March 2003

# **Ofgem Corporate Strategy** 2003 - 2006

ofgem

Promoting choice and value for all gas and electricity customers

# Foreword

Everything Ofgem does is designed to protect and advance the interests of consumers, present and future. This Corporate Strategy sets out the work Ofgem plans to do during the next three years to meet our principal objective of protecting the interests of consumers, wherever appropriate by promoting effective competition.

We present this Strategy following consultation with all those affected by our work and against the background of the recent publication of the Energy White Paper. We welcome the fact that the Government has reaffirmed its commitment to liberalised and competitive energy markets as a cornerstone of energy policy and to independent economic regulation.

We are committed to working with Government to meet the challenge of moving towards a low carbon economy, and maintaining reliable supplies of gas and electricity.

In deciding how best to fulfil its energy policy objectives, the Government has proposed a number of further actions which either have a direct impact on the way Ofgem works or may have an effect on the companies Ofgem regulates. These proposals have been discussed and developed in conjunction with Ofgem.

To this end, Ofgem's work will fall, as always, into two broad categories. These are:

- making competitive markets work successfully, and
- regulating effectively the natural monopolies which run the pipes and wires.

This Strategy identifies new and important features in both these categories.

**Competitive markets** - we now have genuinely competitive markets in both wholesale gas and electricity which have brought significant benefits to customers and serve to meet our principal objective. The electricity trading arrangements have evolved substantially during the last two years and we expect them to be developed further in the light of experience so that they continue to be competitive and electricity supplies remain secure.

On the retail side, for both gas and electricity, we need to facilitate the further development of the already strong competitive offerings so that customers are able to take advantage of them easily and with confidence.

There has been strong support for Ofgem's work to enforce compliance with licence obligations, and with competition law. We therefore, intend to increase our compliance and enforcement work which will need to be accompanied by appropriate resources.

**Monopoly networks** - RPI-X regulation has proved highly effective, delivering lower prices, greater investment in networks and safe and reliable supplies. We need to build on this success so that we can meet the new challenges which face us and the companies we regulate.

These challenges include the 'rewiring' of Britain that will be needed to accommodate growth in renewable generation, and strengthening the incentives on both gas and electricity networks for more efficient system operation and long-term investment.

As always, we will seek to work efficiently, effectively and professionally. As part of this commitment, we will, by the end of June 2003, publish Regulatory Impact Assessments for all new major policies. These assessments will cover the impact on consumers and competitiveness, the environment and security of supply.

**Callum McCarthy**
Chairman of the Gas and Electricity Markets Authority
Chief Executive of Ofgem

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# **Protecting consumers**, both present and future, is at the heart of **everything** Ofgem does.

Five themes will drive Ofgem's strategy over the next three years. We have also identified priorities for 2003 - 2004. These are:

## Making competitive markets work successfully

**Priority:**
- **Wholesale** - Bring more competitive prices and greater choice to Scottish electricity customers
- **Retail** - Make sure competition continues to benefit all consumers

## Regulating monopoly businesses effectively

**Priority:**
- Enable network companies to invest efficiently and manage their networks effectively to meet future security of supply and environmental priorities

## Securing Britain's gas and electricity supplies

**Priority:**
- Work to ensure that competition and regulation continue to help deliver safe and secure supplies

## Helping to tackle fuel poverty

**Priority:**
- Make sure competition continues to benefit all consumers, particularly the vulnerable

## Working towards a low carbon economy

**Priority:**
- Work to ensure that competition and regulation contribute to a sustainable energy policy, at least cost to consumers

# 1. Making competitive markets work successfully

## Ofgem priorities for 2003-2004:

### Wholesale markets

- **Bring more competitive prices and greater choice to Scottish electricity customers**

### Retail markets

- **Make sure competition continues to benefit all consumers**

**1.1** Competition is now established in the gas and electricity wholesale and retail markets. As well as bringing considerable benefits to domestic and business consumers, competition has enabled Ofgem to withdraw from price regulation of many parts of the gas and electricity industries which were subject to regulation at the time of privatisation.

**1.2** While Ofgem will regulate where competition is not appropriate, it will dedicate resources to fulfilling its increasing role as a competition authority. This involves monitoring market developments and taking enforcement and other necessary action to protect consumers' interests, to secure supplies and to enable competition to work effectively.

**1.3** Ofgem will also pay close attention to any restructuring of the industry as companies respond to developing competition and seek to adjust to changing market conditions.

**1.4** Ofgem's compliance work will entail enforcing licence conditions, codes of practice, competition and consumer law. It will draw, where necessary, on powers now available under the Gas Act 1986, Electricity Act 1989 and Competition Act 1998.

**1.5** Ofgem will continue its work to test and develop Supplier of Last Resort (SoLR) arrangements, which have been strengthened in recent years. These arrangements protect customers by securing supplies in the event of company failure. It will also keep under review its capability to respond to company failures within the wholesale gas and electricity markets.

# Wholesale markets

## Electricity

**1.6** The wholesale electricity market in England and Wales now operates much like any other market.

**1.7** Some 98 per cent of electricity is traded bi-laterally where prices are agreed between the parties involved (generators, suppliers and customers). It is also traded on forward and futures markets and through power exchanges. A forward price curve, going out two to three years, is helping to signal short and longer term capacity requirements.

**1.8** Electricity, however, cannot be stored and it has to be balanced on a second-by-second basis to ensure system security. To achieve this, the National Grid Company (NGC) operates a balancing mechanism to ensure that the amount of electricity put on the system is the same as the amount taken off.

**1.9** About two per cent of electricity is traded in the balancing mechanism. These arrangements are governed by a set of rules contained in the Balancing and Settlement Code (BSC) which are administered by Elexon, the company set up to fulfil this role.

**1.10** Against this background, Ofgem's continuing role is to consider and approve changes to the BSC and the Connection and Use of System Code (CUSC), which governs access to, and use of, the England and Wales transmission system, so that participants can operate effectively and supplies are efficiently maintained.

