

## **Appendix 1.1: Terms of reference and conduct of the investigation**

1. This appendix provides a detailed explanation of the conduct of the energy market investigation.
2. On 27 June 2014 Ofgem made a reference to the CMA for an investigation into the energy market in Great Britain. On the 1 July 2014 the CMA appointed the market investigation reference group and on the 21 July the CMA published Ofgem's terms of reference for the investigation.
3. On 3 July 2014 we published an administrative timetable for our investigation.  
  
On 24 July 2014 we published an issues statement, setting out the areas of concern on which the investigation would focus based on the Office of Fair Trading and Ofgem's joint review of competition in the market, the terms of reference and the initial information and evidence we had received.
4. Over the course of the investigation we have received over 100 submissions from energy suppliers, generators, government bodies, consumers groups, academics and other interested parties. These submissions have been in response to the issue statement, the updated issues statement, produced as an initial submission to the investigation or produced in relation to other market issues. Non-confidential versions of these submissions have been published on our website.
5. In July and August 2014 we held initial meetings with the ten largest energy suppliers to help identify data and information held by each supplier and the wider industry which could assist us in our investigation. Following this period of consultation we sent out market and financial questionnaires to these parties.
6. Following a period of consultation and a tender process, in September 2014 we commissioned GfK NOP to conduct a survey of domestic customers of energy suppliers in Great Britain. We also invited comments on the survey's outline design and the draft of the questionnaire to be used in the survey.
7. The results of this survey were published on our website on 20 February 2015. A technical report was published on 25 February 2015.
8. During September and October 2014 we visited the premises of the six large energy firms, in England, Scotland and Wales, including a smaller supplier, a generator and an electric power transmission network. During these visits we were given presentations on the operation of their services and their views of the energy market. We collected written evidence and gathered data from a large number of third parties throughout this period of the investigation

including government departments/regulators, other energy suppliers, generators, gas and electricity distribution companies, power exchanges, brokers and traders, consumer bodies and price comparison websites. A number of these information and data requests were followed up with further written requests and/or telephone calls and/or meetings.

9. In October we conducted 8 case study interviews with small to medium sized suppliers to discuss barriers to entry and expansion.
10. During October, November and December 2014, we held four hearings with industry academics, four hearings with consumer bodies, three hearings with gas and electricity distribution companies, two hearings with government departments/regulators and two hearings with price comparison websites. In January and February 2015 we held further hearings with a collective switching website, a small energy supplier and an industry academic. Non-confidential versions of summaries of the hearings have been published on our website.
11. Throughout the investigation we have consulted with key parties in the market on our approach to certain pieces of analysis. These include the CMA's approach to financial and profitability, gains from switching and cost pass through analysis
12. Prior to the publication of our provisional findings and in order to facilitate contributions from parties, we published our views on a range of issues at various stages and, where appropriate, the results of our analyses. Our intention was to assist the parties in understanding our concerns and our position during the investigation, to encourage comments and to aid transparency generally. This published material included the updated issues statement (published on 18 February 2015) and also included the following series of working papers:
  - (a) Retail Barriers to Entry and Expansion – final version published 18 February 2015
  - (b) Legal and Regulatory Framework – final version published 20 February 2015
  - (c) Locational Pricing – final version published 23 February 2015
  - (d) Cost Pass-Through – final version published 23 February 2015
  - (e) Gains from Switching – final version published 24 February 2015
  - (f) Foreclosure – final version published 24 February 2015

- (g) Analysis of Generation Profitability – final version published 25 February 2015
  - (h) Cost of Capital – final version published 25 February 2015
  - (i) Price Comparison Websites – final version published 26 February 2015
  - (j) Wholesale Electricity Market Rules – final version published 27 February 2015
  - (k) Pricing Strategies – final version published 2 March 2015
  - (l) Capacity – final version published 3 March 2015
  - (m) Codes – final version published 4 March 2015
  - (n) Coordination in the retail market facilitated by price announcements – final version published 5 March 2015
  - (o) Market Power in Generation – final version published 5 March 2015
  - (p) Microbusinesses – final version published 5 March 2015
  - (q) Descriptive Statistics – Generation and Trading – final version published 6 March 2015
  - (r) Gas Wholesale Market – final version published 10 March 2015
  - (s) Descriptive Statistics (retail) – final version published 11 March 2015
  - (t) Gas and Electricity Settlement and Metering – final version published 12 March 2015
  - (u) Liquidity – final version published 13 March 2015
  - (v) Profitability of Retail Energy Supply: Profit Margin Analysis – final version published 16 March 2015
13. We have published on our website non-confidential versions of the submissions we received in response to our updated issues statement, along with summaries of the hearings held with the ten largest energy suppliers, the Department of Energy and Climate Change, Ofgem, the generator Drax and Opus Energy during March/April 2015.
14. In March we disclosed 3 sets of data covering our survey, switching gains, cost pass through using a confidentiality ring and a disclosure room. These sets of data were accessed by the representatives of 6 parties.

15. A non-confidential version of these provisional findings has been placed on our website.
16. We would like to thank all those who have assisted in our investigation so far.