

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. The statutory deadline for the investigation was 25 December 2015.

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 250 submissions from energy suppliers, generators, government bodies, consumers groups, academics, charities and other interested parties. These have been in response to the issues statement, the updated issues statement, the provisional findings, an addendum to the provisional findings, two supplemental notices of possible remedies and the provisional decision on remedies. Submissions have also been produced as standalone submissions to the investigation or produced in relation to other market issues. Non-confidential versions of these submissions can be found on our [webpage](#).
5. In July and August 2014 we held 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 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 [webpage](#) 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. We also visited 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, price comparison websites and any other organisations relevant to the investigation. 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 eight 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 [webpage](#).
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 market power, profitability, gains from switching and cost pass through analyses.
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. This published material included the updated issues statement (published on 18 February 2015) and 22 working papers. The full list of working papers can be found in Annex A to this appendix. We published on our [webpage](#) 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.
13. In March 2015 we disclosed three 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 six parties.

14. On 7 July 2015 we published our summary of provisional findings and our notice of provisional findings and possible remedies. The full provisional findings report and its 32 appendices were published on 10 July. The full list of appendices to the provisional findings report can be found in Annex A to this appendix.
15. We received over 80 responses to our provisional findings and held response hearings and meetings with relevant parties. These included hearings with the Six Large Energy Firms, two smaller suppliers (Ovo and First Utility), Ofgem, the Department for Energy and Climate Change and a joint hearing with several consumer advice organisations. Non-confidential versions of the written responses and summaries of response hearings held can be found on our [webpage](#).
16. In July 2015 we disclosed eight sets of data in a disclosure room to cover our customer survey and our gains from switching, descriptive statistics, retail profit margins, competitive benchmark and return on capital employed (ROCE) analyses. These sets of data were accessed by the representatives of seven parties.
17. On 21 September 2015 the investigation reference group decided that the reference period for the investigation should be extended by six months. The revised reference period expired on 25 June 2016. In taking this decision, the group considered the scope and complexity of the investigation, the extent of the possible remedies package that was being contemplated, and parties' responses to the group's provisional findings. The group decided that an extension was necessary to allow sufficient time to take full and proper account of any comments received in response to the provisional findings and to reach a fully reasoned provisional decision on remedies and final decision. Further detail on the reasons for the extension can be found on our [webpage](#).
18. We published a supplemental notice of possible remedies on 2 October 2015 and a second supplemental notice of possible remedies on 16 December 2015. We received 22 and 18 written responses to these two publications respectively. Non-confidential versions of these responses can be found on our [webpage](#).
19. Following a period of consultation and a tender process we commissioned further research from NERA Economic Consulting with respect to transmission losses and Ipsos MORI in relation to any potential barriers faced by tenants to engaging in the retail domestic energy market. These pieces of research are published as Appendix 2.2 and Appendices 6.5 to 6.7 of the provisional decision on remedies.

20. On 10 March 2016 we published the provisional decision on remedies summary together with a summary of the adverse effects on competition we had provisionally found and the provisional remedies we had prescribed to them. The full provisional decision on remedies report and its 31 appendices were published on 17 and 18 March respectively. The full list of appendices to the provisional decision on remedies can be found in Annex A to this appendix.
21. We received over 70 responses to our provisional decision on remedies and held response hearings with a small energy supplier and a trader of wholesale energy. Non-confidential versions of the written responses and summaries of response hearings held can be found on our [webpage](#).
22. In March and April 2016 we disclosed seven sets of data in a confidentiality ring to cover our restricted meter, gains from switching, domestic bills benchmarking, indirect costs, costs by payment method, price cap and ROCE analyses. These sets of data were accessed by the representatives of seven parties.
23. This appendix forms part of the investigation's final report. The full final report was published on 21 June 2016 and the appendices to the report were published on 24 June 2016.
24. We would like to thank all those who have assisted in our investigation.

Annex A: List of published working papers and appendices

1. List of working papers that accompanied the updated issues statement:
 - Retail barriers to entry and expansion – final version published 18 February 2015.
 - Legal and regulatory framework – final version published 20 February 2015.
 - Locational pricing – final version published 23 February 2015.
 - Cost pass-through – final version published 23 February 2015.
 - Gains from switching – final version published 24 February 2015.
 - Foreclosure – final version published 24 February 2015.
 - Analysis of generation profitability – final version published 25 February 2015.
 - Cost of capital – final version published 25 February 2015.
 - Price comparison websites – final version published 26 February 2015.
 - Wholesale electricity market rules – final version published 27 February 2015.
 - Pricing strategies – final version published 2 March 2015.
 - Capacity – final version published 3 March 2015.
 - Codes – final version published 4 March 2015.
 - Coordination in the retail market facilitated by price announcements – final version published 5 March 2015.
 - Market power in generation – final version published 5 March 2015.
 - Microbusinesses – final version published 5 March 2015.
 - Descriptive statistics – generation and trading – final version published 6 March 2015.
 - Gas wholesale market – final version published 10 March 2015.
 - Descriptive statistics (retail) – final version published 11 March 2015.