**1.11** Ofgem will also work with relevant Government departments to implement the European Union emissions trading scheme which will apply to all combustion plants with a capacity greater than 20 MW (see 'Working towards a low carbon economy' on page 17).

## Scotland

**1.12** Competition is not yet fully established in the electricity wholesale market in Scotland. Ofgem's priority will be to continue its work with the Department of Trade and Industry (DTI) on the joint programme to create a single electricity market for Great Britain.

**1.13** British-wide electricity trading and transmission arrangements will bring more competitive prices and greater choice to all electricity customers, particularly those in Scotland, and will help tackle fuel poverty, which affects one in three Scottish households.

**1.14** A British-wide market will also help remove barriers to the development of generation in Scotland, including renewables whose commercial potential will depend on access to a wider market.

**1.15** The introduction of the new arrangements requires primary legislation. The draft Electricity Trading and Transmission Bill was published in January 2003.

**1.16** For planning purposes, both the DTI and Ofgem are working to implement the new arrangements by October 2004 at the earliest. The Government has set a deadline of April 2005 at the latest.This timetable is wholly dependent on the Government securing necessary Parliamentary time.

**1.17** In the meantime, Ofgem will continue to work on the measures required to implement these new arrangements. These include:

- developing British-wide trading, balancing and settlement arrangements
- developing British-wide connection and use of system arrangements, and
- creating an independent British-wide system operator function and new licensing arrangements.

## Gas

**1.18** In gas, as in electricity, the wholesale market is fully competitive and operates like any other market.

**1.19** The majority of gas is traded bi-laterally between producers, shippers and customers, with a small amount being traded in the system balancing arrangements.

**1.20** The balancing arrangements, as well as access to, and use of, the gas transportation system, are governed by Transco's Network Code. Again, Ofgem's continuing role is to consider and approve changes to the Code so that market participants can operate effectively and supplies are efficiently maintained.

**1.21** In 2001, Ofgem began to look at the merits, or otherwise, of introducing shorter balancing arrangements in gas. After detailed consideration, and taking into account developments in the gas market since that time, Ofgem is proposing that the existing daily balancing arrangements remain in place for the foreseeable future.

**1.22** Ofgem has no regulatory, and limited information gathering, powers offshore. Within this limitation, Ofgem will continue to work with the DTI to promote arrangements in the offshore gas production industry which support competition.

## Wholesale market surveillance and enforcement

**1.23** In both wholesale electricity and gas markets, and for related activities such as gas entry capacity and storage, Ofgem will continue to monitor market developments and take enforcement action against any anti-competitive behaviour. It will also continue its work to agree any necessary changes to the gas and electricity market rules.

**1.24** For instance, Ofgem will assess the implications for the wholesale market of industry restructuring. It will also continue to monitor gas exit and entry capacity regimes, and current gas storage arrangements, as well as undertaking day-to-day market surveillance.

## Electricity and gas markets across Europe

**1.25** The operation of electricity and gas markets across Europe have directly affected developments in British markets and, ultimately, British consumers. Ofgem will continue to support the UK Government, and to work with the European Commission and other European regulators, to promote the development of effective Europe-wide trading and transportation arrangements. It will continue to assist the DTI in the implementation of relevant European legislation.

# Retail markets

**1.26** Competition is now established in the gas and electricity retail (supply) markets at all levels - industrial, commercial and domestic.

**1.27** Ofgem's priority going forward is to enable competition to work effectively so that it can provide continuing benefits for all consumers.

## Building customer confidence

**1.28** In this area, Ofgem will work to ensure that customers can have confidence in the competitive offering. This includes:

- working to promote honest marketing by energy supply companies
- improving the transfer process, and
- with energywatch, promoting awareness of the benefits to be gained from switching, and the ease of this process.

**1.29** Ofgem will review the marketing licence obligations and customer transfer process. It will also continue to tackle any remaining barriers which prevent customers from participating in the market.

## Retail market surveillance and enforcement

**1.30** Another important focus of Ofgem's work is to ensure that the supply markets remain competitive. To this end, Ofgem will continue regular market surveillance, taking enforcement action where necessary to gain company compliance.

**1.31** Ofgem will monitor domestic and business customers' experience of the competitive market. It will also work closely with energywatch whose complaint handling provides important consumer experience and evidence to underpin enforcement action.

**1.32** The effect of pricing strategies and the behaviour of former monopoly suppliers, such as British Gas and the former regional electricity companies, have always been subject to close market surveillance. Ofgem will take any enforcement action necessary to prevent abuse of their remaining market power.

## Industry structures

**1.33** Ofgem will continue work to promote industry structures which facilitate, and do not inhibit, the development of effective competition.

**1.34** Under its metering strategy, Ofgem will support and monitor the development of metering competition which promotes greater choice, reduced costs, improved quality of service and innovation.

**1.35** Work to review the underlying costs of prepayment meters and research the social and environmental benefits which might be gained from using 'smarter' metering technology will also be progressed.

**1.36** Ofgem will promote and monitor the development of competition in connections which should benefit customers by putting pressure on prices, improving quality of service and encouraging innovation.

**1.37** While competition flourishes in some areas, such as gas connections for new housing developments, barriers still exist, particularly for smaller one-off gas connections and for electricity connections involving 'live working'. Ofgem will progress work to help remove these barriers.

**1.38** Ofgem will continue its work to protect the interests of consumers in mergers and acquisitions through advice to the Office of Fair Trading (OFT) and European Commission on competition issues. Wherever possible, Ofgem will set out its policy on corporate transactions and financial restructuring to help companies understand the relevant regulatory issues.

# 2. Regulating monopoly businesses effectively

**Ofgem priority for 2003-2004:**

- **Enable network companies to invest efficiently and manage their networks effectively to meet future security of supply and environmental priorities**

**2.1** Where competition is not practicable, Ofgem will continue to regulate through price controls and incentive schemes so that customers receive value for money and a secure and reliable service.

