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OFGEM FACES DIFFICULT CHALLENGES AHEAD

- **Energy prices, low carbon economy and European liberalisation high on Ofgem's agenda**
- **New and significant challenges for the future**
- **Major internal project demonstrates further commitment to better regulation**

Continuing price rises in fuel bills, the drive to achieve a lower carbon economy and the lack of progress in liberalising European energy markets will continue to be high on energy regulator Ofgem's agenda in the coming year.

Chairman, Sir John Mogg, highlighted these challenges in the Ofgem Annual Report 2004-2005 published today (Monday).

He said: "The double digit price rises in gas and electricity have meant a difficult time for both domestic consumers, particularly those in fuel poverty, and businesses which are major users of energy.

"This means it is more important than ever that we keep the market under the closest scrutiny and stamp out any sign of market abuse. We will also intensify our efforts to promote a more holistic approach to tackling fuel poverty, involving the caring community, energy companies and, of course, the Government, while continuing to promote all the benefits a truly competitive market can bring."

He added that the Government's drive for a lower carbon economy, the increasing influence on British consumers and energy markets of European energy markets and the emerging regulatory policy bring significant new challenges for Ofgem's future work.

In his introduction to the Annual Report, Chief Executive Alistair Buchanan pledged continuing commitment to 'better regulation' and emphasised the importance of Ofgem's major internal project for the year – 'Project Paperless' – a root-and-branch review of documentation to help reduce the administrative burden on companies.

He said: "There is continuing pressure on the public sector to adhere to 'better regulation' principles and we have already accepted this challenge in a number of ways. Project Paperless will be putting forward recommendations later in the year. In the meantime, we anticipate – on the basis of what we currently know – that by the end of March 2006, we will have reduced the number of documents we produce by 20 per cent on last year, presuming no unforeseen work comes our way."

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Notes to editors:

1. In the Annual Report, Chief Executive, Alistair Buchanan, said that the year was shaped by a number of major projects including:
 - a. the electricity distribution price control review which allows for investment of £5.7 billion over the next five years, an increase of 48 per cent on previous levels
 - b. the sale of four of National Grid Transco's local gas distribution networks which will benefit customers by an estimated £225 million over the next 18 years
 - c. the creation of an all-British electricity market which should benefit consumers, particularly those in Scotland, and allow Scottish generators, including renewables, to sell their electricity to a wider market, and
 - d. the probe in high wholesale gas prices which found no evidence of market manipulation, deliberate or otherwise.
2. Copies of the Annual Report 2004-2005 can be found on the Ofgem website at www.ofgem.gov.uk or from the distribution centre on 020 7901 7116 or from distribution@ofgem.gov.uk
3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of 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. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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