Promoting choice and value
for all gas and electricity customers

Electricity and Gas Supply Market Report

Report

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Publication date:	14 October 2011	**Team:**	GB Markets
Response deadline:	30 November 2011	**Tel:**	020 7901 7212
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Overview:

Wholesale energy costs have continued to rise, particularly for gas, where for example the price of this winter's gas is around 40% higher than last winter's. This increase has been driven by global rises in oil and gas prices. This has contributed significantly to recent increases in customers' bills.

Our snapshot estimate of the net margin on supplying a typical, standard tariff, dual fuel customer is approximately £125 per customer for the year from October 2011. This is a significant rise on the net margin indicator published in our June report. The net margin is an indicator of how profitable a typical dual fuel customer would be for a supplier assuming no other factors change over the next 12 months.

Our current projections suggest that, due to the persistence of high forward wholesale energy prices, net margins will begin to decline from their present levels over the coming months, albeit gradually.

This report takes account of all recent price rises announced by the Big 6 energy supply companies. The first of these price rises was effective from August, and the last will be effective from November.

Associated Documents

- 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

- Electricity and Gas Supply Market Report. June 2011. Reference number 81/11
  http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/SMR%20June%202011.pdf

- Publication of 2010 segmental generation and supply statements by energy companies
  http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Publication%20of%202010%20statements.pdf

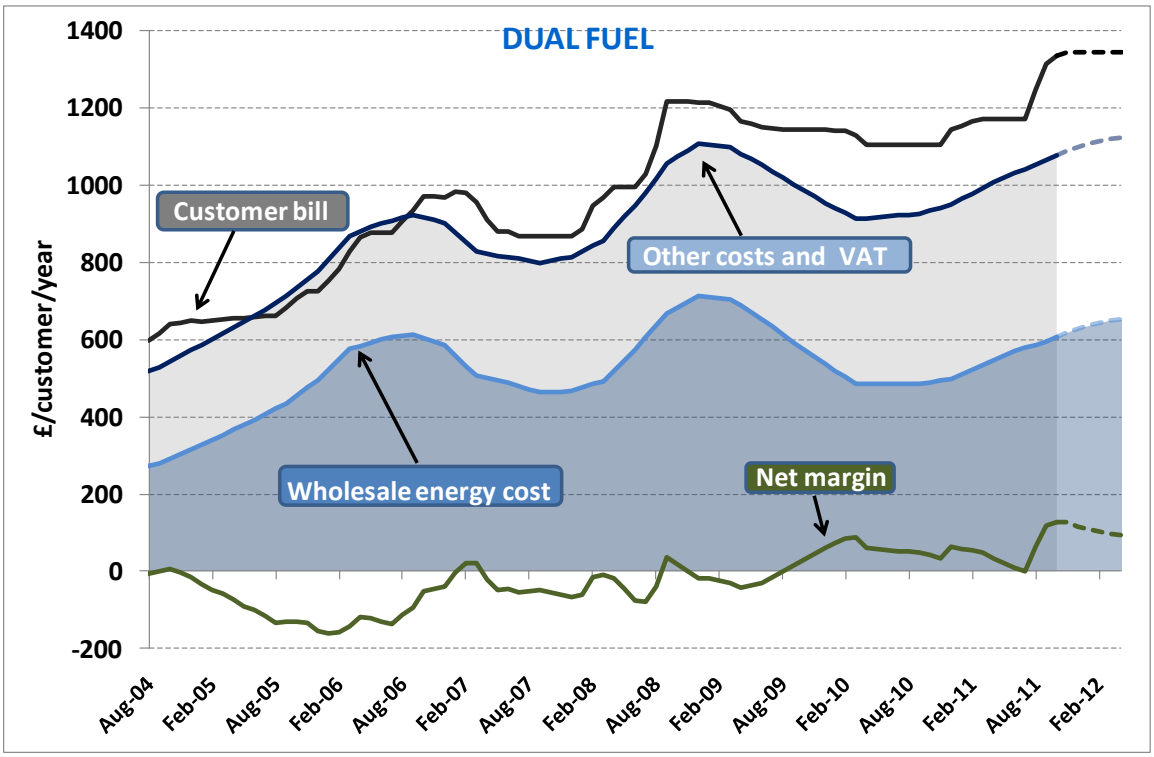
- Why are energy prices rising? Factsheet - Reference number 108
  http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Publication%20of%202010%20statements.pdf

Contents

Executive Summary

Our indicator of the net margin on supplying a standard tariff, dual fuel customer is £125 for the year from October 2011. This represents a significant increase in net margin compared to our June report. The £125 figure takes account of recent energy price increases by five of the Big 6 energy supply companies – the last supplier's price rise will not be implemented until November, causing the average customer bill to rise further from next month. However, net margins in November are expected to remain at £125 due to further rises in wholesale energy costs.