**2.2** These price controls and incentives apply to the monopoly businesses that run the pipes and wires bringing gas and electricity to homes and businesses.

**2.3** Ofgem has done much to develop the way in which monopoly networks are regulated. It has introduced new incentive regimes for efficient investment, new quality of supply standards, guaranteed outputs for customers and stronger incentives to improve environmental performance and reporting.

## A changing scene

**2.4** Britain's gas and electricity network businesses are facing a time of considerable change.

**2.5** Demand for gas, from local and imported sources, is increasing with implications for the level of network capacity that will be required to transport gas to meet demand and secure supplies.

**2.6** In electricity, carbon reduction goals, which lie at the heart of the Energy White Paper, will stimulate the growth of distributed generation. This has implications for the number of connections to Britain's national transmission and local distribution networks It also has implications for the network access arrangements and the investment needed to accommodate these connections.

**2.7** The lower voltage local distribution networks will need to respond flexibly to the increase in distributed generation, and over time, may need to manage electricity flows actively in a similar way to existing transmission networks (see also 'Working towards a low carbon economy' on page 17).

## Developing regulation

**2.8** RPI-X price regulation has served Britain's gas and electricity customers well. It has led to lower prices and improved standards of service, while enabling the network owners to raise finance and increase network investment.

**2.9** Ofgem has done much to build on RPI-X and is committed to continuing its work to develop a framework for network regulation which is capable of accommodating future demands and changes, such as the growth in distributed generation, efficiently and effectively. Work on this front is already underway and will be progressed in the period of this Strategy, particularly in the build-up to the next distribution price control in 2005.

**2.10** Ofgem's objectives in its work to develop monopoly regulation will be to:

- reward both efficient investment made in response to actual demand and efficient operation of the networks
- enable investment and system operation arrangements which enhance security of supply and quality of service and help meet environmental objectives
- develop arrangements that accommodate the growth in distributed generation required if current and future carbon reduction targets are to be met
- work with the Health and Safety Executive (HSE) so that safety priorities are comprehensively addressed and any requirements HSE places on the companies can be financed effectively, and
- where appropriate, achieve consistency in the regulatory arrangements applying to gas and electricity transmission and distribution networks.

# Electricity

## National transmission

**2.11** The existing arrangements for access to the National Grid Company's (NGC) electricity transmission network can be improved in a number of ways. At present, they do not provide firm access rights for users nor effective signals to NGC of customers' future network requirements, which are important for long-term security of supply.

**2.12** Ofgem will progress work with the industry on proposals for new transmission access arrangements to give customers firm access rights, and NGC accurate signals. Before taking forward any such proposals, Ofgem will carefully evaluate them against all its statutory duties and the likely costs and benefits.

**2.13** In conjunction with this work, Ofgem will implement a new regime for NGC's system operator incentives. These will enable effective system operation by encouraging NGC to respond quickly and efficiently to signals of its customers' demands. This proposed new incentive regime also achieves consistency with the arrangements that now exist for Transco's National Transmission System (NTS).

**2.14** Ofgem will additionally be looking at the arrangements for connecting to NGC's system. It will also continue work with industry on new incentives arrangements to reduce transmission system losses. This work will be set in the context of moving to British-wide transmission arrangements.

**2.15** Work will start on the Scottish electricity transmission price controls due for review in 2005. This work will reflect the outcome of the project to introduce British-wide electricity trading and transmission arrangements, as well as the expected growth in renewable generation in Scotland. Preparatory work for the next NGC price control due in 2006 will also begin in 2004.

**2.16** As part of the project to introduce GB-wide arrangements, work will progress on establishing a common set of rules for access to, and charging for, the national transmission network. This work will also establish a GB system operator, independent of generation and demand interests, so that those seeking to use the system and access the market can be confident there will be no bias.

**2.17** The introduction of these new arrangements require primary legislation and is wholly dependent on the Government securing necessary Parliamentary time.

## Local distribution

**2.18** The next distribution price control review will be very significant in meeting the challenge of 'rewiring' Britain. Ofgem will work with Distribution Network Operators (DNOs), suppliers, generators and customers to review how best efficient investment is incentivised at a time when future requirements are uncertain, and are being shaped by new considerations such as the development of distributed generation (see 'Working towards a low carbon economy' on page 17).

**2.19** This important and substantial programme of work for the next price control review will also consider new arrangements for network access and use of system charges, as well as proposals to improve efficiency by reducing distribution system losses.

# Gas

## National transmission

**2.20** Ofgem will continue to monitor how effectively Transco invests in the NTS in response to the economic signals which result from capacity auctions

**2.21** Rights to pipeline entry capacity are now auctioned on a short and long-term basis. These auctions provide important signals to Transco of future demand requirements and help inform investment decisions important to long term security of supply.

**2.22** Ofgem will continue to work with industry to progress reforms to the gas exit capacity arrangements. Before taking forward any such proposals, it will carefully evaluate them against all its statutory duties and the likely costs and benefits.

**2.23** Ofgem believes reforms are necessary to address concerns that the present arrangements discriminate against particular groups of customers and do not provide efficient investment signals to Transco.

## Local distribution

**2.24** Ofgem is committed to the introduction of separate price controls for Transco's eight regional distribution networks. This will protect customers, encourage greater management focus on distribution and promote efficiency savings which can be shared with customers in due course. They will also allow Ofgem to compare the performance of regional networks, so enabling more effective regulation.

**2.25** Following work on price control separation and regulation of Independent Gas Transporters (IGTs), it will be necessary to review the structure of Transco's distribution and connection charges.

## IGTs

**2.26** Ofgem will continue work to review the regulation of IGTs. These local network companies, which serve about 250,000 customers, are not, at present, subject to price controls nor are they subject to industry-wide customer transfer processes. The work will assess whether the existing regulatory arrangements adequately protect the interests of all consumers.

