

Press Release

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1 July 2011

OFGEM ANNOUNCES £1M PENALTY ON BRITISH GAS BUSINESS FOR MISREPORTING UNDER RENEWABLES OBLIGATION

- **Ofgem investigation finds that British Gas Business has not provided accurate information about the amount of electricity supplied for calculation of ROC payments**
- **Misreporting relates to the government's Renewables Obligation, which seeks to encourage more renewable generation**
- **Penalty would have been much higher had it not been for British Gas' co-operation and commitment to redress**
- **Action is a clear warning to all companies reporting under the Renewables Obligation**

Ofgem has today announced a £1 million penalty on British Gas Business after the regulator's investigation found that the company had misreported the amount of electricity supplied under the Government's Renewables Obligation. The error was caused by British Gas's incorrect interpretation of the reporting requirements and insufficient procedures by the company.

The Renewables Obligation requires energy suppliers to provide evidence of the amount of electricity supplied from renewable sources relative to total electricity supplied. Financial incentives designed to promote the use of renewable energy depend on the accuracy of this information. Ofgem administers this scheme on behalf of the Government.

Over a period of seven years, British Gas underestimated the amount of electricity supplied by an average of 0.62% per year. British Gas brought the error to Ofgem's attention and co-operated fully throughout the investigation. It is taking action to address the market impact caused by the error by retiring an appropriate number of Renewable Obligation Certificates (ROCs) in the current compliance period.*

Ofgem has decided to impose a financial penalty of £1m on British Gas. This has been significantly reduced because of British Gas' approach and action.

David Pimm, Group Finance Director, Ofgem, said: "Ofgem's decision today, and our decision to impose an £8 million penalty on National Grid Gas earlier this year sends a clear message to all energy companies that accurate reporting is essential across the energy sector.

"Energy suppliers who are presently submitting information to Ofgem for the 2010-11 Renewables Obligation period should also understand that the level of the penalty reflects both the importance of compliance and the significant co-operation of British Gas, including action to address the harm caused. Without this, the penalty would have been much higher."

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Notes to Editors:

*British Gas will retire around 87,000 ROCs in relation to the current obligation period. This is estimated to be equivalent to a value to other market participants of around £2.8 million (plus interest at five points above base rate) over the seven-year period.

1 The penalty notice relating to the investigation is available here:

<http://www.ofgem.gov.uk/About%20us/enforcement/Investigations/ClosedInvest/Pages/Closed.aspx> Any representations on the penalty may be made by 1 September 2011.

2. A link to the press release on Ofgem's fine against National Grid Gas for misreporting of information is here:

<http://www.ofgem.gov.uk/Media/PressRel/Documents1/NGG%20misreporting%20press%20release%20Jan%2006.pdf>

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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