Typical dual fuel customer bill, costs and net margin



In our last supply market report in June, we noted that rising forward wholesale energy prices were leading to higher costs for suppliers, putting pressure on margins. The major energy suppliers have reacted to this pressure and subsequently increased their retail prices. This has caused net margin to rise.

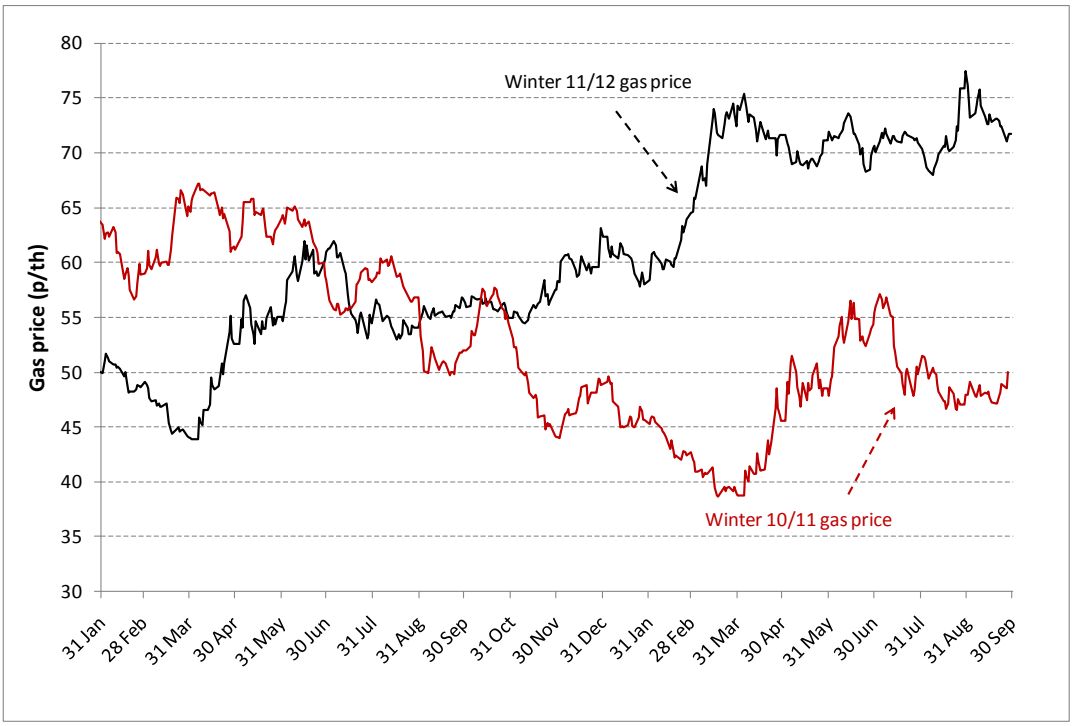
Over the summer months, forward wholesale energy prices remained high. Although there has been some easing of forward wholesale energy prices in recent weeks, it is not clear whether this will be a sustained trend. Our current projections suggest that, due to the persistence of high forward wholesale energy prices, net margins will begin to decline from their present levels over the next few months, albeit gradually.

The figure below shows the evolution of the Winter 2011/12 forward gas price this year, compared to the Winter 2010/11 forward gas price last year. The chart shows that the gas price for this winter (2011/12) has been consistently and significantly

higher than the gas price for the previous winter. Whilst this price will not fully reflect the wholesale energy costs modelled by our 18 month hedging strategy, it gives a good indication of the general trends we have seen in the wholesale energy markets over much of this year.

On 30 September 2011, the last day the Winter 2011/12 forward gas contract was available for trading, its price was in excess of 70p/th – over 40% above the price of the Winter 2010/11 contract on 30 September 2010.

Winter gas price contract comparison in 2010 and 2011



Note: The lines in the chart indicate the prices of the Winter 11/12 gas price contract during 2011 (black line) and the Winter 10/11 gas price contract during 2010 (red line).

The winter gas price chart also illustrates the high level of volatility in wholesale energy prices, which in turn, impact on the snapshot net margin at any one point in time. Our net margin forecasts further forward are more sensitive to this type of market volatility, because of uncertainty over how future wholesale prices will evolve.

