



Energy and Climate Change Committee

Committee Office House of Commons 14 Tothill St, London SW1H 9NB
Tel 020 7219 4610 Fax 020 7219 5998 Email ecc@parliament.uk Website www.parliament.uk/ecc

From Tim Yeo MP, Chairman

The Lord Currie of Marylebone
Chairman
Competition and Markets Authority
Victoria House
37 Southampton Row
London WC1B 4AD

30 July 2014

Dear David

I am surprised that the CMA has suggested that it is 'not minded to investigate' the wholesale gas market and I am writing to urge it to reconsider.

Gas is a central component of the UK energy system, being not only the main means by which most homes are heated, but also the dominant fuel powering our electricity system. Indeed, increased wholesale gas costs have been identified as the prime driver of recent increases in retail energy prices. Given that DECC has yet to set a specific decarbonisation objective for the electricity sector, and the Government's Gas Generation Strategy envisages up to 26 GW of new CCGT capacity being built by 2030, gas will continue to play a major part in our electricity system for decades to come.

It is my view, in light of this, that the CMA competition inquiry would be compromised from the outset if it did not address the dominant wholesale market affecting energy prices in the UK. The CMA inquiry must not only ensure the entire energy market is operating competitively, it also has an important role to play in re-establishing confidence in an energy market that has lost the trust of consumers. Without tackling such a major part of the energy system – where one large player in particular plays such a significant role – the inquiry cannot hope to do this. I therefore urge the CMA to reconsider its terms of reference to include the wholesale gas market.

Cont'd...



I note that Ofgem has recently stated that *"A concern that savings were not being passed on to customers was one of the reasons why we have proposed a referral of the energy market to the Competition and Markets Authority for investigation."* I further note that Centrica itself has welcomed *"an objective review, by an independent and respected regulatory authority, that could help rebuild trust in the sector."*

No stone should be left unturned in this inquiry or we will never restore the consumer trust that has been so badly eroded in the last five years of above-inflation price rises. Trust can only be restored by as wide a ranging review as possible.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'T' followed by a flourish.

cc: Project Manager, Energy market investigation, Competition and Markets Authority