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New electricity wholesale market boosts business competitiveness by £1.8 billion

- **Businesses, hospitals and schools and many more large organisations have saved over £1.8 billion pounds since the announcement of the new wholesale market in 1998**
- **Prices have fallen by around 25 per cent for businesses and large customers**

Major energy customers say the new electricity wholesale market introduced by Ofgem and the DTI two years ago today (Thursday 27 March) has boosted business competitiveness. Public sector bodies like schools and hospitals have also benefited from cheaper electricity.

Ofgem's Chief Executive, Callum McCarthy, said: "Today marks the second anniversary of the introduction of the new electricity wholesale market, which has helped increase the competitiveness of business in England and Wales by delivering over £1.8 billion in lower electricity prices."

"Over two thirds of all electricity generated is used by industry, business and public bodies, such as hospitals and schools, and they have all directly benefited from a 40 per cent fall in electricity wholesale prices since 1998.

"Business had suffered in the 1990s from artificially high prices under the previous Electricity Pool even at a time when costs of generating electricity were falling. Now over 98 per cent of electricity is traded in an open market, where stronger competition and an over capacity of generation has seen prices fall."

Domestic customers have also benefited and today can save up to £50 on their electricity bill by joining the 90,000 people, who are switching their electricity supplier every week.

This is what business is saying about the wholesale market

Electricity Group Chairman of the Major Energy Users Council, Hugh Conway said: "The electricity wholesale market has been a success for DTI and Ofgem and has delivered competitive electricity prices to UK industry and commerce for the first time in many years. At long last, UK wholesale prices have become competitive with but no lower than those in mainland Europe."

Director General of the Chemical Industries Association, Judith Hackitt said: "The electricity wholesale market has provided a clear boost for chemical sector competitiveness and is a success for independent regulation. For the first time we are seeing a competitive market in wholesale electricity. There are still improvements to be made, but the Government was right to choose competitive markets as the backbone of energy policy in its recent White Paper."

Group Energy Manager, The Boots Group PLC , Andrew Jones, said:

"The Boots Group PLC has been pleased to benefit from substantial electricity price reductions, slightly better than the market, since the introduction of the new electricity wholesale market. We do, however, have some concerns about the effect on export prices for our CHP plant."

Chairman of the Utility Consumers Consortium, Bob Spears said: "Businesses are already burdened with environmental taxes, both the Climate Change Levy, which is unique to business, and renewables requirements. After the recent White Paper on Energy Policy, this burden seems unlikely to decrease. We have been fortunate that the new electricity wholesale market has been very effective in helping to reverse the overpricing of power which occurred over many years under the Pool. It is essential that such a market is maintained."

Copies of the complete statements of support from the Chemical Industries Association and Major Energy Users Council are available from the Ofgem website on www.ofgem.gov.uk.

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Notes to editors:

1. The reforms to the wholesale market were brought in by the New Electricity Trading Arrangements project which went live on 27 March 2001.
2. Around 75 per cent of Industrial and commercial customer's bills are made up of wholesale costs. Their bills have fallen by 25 per cent since 1998. If you excluded the Climate Change Levy costs prices have come down by 35 per cent over the same period.
3. 40 per cent of domestic customer's bills are made up of wholesale costs. For domestic customers prices have fallen by 17 per cent for switchers and 8 per cent for non-switchers since 1998.
4. Ofgem is the Office of the Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. Ofgem is governed by the Gas and Electricity Markets Authority. Its powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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