1. Customer Bills, Wholesale Energy Costs and Net Margin

Chapter Summary

The estimated net margin on supplying a standard tariff, dual fuel customer is £125 for the year from October 2011. The £125 figure takes account of recent energy price increases by five of the Big 6 energy supply companies – the last supplier's price rise will not be implemented until November, causing the average customer bill to rise further from next month. The £125 net margin figure for October represents an increase of £110 since our June 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 standard tariff 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 a typical standard tariff 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 obligations[1] and VAT, are represented by the grey shaded area.

1.4. We have included the latest electricity distribution network charges applicable from October 2011 in this report. We have also begun to include the cost to suppliers of the Government's Feed in Tariff (FiT) scheme. These costs are now above *de minimis* levels, albeit still very modest.

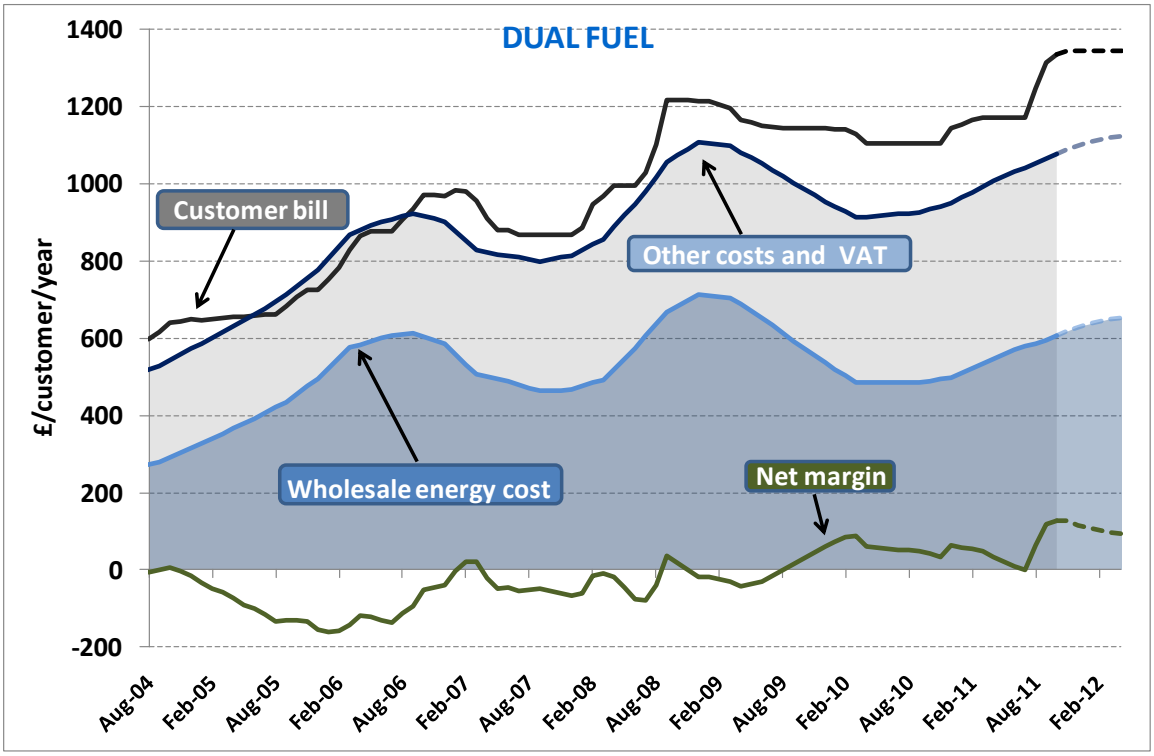
1.5. The area between the customer bill and the combined wholesale and other costs lines represents gross margin. Subtracting operating costs from the gross

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

margin gives the net margin, represented by the green line. Operating costs include: staff costs, IT costs and overheads. They also include discretionary elements (such as sales and marketing costs) and bad debt costs. These costs were updated as part of our Retail Market Review work.

1.6. Figure 1.1 shows that the estimated net margin for supplying a typical standard tariff, dual fuel customer has increased to £125 for the year from October 2011. This compares to £15 in our June report. The increase in net margin is a result of retail price increases by each of the Big 6 energy suppliers (although the sixth increase is not effective until November).

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



1.7. The average dual fuel retail bill in October for standard tariff customers is £1,335 – this will rise to £1,345 in November, when the last of the price increases announced by the Big 6 suppliers takes effect. From June to November, the average dual fuel customer bill for standard tariff customers will have risen by £175.