## Quality of supply

**2.27** Ofgem will continue its work to develop customer standards of performance and quality of service incentive schemes. This work will take into account the findings of the Department of Trade and Industry's (DTI) independent enquiry into distribution company performance following the storms of October 2002.

As part of this work, Ofgem will consider:

- how to further integrate quality of service incentives into the next distribution price control review
- how best to develop equivalent arrangements for Transco, and
- how well companies respond to gas and electricity customers who suffer interruptions to supply.

**2.28** In addition, Ofgem will continue its work to review and encourage the development of best practice in asset risk management. DNOs have a primary responsibility to ensure reliability and security of supply as well as to safeguard ongoing performance for the longer term.

## Monitoring and enforcement

**2.29** Ofgem will continue to monitor monopoly network operators' compliance with existing price controls, licence conditions and standards of performance and take enforcement action, if and where necessary.

# 3. Securing Britain's gas and electricity supplies

**Ofgem priorities for 2003-2004:**

- **Work to ensure that competition and regulation continue to help deliver safe and secure supplies**

**3.1** Ofgem has important statutory duties relating to security of supply which inform everything it does. The Energy White Paper highlights security of supply priorities and places Ofgem's duties in the context of those of Government.

**3.2** Ofgem will be doing more in future to promote better understanding of security of supply considerations.

**3.3** Every six months, Ofgem will report retrospectively on the performance of the electricity and gas industries in delivering a secure supply. The reports will detail any issues which have given rise to security concerns and describe what, if any, actions have been taken, or might be needed, to address those issues in the future.

**3.4** This work will complement Ofgem's work with the Department of Trade and Industry (DTI) and other relevant Government departments through the Joint Energy Security of Supply (JESS) group.

**3.5** Ofgem will describe explicitly the security of supply impacts of any major Ofgem proposal. This will be included in future Regulatory Impact Assessments.

## Making markets work and regulating monopoly businesses

**3.6** Ofgem has done much in the last three years to improve wholesale market competitiveness and network regulation. As well as bringing considerable economic benefits, these changes have resulted in a significant strengthening of the signals and incentives required for long term investment in infrastructure and capacity.

**3.7** Ofgem will continue its regular monitoring and market surveillance which helps to provide important early warning of barriers which may prevent a timely response to market signals, including new plant and gas storage investment.

**3.8** Ofgem will continue to build on the RPI-X price control mechanism to develop stronger incentives for efficient and timely long-term investment.

**3.9** It will also continue important work to develop gas and electricity system balancing incentives so that arrangements operate efficiently and effectively.

## Influencing

**3.10** Beyond the operation of the British gas and electricity industries, Ofgem will also continue its work with Government and the European Commission to influence factors which can have a bearing on security of supply priorities. For example, improvements to the planning process to enable gas storage capacity to be developed, and open access to Europe's gas and electricity networks.

# 4. Helping to tackle fuel poverty

**Ofgem priority for 2003-2004:**

- **Make sure competition continues to benefit all consumers, particularly the vulnerable**

**4.1** In addition to meeting its first duty to protect the interests of consumers, Ofgem has responsibilities to consider the specific interests of these consumers who are disabled or chronically sick, of pensionable age, on low incomes or living in rural areas.

**4.2** It must also take account of the social and environmental guidance issued by the Secretary of State which invites Ofgem to have regard to the Government's Fuel Poverty Strategy.

**4.3** Ofgem's main contribution to tackling fuel poverty is through its work to reduce consumers' energy costs which, alongside low incomes and poor housing are one of the principal causes of fuel poverty.

**4.4** It will continue its work to reduce energy costs by promoting competition, regulating monopoly network companies and progressing specific measures under the Social Action Plan.

**4.5** It will also continue to administer the Energy Efficiency Commitment (EEC). As a result of this, £300 million is being directed over a three year period from 2002 to improving the housing conditions of those on benefits.

**4.6** Work under the Social Action Plan will focus on:

- reviewing the effectiveness of companies' service to Priority Service Register (PSR) customers
- promoting awareness about competition and energy efficiency among ethnic minority groups
- carrying out follow-up mystery shopper research into suppliers' energy efficiency advice services
- investigating the cost of prepayment meters
- monitoring implementation of debt prevention strategies
- progressing change to make it easier for prepayment meter customers in debt to switch suppliers, and
- integrating payment and energy advice for low income families.

In addition, Ofgem will, through its ongoing market surveillance:

- monitor how competition is developing for all consumers, and
- work to tackle concerns and barriers which may continue to prevent some customers from taking advantage of better deals.

**4.7** An important feature of an effective competitive market is access to reliable and good quality information which consumers can use with confidence to make choices between competing offers.

**4.8** While the principal responsibility to provide consumer help and advice lies with energywatch, Ofgem places an obligation on suppliers to provide information and a range of special measures to vulnerable customers. It will continue work to monitor and test the quality of this, where necessary taking action to improve company performance.

# 5. Working towards a low carbon economy

**Ofgem priorities for 2003-2004:**

- **Work to ensure that competition and regulation contribute to a sustainable energy policy, at least cost to consumers**

**5.1** The Government's Energy White Paper sets out, for the first time, a clear commitment to a low carbon economy. Ofgem is committed to working with the Government to meet the challenge of moving towards this objective, at least cost to consumers.

**5.2** There are a number of important areas where Ofgem's work will contribute to achieving a low carbon economy. A particularly important challenge is that of 'rewiring' Britain to meet the anticipated growth in distributed generation. This will be a key consideration in the coming electricity distribution price control review (see also 'Regulating monopoly businesses effectively' on page 8).

**5.3** The framework for Ofgem's contribution to a sustainable energy policy is established by its principal objective and other statutory duties.

**5.4** Ofgem also has to take account of the social and environmental guidance issued by the Secretary of State which invites Ofgem to have regard to the Government's Climate Change Programme.

**5.5** In the Energy White Paper, the Government announced it will revise the social and environmental guidance. Ofgem will work closely with Government in establishing new guidance which, to be helpful to both Ofgem and ministers, should establish ministers' priorities among the matters covered by the guidance.

