



Dermot Nolan  
Chief Executive  
Ofgem  
9 Millbank  
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Dear Dr Nolan

## **A referral must 'clear the air' for customers and investors**

As a CEO of a UK-listed energy company there are two things that matter to me: looking after customers and investing in this country's energy needs. My company operates only in the UK and Ireland, so I need the competitive Great Britain market to have the trust of customers and investors.

SSE believes that the energy market in Great Britain is competitive, has brought significant benefits for customers, and that much has been done in recent years to make it more transparent and easier to understand, ranging from greater liquidity in the wholesale electricity market to simplification of tariffs in the retail markets. Throughout this time, SSE has consistently demonstrated its appetite for reform to the competitive market that is in the interests of customers and competition generally.

However, it is clear that there is public concern over energy markets, particularly in the context of rising costs, and investment decision-making has become more and more challenging. Balancing affordability, climate change and security of supply is not easy and at times these objectives have been thrown into conflict. Whether through a market investigation reference or political consensus, we have to sort out once and for all what the country wants its competitive energy market to do and to create a clear and enduring framework to let it do it.

Should a market investigation reference be considered necessary, we will engage in a positive and constructive way. This is because we believe that it can provide a platform for achieving greater political and regulatory stability for the competitive energy market across Great Britain, for the benefit of customers and to help support the future investment in the country's energy system. At SSE we continue to be completely open to new ways of doing things that help customers and deliver greater confidence in competition.



It is important that a market reference has the right scope so that it can be successful. We have developed the following five principles that we believe clearly set out what it should achieve:

- Get the scope right - so it is broad enough to restore trust in the competitive markets.
- Focus on all energy customers - so what they pay for is defined and transparent.
- Create simple markets - which encourage new entrants and enable different business models to thrive
- Establish clear measures of success in advance - so people can see objectively how the market is performing
- Achieve lasting results - so there is a clear and enduring framework that gives customers confidence, allows regulators to regulate and encourages investors to invest in the GB energy market.

These principles are needed to make sure that the market reference delivers for all stakeholders. We welcome any efforts to clear the air, and in the meantime SSE will not stop working for customers. That's why we have frozen prices for household customers until 2016, in the face of oncoming costs. That's why we are always looking for simple and workable solutions that help customers. We will go into the referral process in that spirit.

Yours sincerely

A handwritten signature in blue ink that reads 'Alistair Phillips-Davies'.

Alistair Phillips-Davies  
Chief Executive