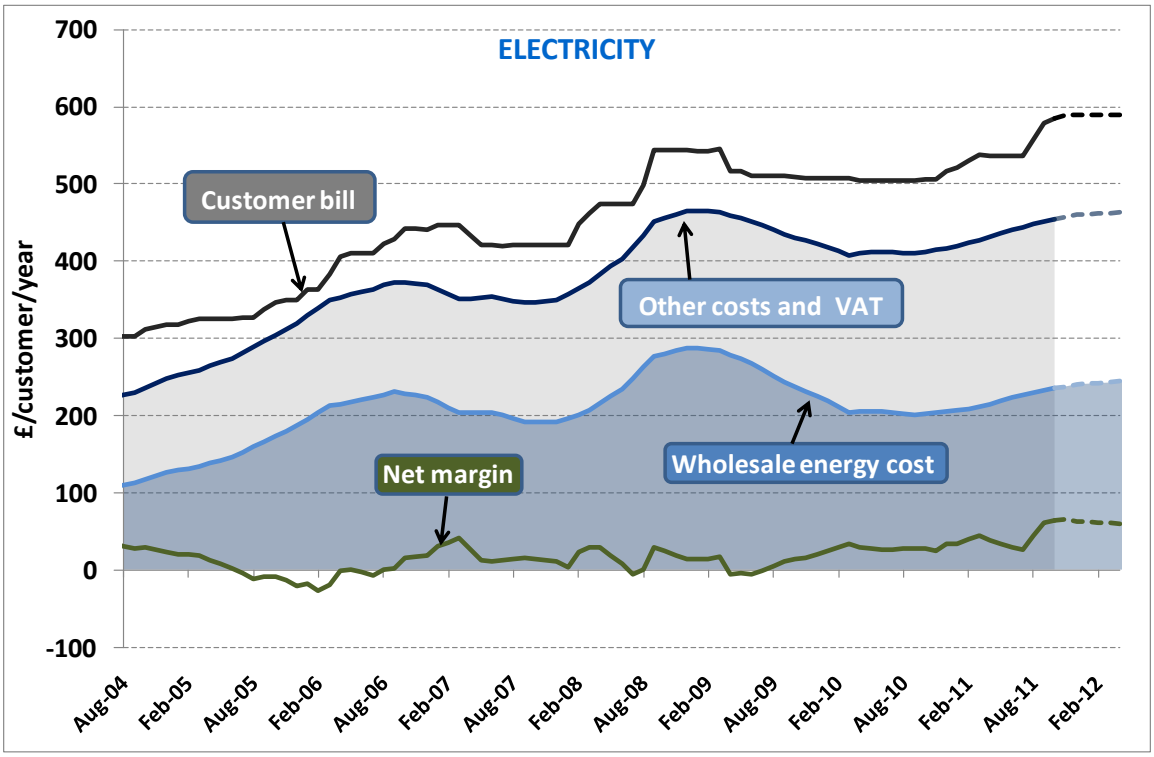
1.8. Wholesale energy costs are estimated using our 18 month hedging strategy. These costs have risen from around £570 in June to £605 for the year from October. Over the past year the increase has been around £115.

1.9. Our current projections suggest that wholesale costs may rise further in the months ahead, although perhaps more gradually than we have seen so far. However, this depends on whether the weaker forward wholesale market prices observed in the last few weeks persist. As noted in previous reports, 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 chart) are uncertain and subject to change.

1.10. 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 October has increased to £65, from £35 in our June report.

