

**EMBARGOED UNTIL 07:00 Monday 25 February 2008**

## **OFGEM FINES NATIONAL GRID £41.6M**

Energy regulator Ofgem has fined National Grid £41.6 million for a breach of competition law that restricted the development of competition in the domestic gas meter market.

The decision demonstrates Ofgem's commitment to taking action where there is evidence that a company has acted in a way that restricts competition and harms customers.

Ofgem's Chairman, Sir John Mogg, said: "Ofgem has imposed a substantial fine on National Grid for a serious breach of competition law. National Grid has abused its dominance in the domestic gas metering market, restricting competition and harming consumers.

"The abuse has prevented suppliers from contracting with other companies for cheaper metering deals and could discourage suppliers from installing smart meters."

When the metering market was opened to competition, National Grid struck long-term contracts with five of the six major energy suppliers to supply and maintain gas meters. These contracts include financial penalties that apply if suppliers replaced more than the small number of meters allowed under the contract by National Grid. They have severely restricted the rate at which suppliers can replace even National Grid's older meters with cheaper or more advanced meters from rival meter operators. By restricting competition, National Grid has deprived gas suppliers and customers of access to lower prices and improved service. Furthermore, it has curbed innovation in the provision and maintenance of domestic-sized metering.

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### **Notes to Editors:**

<sup>1</sup> The Authority decided that National Grid has breached the Chapter II prohibition of the Competition Act 1998 and Article 82 of the EC Treaty. Chapter II of the Competition Act 1998 prohibits the abuse of a dominant position in a market by one or more undertakings which may affect trade within the UK. Article 82 of the EC Treaty prohibits the abuse of a dominant position in a market by one or more undertakings which may affect trade between Member States.

2. The Authority has concurrent powers with the Office of Fair Trading under the Competition Act 1998 to investigate and take enforcement action in relation to suspected infringements of UK and EC competition law. Under the Competition Act 1998 the amount of the penalty imposed for an infringement of competition law may be up to 10 per cent of the company's worldwide turnover. Any decision that a company has infringed the Competition Act can be appealed to the Competition Appeal Tribunal.

3. The Gas and Electricity Markets Authority is the regulator of the gas and electricity industries in Great Britain. It is supported by Ofgem, which is the Office of the Gas and Electricity Markets. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies.

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