**5.6** Ofgem will continue to look to ministers to take the lead on environmental policies where action would have significant financial implications for customers or for industry.

**5.7** Against this background, Ofgem will also work to ensure that in all its policies it takes account of, and where possible minimises, any adverse impact on the environment.

## Informing Ofgem's work

**5.8** All major new policies will be assessed in the light of their environmental implications which will be set out in future Regulatory Impact Assessments.

**5.9** Ofgem will progress a programme of research into environmental issues to inform policy options, as well as wider environmental and energy debates.

**5.10** Ofgem will continue to seek independent and external guidance from its Environmental Advisory Group, and from its panel of environmental economists.

## Wholesale market

**5.11** Ofgem will work with the Department for Environment, Food and Rural Affairs (defra) and other Government departments to develop emissions trading as the most efficient means of delivering reductions in carbon emissions at a national and European level.

**5.12** It will continue to administer key parts of the Government's Climate Change Programme. This includes the Renewables Obligation to promote renewables, the Climate Change Levy (CCL) exemptions for renewables and for good quality Combined Heat and Power (CHP), and the Fossil Fuel Levies.

**5.13** Ofgem will also work with renewable and CHP generators to tackle remaining barriers and promote measures which enable them to participate effectively in the competitive electricity wholesale market.

## Transmission and distribution networks

**5.14** Establishing a non-discriminatory and transparent regulatory regime for distributed generation will be a continuing priority for Ofgem, particularly in the build-up to the next distribution price control in 2005.

**5.15** This important and substantial programme of work will continue to be supported by the Distributed Generation Co-ordinating Group (DGCG) which Ofgem co-chairs with the Department of Trade and Industry (DTI), and the Technical Steering Group (TSG) which supports it.

**5.16** Ofgem will continue work with industry on new incentives to reduce system losses on the distribution networks and, in a British-wide context, on the transmission network. Reducing system losses should not only produce savings, but also bring environmental benefits through reductions in carbon emissions. This can be achieved by improving the efficiency of the transmission and distribution systems and, in the longer term, by the more efficient siting of generation capacity relative to demand.

**5.17** Ofgem's continuing work with the DTI to create British-wide trading and transmission arrangements will address key differences between the systems in Scotland and in England and Wales which, if not tackled, could create barriers to the development of renewable generation in Scotland.

## Retail market

**5.18** Energy efficiency makes a major contribution to reducing consumers' energy costs, as well as to meeting environmental objectives. Ofgem will continue to promote the efficient use of energy right along the supply chain.

**5.19** As part of this, Ofgem will continue to administer the Government's Energy Efficiency Commitment (EEC) and work with defra to evaluate the programme. Ofgem will also contribute to the planned Government consultation on extending the EEC to run from 2005 to 2008.

**5.20** Ofgem will also review the progress companies are making towards meeting the good practice guidelines aimed at improving how they target energy efficiency advice. Ofgem will continue to monitor and test suppliers' performance in this area.

**5.21** The White Paper identifies the need to create an effective market in energy services. To this end, Ofgem will take part, with energy suppliers, in an energy services working group which will look at the issues and barriers in the energy services market.

**5.22** Ofgem will also progress work begun under its research programme to raise consumer awareness about energy use.

# Appendix 1. Developing Ofgem's efficiency and effectiveness

**1.1** Since 1999-2000, when Ofgem was established, considerable progress has been made to improve working practices and manage costs efficiently. By 2003-2004, the underlying costs of Ofgem will have fallen by 17 per cent and staff numbers by 19 per cent.

**1.2** These efficiencies have been delivered by effective resource management and careful cost control.

**1.3** Ofgem will continue to improve the way it works with a focus on setting out its proposals and the reasons behind these as clearly as possible.

**1.4** To support this it will, by the end of June 2003, carry out Regulatory Impact Assessments on all new major policies.

**1.5** It will also communicate plans and decisions in an increasingly user-friendly way and involving others creatively and effectively in the development of these.

**1.6** In addition, Ofgem will deliver against its Corporate Strategy, and continue to attract and retain high calibre staff.

## Background

**1.7** Ofgem's net costs for 2003-2004 are forecast to be £36 million. Ofgem has also projected indicative budgets for 2004-2005 and 2005-2006 in order to provide transparency to industry and licence fee payers of likely future costs. The indicative budgets are:

| | 2003-2004 | 2004-2005 | 2005-2006 |
|---|---|---|---|
| **£m** | 36.0 | 34.0 | 34.0 |

**1.8** The above figures are broken down in more detail by theme and project in Appendix 3.

**1.9** In preparing budget projections, Ofgem has maintained the indicative budgets presented in last year's Corporate Strategy but in doing so has managed both to accommodate new responsibilities and new demands and to contain expected inflation throughout the period of the plan. Ofgem has undertaken a rigorous appraisal of its proposed future work activity in order to contain costs and ensure that efficiency savings are made.

**1.10** If Ofgem is given new or additional work or duties, these would clearly have to be reflected in new priorities, and could result in a different budget, some of which may be determined by factors outside Ofgem's control.

**1.11** The two specific areas of spend for 2003-2004 relate to the British-wide electricity trading and transmission arrangements project (£4.9 million) and the distribution price control (£2.7 million).

## Support functions

**1.12** Costs associated with support functions of Ofgem are apportioned to individual projects and activities. Support costs in 2003-2004 are estimated as follows:

| | | |
|---|---|---|
| Human resources | | £1.3m |
| Accounts and planning | | £0.7m |
| Accommodation & running costs | | £6.3m |
| - utilities, rental & service charges | £9.6m | |
| - less property related income | (£3.3m) | |
| Legal | | £1.9m |
| Communications | | £1.2m |
| IT | | £1.4m |

**1.13** As in previous years, Ofgem's three main areas of spend continue to be those related to staff, accommodation and contractors.