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



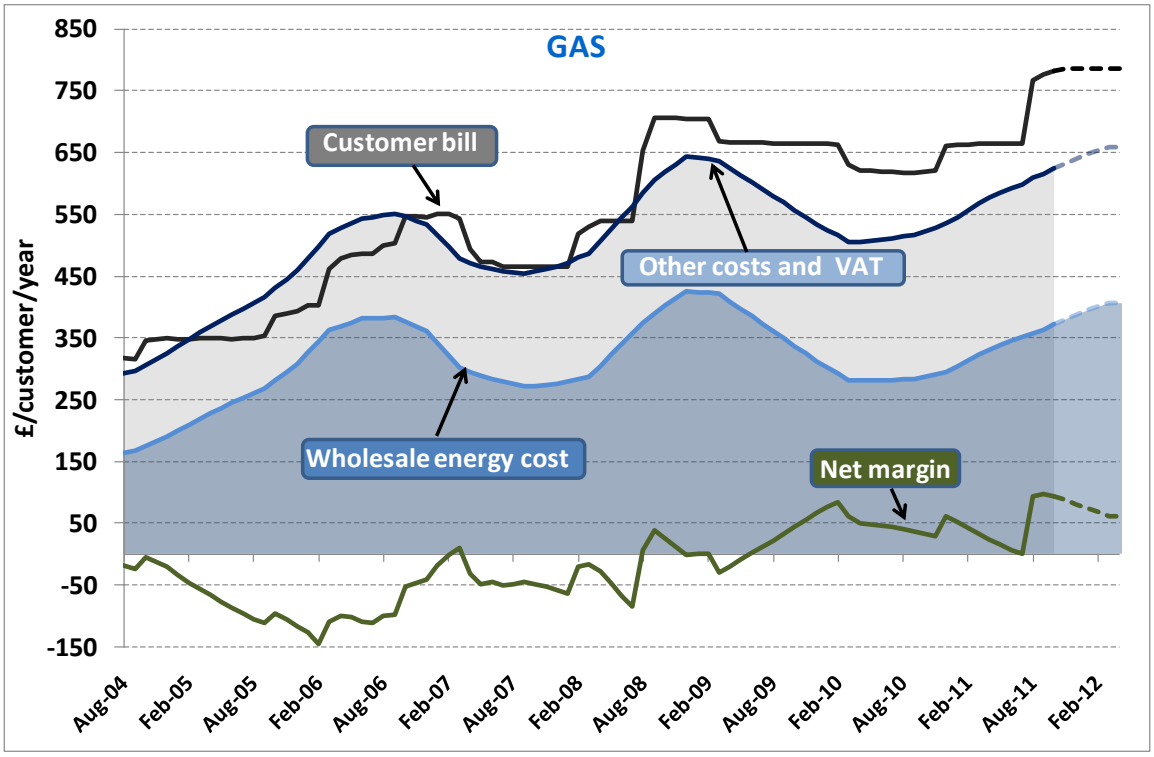
1.11. As is the case with dual fuel, the increase in net margin for supplying a standard electricity customer is due to the retail price increases by the Big 6 energy suppliers. Five of these increases are factored into the October customer bill and net margin figures - the sixth and final price increase will be effective from November. However, our estimate of net margin for November is expected to remain at £65. This is due to rising wholesale electricity costs offsetting the small increase in the average customer bill.

1.12. Looking forward, our modelling suggests that modest rises in our estimate of suppliers' wholesale electricity costs will result in a slight decrease in net margin over the coming months.

1.13. Figure 1.3 presents our analysis for a typical stand-alone gas customer account. It shows that our estimate of net margin from October 2011 has risen significantly since June.

1.14. Our June report estimated that net margins on gas were close to zero, following significant increases in our estimate of suppliers' wholesale gas costs. Since then, five of the Big 6 energy suppliers have increased their retail gas prices, with the sixth supplier due to increase in November. This has resulted in net margins to rise significantly to £95 from October. We expect net margin to fall slightly in November, as rises in wholesale electricity costs will outweigh the effects of the November increase in the average customer bill.

