

R/19

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## OFGEM ON TARGET TO REDUCE COSTS BY £12M OVER FIVE YEARS

- **Ofgem beats own price control for second year running**
- **Sustainability is at the heart of Ofgem's work**
- **Ofgem is first government department to publish its accounts for the third year running**
- **Red tape cut and Ofgem documents reduced by 35 per cent**

Energy regulator Ofgem today proved that it demands the same standards of efficiency and sustainability from itself that it does from the energy industry. Once again it is the first government department to publish its accounts before Parliament and Ofgem has beaten its own price control for the second year running, bringing total savings to customers of over £5 million since its control regime began in April 2005 - a figure which should increase to £12 million over the next three years.

Not only has Ofgem saved money, but it has ensured that sustainable business is at the heart of everything it does – internally and externally - from its work on renewables and microgeneration, to running a green and efficient office.

Ofgem chief executive, Alistair Buchanan, said:

"Ofgem has today shown that we practice what we preach, demanding the same exacting attention to efficiency and sustainability from ourselves that we ask from the companies we regulate.

"In 2006/07 Ofgem put sustainability at the heart of its thinking - placing a strong emphasis on our work in distributed generation, microgeneration, smart metering and renewables. And firmly believing in the principle of 'do as we do as well as we say', we continue to work hard towards a sustainable and green Ofgem, which includes running our own CHP unit, improving our energy efficiency and buying 100% green energy.

"We have also set ourselves the same price control regime that we set the industry. And today we can announce that we have beaten our targets for the second year running, and are due to hand back nearly £12 million to licence payers over a five year period.

"Not just content to cut our budget, we have also made strides in cutting red tape. Last year Ofgem's Supply Licence Review pledged to remove outdated rules to reduce licence conditions by 50 per cent, to bring clearer, streamlined protection for customers in line with our Better Regulation commitment. This 'less is more' ideal is mirrored in our own operations, with the news that last year we managed to cut the amount of documents we published by 35 per cent, while making them clearer to read and easier to understand."

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### Notes to editors

1. In February 2004 it was announced that Ofgem would impose a cost control regime (RPI-X) on itself for a period of five years commencing from April 2005.

This process is independently overseen by the Audit Committee and supported by Chiene & Tate, providers of Ofgem's internal audit service. The Audit Committee concluded that the regime should be set at RPI-3%. It was estimated that, over the five year period, the regime would reduce costs by £5.3m (against a budget of £34m).

Ofgem has already reduced costs by more than this amount after only two years of the regime and is now forecasting that it will reduce costs by nearly £12m over the five year cost control period.

2. Ofgem's accounts for 2006-07 are available from The Stationery Office (TSO)

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. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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