## Staff

**1.14** Staff numbers are continuing to fall. Current projections estimate that staff numbers will fall to 275 in 2005-2006. Ofgem has been able to contain additional work placed on it by Government without the need to increase overall staff numbers.

## Contractors

**1.15** Although the cost of contractors is forecast to fall over the three year period from £8.5 million to £5.4 million, it is expected that contractor costs will increase in 2003-2004 due to work on British-wide electricity trading and transmission arrangements and the distribution price control.

## Accommodation

**1.16** Ofgem expects to contain rent increases through efficiency savings and is continuing its policy of disposing of surplus property. Ofgem has recently disposed of part of its estate at Leicester, inherited from the Department of Trade and Industry (DTI), and will seek to dispose of the remainder of its Leicester-based land and buildings following the outsourcing of the metrology function.

## Contingency

**1.17** A contingency has been included in the budget projections. This amounts to £1.7 million in 2003-2004, £1.3 million in 2004-2005 and £2.7 million in 2005-2006. The contingency is included to cover unforeseen work, some of which will be determined by factors outside Ofgem's control.

# Appendix 2. Corporate plan deliverables 2003-2004

## Making competitive markets work successfully

### Wholesale markets

| Activity | Action | Delivery Period |
| --- | --- | --- |
| Electricity trading arrangements | Manage the process, provide policy input and take decisions on modifications to the Balancing and Settlement Code (BSC), Connection and Use of System Code (CUSC), Transco's network codes and independent gas transporters' network codes | Ongoing |
| Gas trading arrangements | Manage the process and provide policy input and take decisions on modifications to the Network Code | Ongoing |
| | Review of gas storage and related areas | Q3 |
| Market surveillance | Monitor the wholesale electricity and gas markets | Ongoing |
| British-wide trading and transmission arrangements | Delivery of relevant consultation papers (listed on Ofgem website) | Q4 |
| | Delivery of key documents, necessary for the implementation of British-wide arrangements (listed on Ofgem website) | Q4 |
| Gas and electricity markets across Europe | Provide advice to the DTI on draft European legislation which has an implication for GB | Ongoing |

## Retail Markets

| Activity | Action | Delivery Period |
|---|---|---|
| Compliance | Monitor and, where necessary, investigate misselling under new enforcement procedures finalised in August 2002 | Ongoing |
| | Publish final proposals for improvements to the marketing licence condition | Q3 |
| Supply competition and deregulation | Publish results of I&C competitive market review | Q1 |
| | Commence new review of I&C markets | Q4 |
| | Publish review - competition in domestic markets | Q4 |
| Market infrastructure | Start review of problems and possible solutions in industry processes supporting customer transfers and billing | Q1 |
| | Publish final proposals for solutions to problems with industry processes supporting customer transfers and billing | Q4 |
| | Publish report on effectiveness of industry arrangements for dealing with Erroneous Transfers | Q3 |

## Industry Structures

| Activity | Action | Delivery Period |
|---|---|---|
| Corporate Transactions | Consult interested parties and provide advice to the Office of Fair Trading (OFT) within the relevant statutory timetable | Ongoing |
| Metering | Industry implement business processes that support a competitive metering market | Q3 |
| Connections | Implement National Registration Scheme for Electricity Connections | Q1 |
| | Start national roll out of 'live' working relating to new connections on greenfield housing estates | Q3 |
| | Publish yearly market reviews | Q3 |

# Regulating monopoly businesses effectively

## General

| Activity | Action | Delivery Period |
|---|---|---|
| Developing monopoly price controls | Publish document outlining principles for monopoly regulation | Q1 |
| Finance & compliance | Resolving finance & compliance disputes and determinations. | Ongoing |

## Gas (transmission)

| Activity | Action | Delivery Period |
|---|---|---|
| Transco National Transmission System (NTS) | Consider any further proposals for unbundling Liquified Natural Gas (LNG) arrangements | Q1 |
| | Commence development of Transco's NTS new exit regime | Q2 |
| | Consult on Transco's System Operator (SO) incentives and consider other incentive initiatives | Q2 |
| | Publish conclusions documents on review of Transco's capital expenditure programme | Q3 |
| | Provide policy input and take decisions on modifications relating to Transco's NTS connection/use of system policy | Ongoing |

## Electricity (transmission)

| Activity | Action | Delivery Period |
|---|---|---|
| National Grid's NTS | Manage the process and provide policy input and take decisions on modifications to the Connection and Use of System Code (CUSC) | Ongoing |
| | Provide policy input and take decisions on amendments relating to NGC's connection/use of system policy, including transmission access arrangements | Ongoing |
| | Review and develop system operator incentive scheme and consult on developments | Ongoing |

## Gas (distribution)

| Activity | Action | Delivery Period |
|---|---|---|
| Quality of Service - Gas transporters | Resolving GT disputes and determinations | Ongoing |
| | Publish annual report on GTs' quality of service | Q3 |
| Distribution - Gas | Publish final proposals - IGT charging | Q1 |
| | Publish final proposals - LDZ separation | Q1 |
| | Publish consultation paper on structure of gas distribution charges | Q3 |

## Electricity (distribution)

| Activity | Action | Delivery Period |
|---|---|---|
| Distribution Price Control Review | Publish initial consultation on distribution price control review | Q1 |
| | Publish distribution price control review update document | Q3 |
| | Publish initial policy document on distribution price control review | Q4 |
| Quality of Service - DNOs | Resolving DNO disputes and determinations | Ongoing |
| | Publish annual report on DNO's measurement systems and accuracy of reporting | Q3 |
| | Publish annual report on DNO's quality of service | Q3 |