- Gas and electricity settlement and metering – final version published 12 March 2015.
 - Liquidity – final version published 13 March 2015.
 - Profitability of retail energy supply: profit margin analysis – final version published 16 March 2015.
2. List of appendices to the provisional findings:
- Appendix 1.1: Terms of reference and conduct of the investigation – final version published 10 July 2015.
 - Appendix 2.1: Legal and regulatory framework – final version published 10 July 2015.
 - Appendix 2.2: Industry background – final version published 10 July 2015.
 - Appendix 4.1: Market power in generation – final version published 10 July 2015.
 - Appendix 4.2: Generation return on capital employed – final version published 10 July 2015.
 - Appendix 5.1: Wholesale electricity market rules – final version published 10 July 2015.
 - Appendix 5.2: Locational pricing in the electricity market in Great Britain – final version published 10 July 2015.
 - Appendix 5.3: Capacity – final version published 10 July 2015.
 - Appendix 6.1: Liquidity – final version published 10 July 2015.
 - Appendix 6.2: Foreclosure – final version published 10 July 2015.
 - Appendix 7.1: Social and environmental obligation thresholds – final version published 10 July 2015.
 - Appendix 7.2: Cost pass-through – final version published 10 July 2015.
 - Appendix 7.3: The pricing strategies of the Six Large Energy Firms – final version published 10 July 2015.
 - Appendix 7.4: Analysis of the potential gains from switching – final version published 10 July 2015.

- Appendix 7.5: Descriptive statistics (retail) – final version published 10 July 2015.
- Appendix 8.1: CMA domestic customer survey results – final version published 10 July 2015.
- Appendix 8.2: Impact of the retail market review – final version published 10 July 2015.
- Appendix 8.3: Price comparison websites and collective switching – final version published 10 July 2015.
- Appendix 8.4: Price discrimination (differences in costs to serve customers on different tariffs) – final version published 10 July 2015.
- Appendix 8.5: Coordination in the retail energy market facilitated by price announcements – final version published 10 July 2015.
- Appendix 8.6: Gas and electricity settlement and metering – final version published 10 July 2015.
- Appendix 9.1: Microbusinesses – final version published 10 July 2015.
- Appendix 10.1: Approach to profitability and financial analysis – final version published 10 July 2015.
- Appendix 10.2: Retail energy supply profit margin analysis – final version published 10 July 2015.
- Appendix 10.3: Analysis of retail supply profitability – ROCE and economic profit – final version published 10 July 2015.
- Appendix 10.4: Cost of capital – final version published 10 July 2015.
- Appendix 10.5: Assessment of the competitive benchmark in retail energy supply – final version published 10 July 2015.
- Appendix 10.6: Retail profit margin comparators – final version published 10 July 2015.
- Appendix 10.7: Domestic pricing analysis – final version published 10 July 2015.
- Appendix 11.1: Financial transparency – final version published 10 July 2015.

- Appendix 11.2: Codes and regulatory governance – final version published 10 July 2015.

3. List of appendices to the provisional decision on remedies:

- Appendix 2.1: Transmission losses – final version published 18 March 2016.
- Appendix 2.2: Modelling the impact of zonal transmission loss multipliers (report prepared by NERA for the CMA) – final version published 18 March 2016.
- Appendix 2.3: Market splitting and losses proposal from National Grid – final version published 18 March 2016.
- Appendix 3.1: Restricted meters – final version published 18 March 2016.
- Appendix 3.2: Analysis of the potential gains from switching – final version published 18 March 2016.
- Appendix 3.3: Benchmark analysis of domestic energy bills – final version published 18 March 2016.
- Appendix 3.4: Analysis of retail supply profitability – ROCE – final version published 18 March 2016.
- Appendix 3.5: Assessment of indirect costs – final version published 18 March 2016.
- Appendix 3.6: Analysis of costs by payment method – final version published 18 March 2016.
- Appendix 5.1: Smart meter roll out in Great Britain – final version published 18 March 2016.
- Appendix 5.2: What is the evidence from the international experience of smart meters? – final version published 18 March 2016.
- Appendix 5.3: Half-hourly settlement for profile classes 1 to 4 – final version published 18 March 2016.
- Appendix 5.4: Retail Market Review – final version published 18 March 2016.

- Appendix 5.5: Withdrawing the ‘simpler choices’ component of the RMR rules retail supply to domestic customers – final version published 18 March 2016.
- Appendix 6.1: Creating stronger incentives for third party intermediaries to engage customers – final version published 18 March 2016.
- Appendix 6.2: Ofgem to establish a programme to identify, test and implement measures to provide customers with different or additional information – final version published 18 March 2016.
- Appendix 6.3: Demographic characteristics and commentary on certain SSE and RWE analysis – final version published 18 March 2016.
- Appendix 6.4: Results from the CMA’s information request on restrictions in tenancy agreements and the ‘Tenants Survey’ – final version published 18 March 2016.
- Appendix 6.5: Ipsos MORI Tenants Survey – technical report – final version published 18 March 2016.
- Appendix 6.6: Ipsos MORI Tenants Survey – questionnaire – final version published 18 March 2016.
- Appendix 6.7: Ipsos MORI Tenants Survey – tables of results – final version published 18 March 2016.
- Appendix 7.1: Price cap remedies – final version published 18 March 2016.
- Appendix 9.1: Evidence concerning the price transparency remedy – final version published 18 March 2016.
- Appendix 9.2: Evidence concerning the auto-rollover remedy – final version published 18 March 2016.
- Appendix 9.3: Evidence concerning the prompts to microbusiness customers on default contracts – final version published 18 March 2016.
- Appendix 9.4: Evidence concerning the third party intermediary code of conduct remedy – final version published 18 March 2016.
- Appendix 10.1: Ofgem principle objective and duties – final version published 18 March 2016.

- Appendix 10.2: Financial reporting remedy – views of stakeholders – final version published 18 March 2016.
- Appendix 10.3: Financial reporting remedy – further detail of proposals – final version published 18 March 2016.
- Appendix 10.4: Reform of code governance – final version published 18 March 2016.