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Monday 24 January

OFGEM PUBLISHES 2005-2010 CORPORATE STRATEGY AND PLAN

Energy regulator Ofgem today (Monday) published its 2005-2010 Corporate Strategy and Plan, for consultation, which builds on the seven key themes identified last year.

Ofgem will use these corporate themes to respond to changes in the gas and electricity markets during the next five years and to meet the challenges that arise. They are:

1. Creating and sustaining competition

In both gas and electricity markets, there will continue to be a need for effective enforcement on domestic and European competition law. Also, consistent with its better regulation agenda, Ofgem will be looking at the extent to which it can withdraw from detailed regulation.

2. Regulating network monopolies.

Regulation of monopoly networks has developed significantly since the traditional RPI-X price regulation was introduced almost 20 years ago. A major challenge during the next five years will be to ensure that the regulatory regime allows for, and incentivises, increased investment where there is a need for asset replacement, network resilience and to respond to changing supply and demand patterns.

3. Helping protect the security of Britain's energy supplies

This is central to Ofgem's work. No energy supply can deliver absolute security at all times so the challenge is to maintain a high level of security, at a reasonable cost to consumers

4. A leading voice in Europe

Competition and regulatory policy in Europe has an increasing impact on the development of GB energy markets and the interests of British consumers. There is strong support for Ofgem to commit resources to influencing the European agenda.

5. Helping to protect the environment

Ofgem's overall goal will be to help the energy industry achieve environmental improvement as efficiently as possible. Environmental considerations will inform all decisions in the coming five years. Ofgem will engage in the wider debate on the most efficient ways of delivering a low carbon energy sector, in a year when the Government plans major reviews of its climate change programme and renewables obligations.

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6. Helping tackle fuel poverty

At a time of rising energy prices, Ofgem's priority will be to encourage increased awareness and better targeting of the help available to vulnerable customers. It will continue to press for greater co-ordination among the relevant bodies working to reduce fuel poverty.

Ofgem's current initiative to raise the profile and involvement of all parties involved in helping tackle fuel poverty, at a time of rising prices, will be followed up with similar initiatives during the next five years.

6. Improving Ofgem's efficiency and effectiveness

All Ofgem's work will be set into the context of its self-imposed RPI-3 price control, introduced last year. Ofgem will continue to progress the better regulation agenda, with Ofgem consultations and documents being the chief target for 2005 in a project labelled, 'Project Paperwork'.

Ofgem will be holding a series of stakeholder meetings during February to discuss the Strategy and Plan. The deadline for comments is Friday 4 March.

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Notes:

1. Copies of Ofgem's 'Draft Corporate Strategy and Plan 2005-2010' is available on its website at www.ofgem.gov.uk. Hard copies will be available from the distribution centre on 020 7901 7116 or by email from distribution@ofgem.gov.uk.

2. Consultation on the Strategy and Plan will extend to Friday 4 March and the final document will be published on Thursday 31 March. As part of the consultation, Ofgem will be hosting a series of briefings and discussions with interested parties, in addition to inviting written submissions.

Thursday 17 February – environmental groups

Tuesday 22 February – licensees

Tuesday 1 March – Scottish customers and environmental groups (tbc)

Wednesday 2 March – business customers

Thursday 3 March – domestic customers.

3. Ofgem has set itself a five year price control at 3 per cent below inflation (RPI-X) which will save £5.3 million from April 2005-2010. In 2004-2005 Ofgem's budget as set out in its corporate plan is £34 million which follows a reduction from £36 million in the previous year. The base cost against which the price regime for 2005-2010 will take effect is £34.1 million. Ofgem's costs represent around 0.1 per cent of the gas and electricity industry turnover.

4. 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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