## Electricity (distribution)

| Activity | Action | Delivery Period |
|---|---|---|
| Quality of Service - DNOs | Publish customer survey results on customers' willingness to pay/changes to standards and output measures | Q2 |
| | Publish initial thoughts on revised standards of performance and changes to outputs/incentives | Q3 |
| | Publish update on revised standards/outputs/incentives | Q4 |
| | Carry out survey of customers' views on quality of telephone response | Ongoing |
| Distribution policy | Publish structure of electricity distribution charges update document | Q1 |
| | Publish decision document on framework of electricity distribution charges for use of system | Q2 |
| | Publish consultation document on distribution losses | Q1 |
| | Publish final proposals on distribution losses | Q2 |

## Securing Britain's gas and electricity supplies

| Activity | Action | Delivery Period |
|---|---|---|
| Security of Supply | Monitoring long-term security of supply issues, such as reviewing barriers that may prevent the market from operating effectively. | Ongoing |
| | Security of supply - six monthly retrospective reports | Ongoing |

## Helping to tackle fuel poverty and working towards a low carbon economy

| Activity | Action | Delivery Period |
|---|---|---|
| Social Action Plan | Publish monitoring report on Priority Service Register (PSR) | Q3 |
| | Publish SAP Annual Review | Q4 |
| | Publish quarterly statistical monitoring reports on social obligations | Ongoing |
| Environmental Action Plan | Include environmental impacts in the Regulatory Impact Assessment for all significant new Ofgem policies | Q1 |
| | Publish EAP Annual Review | Q1 |
| | Issue decision document on fuel mix and consumption data disclosure on bills/websites etc. | Q3 |
| | Participate regularly, as agreed, in the DTI/defra/Ofgem joint working group on environmental issues | Ongoing |
| Distributed Generation | Publish a clear work programme for incorporating Technical Steering Group (TSG) workstream recommendations into Government and Ofgem policy where appropriate | Q1 |
| | Present an annual report on the activities of the Distributed Generation Consulting Group (DGCG) to ministers and the Authority. | Q4 |
| Energy Efficiency | Publish evaluation reports on aspects of Energy Efficiency Standards of Performance (EESoP) 1, 2 and 3 with Energy Savings Trust (EST) | Q1 |
| | Issue first annual report on Energy Efficiency Commitment (EEC) | Q2 |
| | Publish follow-up monitoring report on energy efficiency advice | Q3 |
| | Issue quarterly updates on EEC schemes submitted and approved and the progress of suppliers against the target | Ongoing |

Helping to tackle fuel poverty and working towards a low carbon economy (continued)

| Activity | Action | Delivery Period |
|---|---|---|
| Renewables | Complete the first annual settlement of the Renewables Obligation (RO) and Renewables Obligation Scotland (ROS) | Q3 |
| | Calculate and collect the RO/ROS 'Buy-out' funds, and recycle them to suppliers in GB | Q3 |
| | Issue the first annual report on the RO/ROS | Q4 |
| | Continue to issue Renewables Obligation Certificates (ROCs) and Levy Exemption Certificates (LECs) monthly | Ongoing |
| Combined Heat & Power | Finalise procedures for administering exemption for Good Quality Combined Heat and Power (GQCHP) from the Climate Change Levy (CCL) | Q1 |
| | Issue GQCHP LECs monthly | Ongoing |
| Fossil Fuel Levy | Set the Fossil Fuel Levies annually at the end of March, and communicate them to the public | Q4 |
| | Collect the levy-associated income | Ongoing |

## Ofgem's efficiency and effectiveness

| Activity | Action | Delivery Period |
|---|---|---|
| Regulatory Impact Assessment | Implement Regulatory Impact Assessment for all major new policies | Q1 |

# Appendix 3. Indicative costs for 2003-2006

**Ofgem 3 year budget**

| (£000) | 2003-04 Total | 2004-05 Total | 2005-06 Total |
|---|---|---|---|
| **Promoting Competition** | **21,980** | **18,390** | **18,040** |
| British electricity trading and transmission arrangements | 4,880 | 1,710 | 210 |
| Electricity trading arrangements | 2,950 | 2,840 | 3,110 |
| Gas trading arrangements | 2,760 | 2,680 | 2,480 |
| Industry codes | 1,670 | 1,720 | 1,940 |
| Europe | 910 | 930 | 1,030 |
| Supply competition & deregulation | 1,870 | 1,920 | 2,130 |
| Market infrastructure | 1,140 | 1,170 | 1,270 |
| Customer contact | 780 | 800 | 910 |
| Supplier failure & licensing | 720 | 740 | 840 |
| Compliance | 990 | 1,020 | 1,150 |
| Coordination & strategy | 1,240 | 1,220 | 1,390 |
| Metering | 1,400 | 1,180 | 1,060 |
| Connections | 670 | 460 | 520 |

**Ofgem 3 year budget**

| (£000) | 2003-04 Total | 2004-05 Total | 2005-06 Total |
|---|---|---|---|
| **Regulating Monopolies** | **10,720** | **12,810** | **11,520** |
| IGT | 290 | 170 | 200 |
| LDZ separation | 200 | 190 | 420 |
| NGC price control review | 240 | 1,710 | 1,160 |
| Transco structure of charges | 340 | 840 | 3,020 |
| Distribution policy | 1,120 | 890 | 490 |
| Scottish transmission price control review | 400 | 410 | 0 |
| Development price control | 2,670 | 3,650 | 520 |
| Finance & compliance | 950 | 880 | 1,120 |
| Quality of service | 1,780 | 1,610 | 1,890 |
| Technical | 2,180 | 2,090 | 2,330 |
| Metrology | 550 | 370 | 370 |

