

Your ref

Our ref R/ATHS

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Dear Gill

Ofgem Proposed Corporate Strategy 2003-2006

Thank you for the opportunity to comment on Ofgem's proposed three-year strategy. Please note that I am providing this response on behalf of both Northern Electric Distribution Ltd (NEDL) and Yorkshire Electricity Distribution plc (YEDL).

From a strategic and activity point of view, we very much support the key focus of the plan from a distribution perspective on continuing to make progress towards DPCR4, given that 2003-04 will be a critical year for the price control review. From a process point of view, we welcome Ofgem's continuing development of the way in which it consults and involves stakeholders in its work, especially through increased face-to-face communication. The adoption of this approach wherever possible throughout DPCR4 in particular cannot but be helpful to this crucial process.

We fully support Ofgem's monopoly business regulation priority for 2003-04 of enabling Britain's transmission and distribution companies to manage their networks economically and invest efficiently to meet future security of supply and environmental objectives. Looking ahead, this is an absolutely vital area of regulation that will enter even more into the public spotlight once the Government's forthcoming energy policy white paper is published. In this context, the provision of flexible incentives to facilitate the necessary technological development of distribution networks will be crucial, if these networks are to move away from passive operation to accommodate the diverse power flows that will result from the expected expansion of embedded generation. Complementary to this major challenge will be that of maintaining a proper balance of interests in relation to all relevant stakeholders.

Whilst good progress has been made in the development of competition in the distribution business activities of providing both connections and metering services, it will be important over the next few months to maintain the impetus that has been achieved to date by addressing and resolving key outstanding issues, such as live working in connections.

At such a critical time for many key distribution issues, we very much welcome Ofgem's focus on maintaining continuity at the higher levels within its organisation in the face of the currently-occurring changes in senior staff. The "overlapping" of new arrivals with departures, together with the higher profile of the non-executive members of GEMA, are both very helpful in these circumstances.

I hope that you find these comments helpful. If you would like to discuss any of them further, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink that reads "Tony Sharp". The signature is written in a cursive style with a long horizontal stroke extending to the right.

TONY SHARP
Regulation Manager