

Market-fixing alert as gas price surges

No reason for wholesale rise says watchdog.

The City could be facing a market-fixing scandal after a shock 80% surge in wholesale gas prices in October.

The Financial Services Authority* (FSA) has been called in to help energy regulator Ofgem investigate the unexplained jump in prices.

Any company found guilty of fixing the market could face a fine of up to 10% of its UK turnover. The intervention of the FSA, the main City regulator is regarded as highly unusual and suggests that individual trades might be under investigation.

The increase in wholesale prices will hit consumers in weeks with Powergen announcing rises of almost 5% on gas bills and 6.9% on electricity. The issue of alleged market manipulation will be close to the interests of Callum McCarthy, the new chairman of the FSA, as he was formerly chairman of Ofgem. The Department of Trade & Industry is also being kept informed.

There is no suggestion that any one company, or group of companies, is to blame. But

We have still seen prices go up by 80% in October compared with average prices in September

only a small number of firms produce and trade in natural gas, including BP, Shell, Total and ConocoPhillips.

Ofgem had expected to announce the preliminary results of its inquiry this month, but the volume of evidence means that an announcement will now take months.



It acted after receiving a number of complaints from large gas users that the price of wholesale gas had surged for no apparent reason. There were no supply problems and the weather was mild.

Alistair Buchanan, chief executive of Ofgem, said: 'I am concerned that this price rise does not seem to be justified by market conditions.'

'We will be examining why, when demand for gas was not particularly high and the supply of gas was not low'