



Ms Pamela Taylor
Ofgem
9, Millbank
London
SW1P 3GE

Monday 10th May 2004

Dear Ms Taylor,

Re: Response to Ofgem's Consultation Paper on Scottish & Southern Energy's acquisition of Atlantic Electric and Gas Limited

As the Managing Agent for Atlantic Electric and Gas Limited's EEC programme, and as managers of individual EEC Schemes for a number of other suppliers, Novacraft have a unique insight into the comparative operating restraints and difficulties of the smaller suppliers.

Novacraft shares the concerns expressed by Energywatch Chief Executive, Allan Asher, (Energywatch Press Release 28 April 2004) that this is a blow for competition in the energy market, and is not a welcome development. As acknowledged in the consultation paper, price is very much a key driver in the energy market, and, as Energywatch says, Atlantic demonstrated innovation in tariffs.

With regard to Ofgem's note that Atlantic's competitive pricing model is undermined by the fact that it has gone into administration, it should be recalled that Atlantic was trying to operate in accordance with regulations and licence conditions that were very much established for the six large incumbents, which added to the financial pressures.

It should also be recalled that Atlantic only incurred an Energy Efficiency Commitment 12 months after the major suppliers, and this presented problems with the majority of social housing providers already 'signed-up' to other suppliers, and we believe this may also be a problem for other new entrant companies.

As Managing Agent for Atlantic's EEC programme, Novacraft has suffered considerable financial loss, as have all of the suppliers and contractors. It is believed that this may also cause significant issues for other new entrants as they try to meet their EEC targets.

As EEC targets and RO obligations are based on customer numbers, it would seem inconceivable that the customer base can be transferred to another party without the associated obligations. We note that Ofgem regards breaches of RO and EEC obligations very seriously, and, to avoid further potential shortfalls, would respectfully suggest that they consult with the DTI and DEFRA to ensure that in future these remain firmly linked to the customer base.

Novacraft remains firmly committed to the provision of high quality energy efficiency services to all sectors, and would be happy to provide any further information you may require.

Yours sincerely,

Debra Charles
Managing Director
Novacraft