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

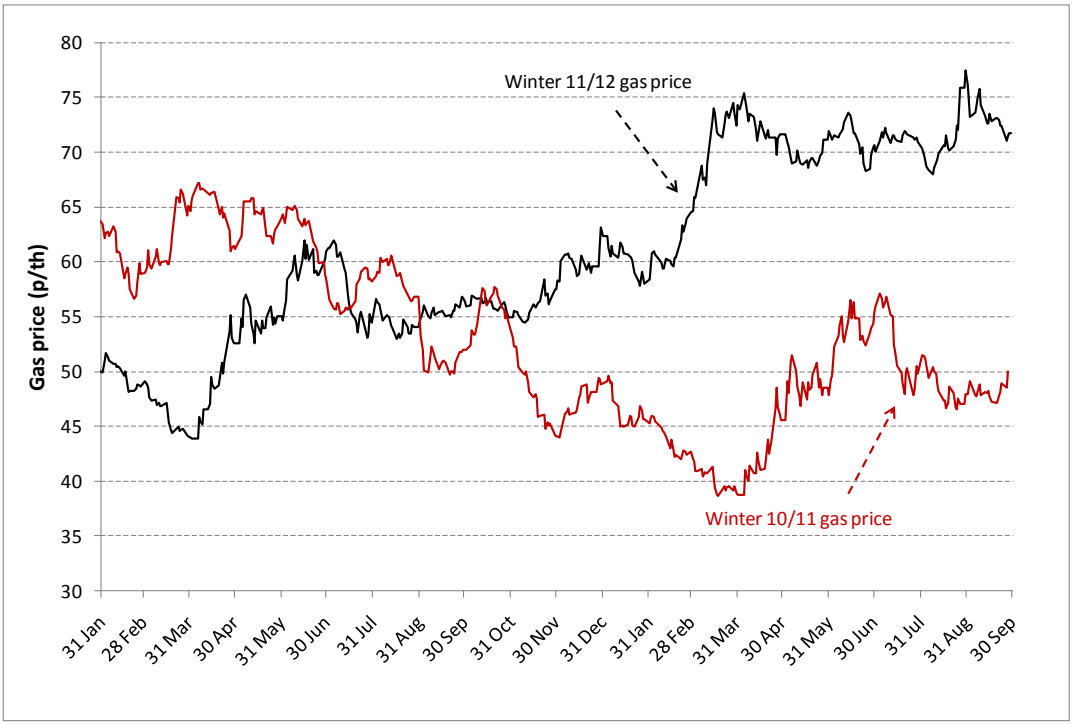


1.15. Looking forward, wholesale gas costs are expected to rise in the near term, reducing net margins from their October levels. This can be seen by the declining dashed green line on the chart. As noted earlier in the report, there has been some easing of forward gas prices in recent weeks. However, it is difficult to say whether this trend will endure, so the impact on future wholesale energy costs is unclear at this stage.

1.16. Figure 1.4 below shows the evolution of the Winter 2011/12 forward gas price this year, compared to the Winter 2010/11 forward gas price last year. The chart shows that the gas price for this winter (2011/12) has been consistently and significantly higher than the gas price for the previous winter. Whilst this price will not fully reflect the wholesale energy costs modelled by our 18 month hedging strategy, it gives a good indication of the general trend we have seen in the wholesale energy markets over much of this year.

1.17. On 30 September 2011, the last day the Winter 2011/12 forward gas contract was available for trading, its price was in excess of 70p/th – over 40 percent above the price of the Winter 2010/11 contract on 30 September 2010.

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



Note: The lines in the chart indicate the prices of the Winter 11/12 gas price contract during 2011 (black line) and the Winter 10/11 gas price contract during 2010 (red line).

1.18. The winter gas price chart also illustrates the high level of volatility in wholesale energy costs, which in turn impact on the snapshot net margin at any one point in time. Our net margin forecasts further forward are more sensitive to this type of market volatility, because of uncertainty over how future wholesale costs will evolve.

1.19. 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)

	Oct-07	Oct-08	Oct-09	Oct-10	Oct-11
Customer bill	£865	£1,215	£1,145	£1,105	£1,335
Wholesale costs	£465	£680	£575	£490	£605
VAT and other costs	£340	£390	£410	£445	£470
Gross margin	£65	£145	£160	£170	£255
Operating costs	£115	£125	£130	£130	£130
Implied net margin	-£55	£20	£30	£40	£125
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)

	Oct-07	Oct-08	Oct-09	Oct-10	Oct-11
Customer bill	£420	£545	£510	£505	£585
Wholesale costs	£190	£280	£235	£200	£235
VAT and other costs	£155	£175	£195	£210	£220
Gross margin	£75	£90	£80	£95	£130
Operating costs	£60	£65	£65	£65	£65
Implied net margin	£15	£25	£15	£30	£65
Notes:	*Customer bill is for standard tariffs, weighted by payment method and market share. Average figures assume electricity consumption of 4MWh/yr. Figures rounded to nearest £5 and may not sum due to rounding*				

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

	Oct-07	Oct-08	Oct-09	Oct-10	Oct-11
Customer bill	£465	£705	£665	£620	£780
Wholesale costs	£270	£400	£335	£285	£370
VAT and other costs	£185	£215	£220	£235	£250
Gross margin	£10	£85	£110	£95	£160
Operating costs	£55	£60	£65	£65	£65
Implied net margin	-£50	£25	£45	£30	£95
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 30 November 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.

