would better protect those interests.

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 them⁵; 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.⁶

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 licensed⁷ 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

⁵ 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.

⁶ The Authority may have regard to other descriptions of consumers.

⁷ 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 Regulation⁸ 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.

⁸ Council Regulation (EC) 1/2003.

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
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
Consultation Co-ordinator
Ofgem
9 Millbank
London
SW1P 3GE
andrew.macfaul@ofgem.gov.uk