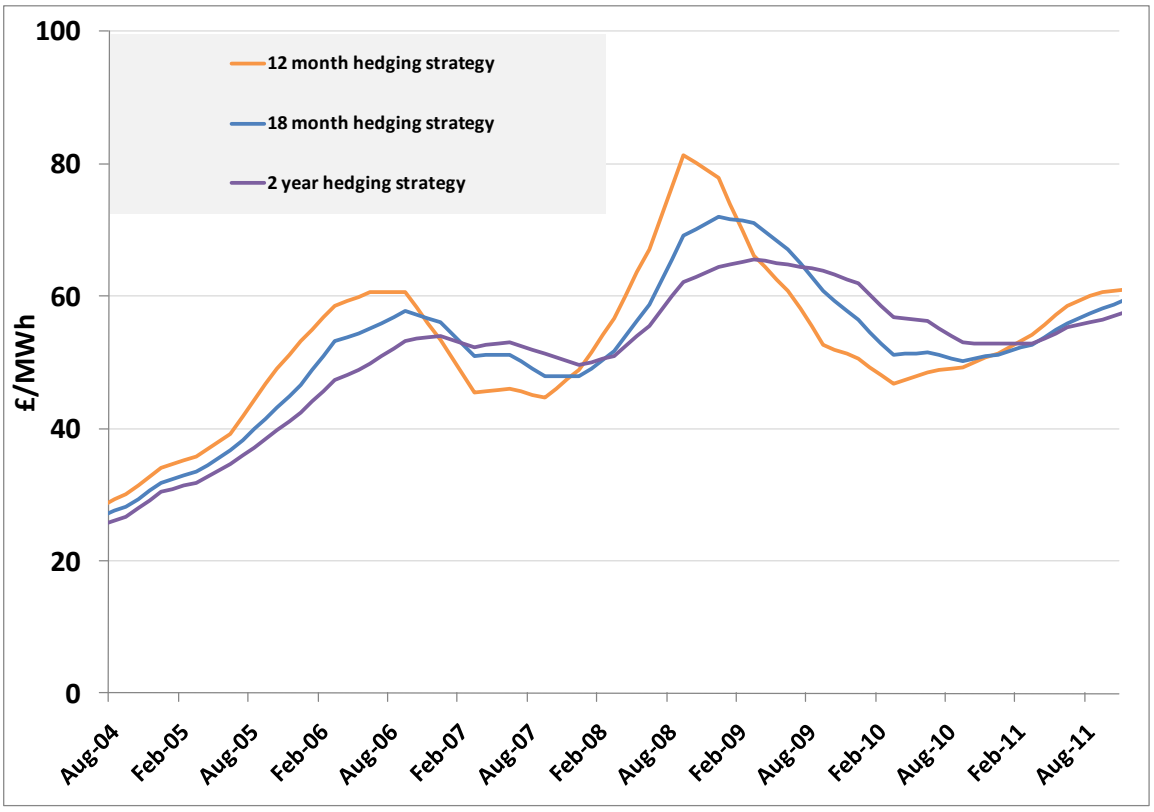
Appendix 2 – Hedging Strategies

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.

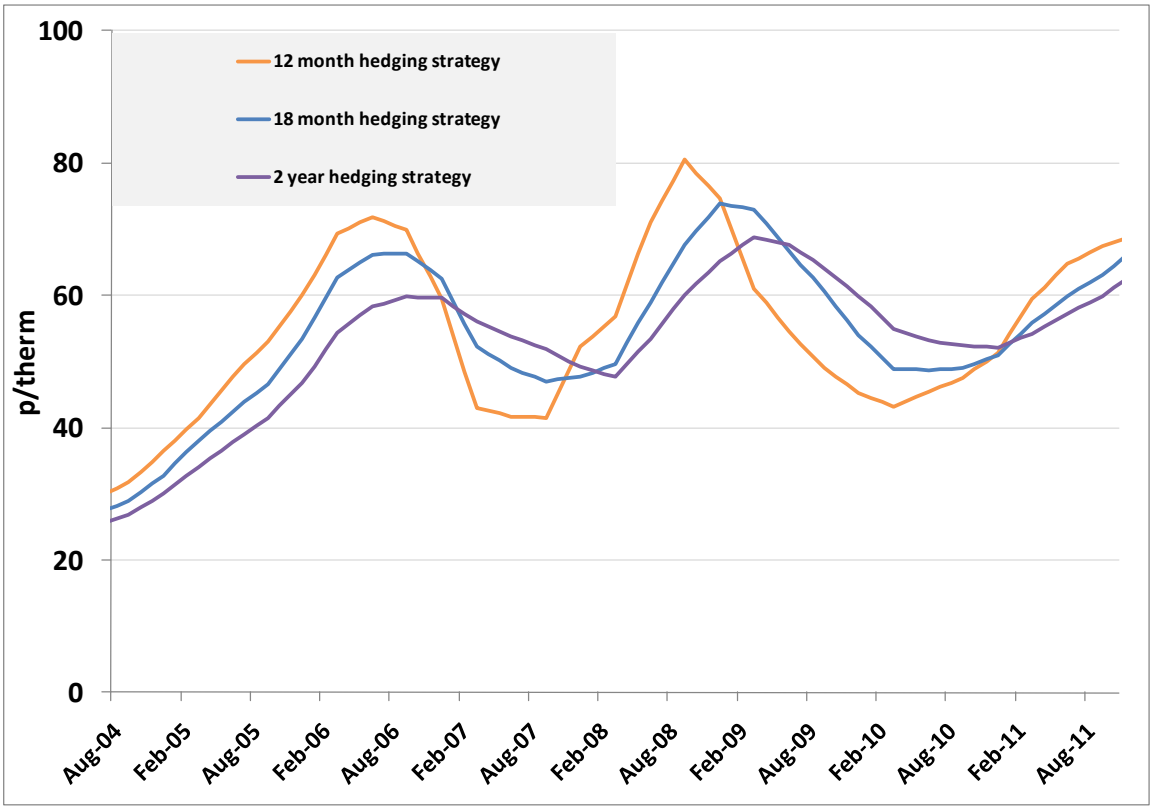
1.3. The charts below depict the costs to suppliers of adopting hedging strategies over 12, 18 and 24 months for both electricity and gas. These hedging strategies were designed based on information collected in the Energy Supply Probe and are intended to represent the industry as a whole rather than 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 continuing to rise under all three hedging strategies. We use the 18 month hedging strategy in our report. There is currently a range of between £58 and £61/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 61p to 68p/therm depending on the hedging strategy used.

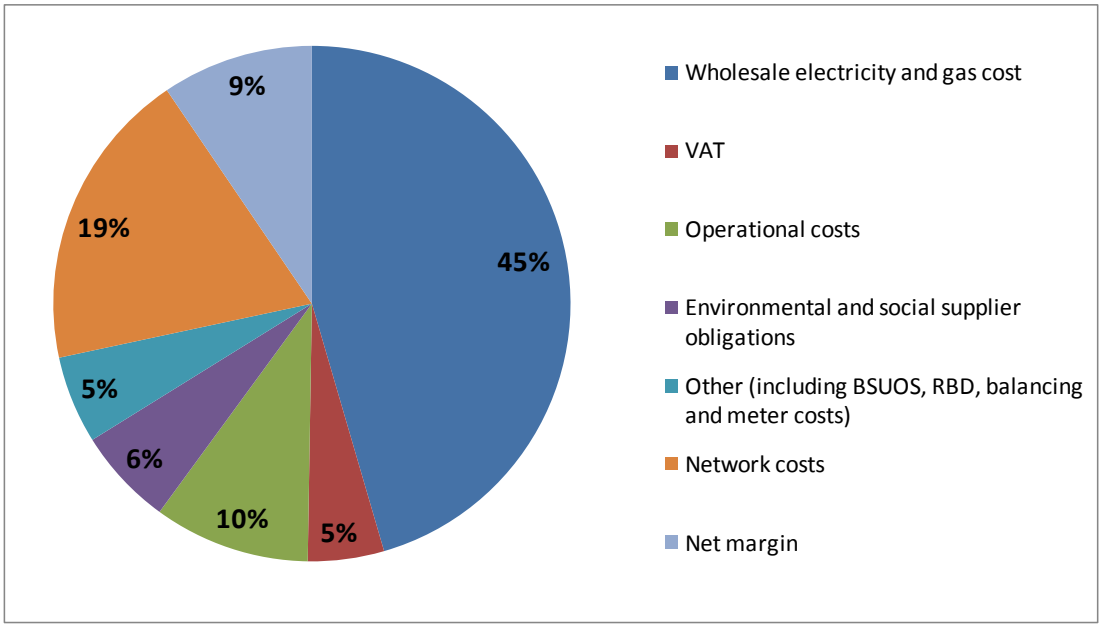
Appendix 3 – Methodology

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 to aid comparability. 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. All price increases announced by the Big 6 energy suppliers over the summer, and their effective dates, have been incorporated into this analysis.

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 4 October 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 12 months 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 market[2].

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, Renewables Obligation Certificates – ROCs, and Feed in Tariffs - FiTs), 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 generators 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
Cost of Feed in Tariffs (FiTs) included	Ofgem

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 them[5]; 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 licensed[7] 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 Regulation[8] 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:

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