## Indicative costs for 2003-2006 (continued)

### Ofgem 3 year budget

| (£000) | 2003-04 Total | 2004-05 Total | 2005-06 Total |
|---|---|---|---|
| **Social & Environment** | **3,910** | **3,830** | **4,260** |
| Fossil Fuel Levy | 110 | 120 | 210 |
| Energy Efficiency | 650 | 640 | 710 |
| Renewables | 1,000 | 850 | 870 |
| Social Action Plan | 720 | 700 | 790 |
| Environmental Action Plan | 570 | 600 | 670 |
| Distributed Generation | 440 | 450 | 490 |
| Combined Heat and Power | 420 | 470 | 520 |
| **Other costs** | **3,360** | **2,970** | **4,380** |
| Scotland Office | 410 | 420 | 430 |
| Depreciation | 1,300 | 1,250 | 1,250 |
| Contingency | 1,650 | 1,300 | 2,700 |
| **Total Costs** | **39,970** | **38,000** | **38,200** |
| **Non-licence fee income** | **(3,970)** | **(4,000)** | **(4,200)** |
| Property | (3,300) | (3,750) | (3,950) |
| Renewables / CHP | (670) | (250) | (250) |
| **Net cost to licence payers** | **36,000** | **34,000** | **34,000** |

### Trends in staff numbers and contractor costs

| (£000) | 2001-02 Budget | 2002-03 Plan | 2003-04 Forecast | 2004-05 Forecast | 2005-06 Forecast |
|---|---|---|---|---|---|
| Staff numbers | 334 | 320 | 300 | 295 | 275 |
| Staff costs | 14,416 | 14,400 | 14,800 | 15,700 | 15,700 |
| Contractor costs | 8,901 | 7,900 | 8,500 | 7,000 | 5,400 |

# Appendix 4. Report against 2002-2003 key deliverables

Ofgem's Plan and Budget for 2002-2003 published a number of key deliverables to be achieved in each quarter. Listed below are details of Ofgem's performance in meeting those deliverables, excluding ongoing deliverables which do not have specific target dates. The deliverables are listed by the quarters in which they were due to be completed. Each deliverable is recorded as either achieved on target, achieved late, delayed (not yet complete), expected or no longer applicable.

| | No of deliverables | Achieved on target | Achieved late | Delayed (not yet completed) | N/a |
|---|---|---|---|---|---|
| **Q1** | 8 | 7 (88%) | 0 | 1 (12%) | 0 |
| **Q2** | 15 | 10 (66%) | 4 (27%) | 1 (7%) | 0 |
| **Q3** | 7 | 2 (29%) | 1 (14%) | 3 (43%) | 1 (14%) |
| **Q4** | 13 | 6 (46%) | - | 5 (39%) | 2 (15%) |
| **Total** | **43** | **25 (58%)** | **5 (12%)** | **10 (23%)** | **3 (7%)** |

# Making competitive markets work successfully

## Wholesale markets

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Electricity trading | Publish a review of the New electricity trading arrangements following the first 12 months of operation | Q2 | Achieved |
| | Contribute to development of the Department of Trade and Industry (DTI) drafting instructions to Parliamentary Counsel for British-wide electricity trading and transmission arrangements legislation | Q2 | Achieved Q1 |
| | Produce detailed descriptions of system operator and transmission access operator arrangement under British-wide arrangements | Q2 | Achieved Q3 |
| | Produce draft documentation for British-wide arrangements | Q4 | Achieved |
| Gas trading arrangements | Continue to participate in the development of the gas balancing regime | Ongoing | N/a |
| Market governance | Take part in the process for modifications to the Balancing and Settlement Code (BSC), Connection and Use of System Code (CUSC) and Network Code, and take decisions on code modifications | Ongoing | N/a |

## Wholesale markets

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Market surveillance | Monitor wholesale energy markets and take appropriate enforcement action when there is evidence of licence or competition law infringements | Ongoing | N/a |
| Security of supply | Participate in DTI/Ofgem's Joint Energy Security of Supply (JESS) Working Group | Ongoing | N/a |
| Liaise with other European regulators | Support the development of competitive energy markets and promote Ofgem policies across Europe in relation to liberalisation | Ongoing | N/a |
| | Monitor proposed interconnector projects | Ongoing | N/a |
| | Provide advice to the DTI on proposals with a negative impact on the UK | Ongoing | N/a |
| Offshore | Continue work with the DTI and other agencies to promote offshore arrangements that encourage a competitive wholesale market in Britain | Ongoing | N/a |

## Retail markets

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Monitoring domestic retail | Report on competition in domestic retail supply markets (prepayment meters and where switching activity is low) | Q2 & Q4 | Achieved Q2, expected Q1/03 |
| | Report on implications for supply competition of entry of new electricity distribution businesses | Q4 | On hold |
| | Implement improvements to the markets for customer transfer process | Q4 | Achieved |
| | Implement customer contact plan | Ongoing | Expected Q1/03 |
| | Publish review of Erroneous Customer Transfer (ECT) Charter | Q3 | Achieved Q2 |
| | Publish consultation on marketing licence condition | Q3 | Expected Q1/03 |
| | Final proposals for focus of regulation of supply markets | Q4 | On hold |
| Monitoring industrial and commercial retail | Report on competition in industrial and commercial retail supply markets | Q3 | Expected Q1/03 |
| Supplier failure | Carry out test of Ofgem's and the industry's arrangements to manage supplier failure | Q2 | Achieved |

## Industry structures

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Metering | Update papers on progress under the Metering Strategy | Q2&Q4 | Achieved Q2 and Q4 |
| | Support for industry reforms to gas metering arrangements | Q4 | Ongoing - achieved |
| Connections | Undertake dispute resolutions and determinations | Ongoing | N/a |
| Corporate transactions | Publish consultation documents on proposed mergers and acquisitions and submit reports to the Office of Fair Trading (OFT) as required | Ongoing | N/a |
| | Implement the decisions of the Secretary of State in relation to mergers and acquisitions | Ongoing | N/a |

## Regulating monopoly businesses effectively

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Development of price regulation generally | Consult on general price control issues to assist in the development of the price control framework and the distribution price control | Q1 | Achieved |
| Transmission, electricity | Implement the NGC system operator incentives scheme, subject to NGC consent | Q1 | Achieved |
| | Continue to participate in the development of new transmission access and losses arrangements for implementation in 2003-2004 | Ongoing | N/a |
| Transmission, gas | Implement the Transco price control and accompanying system operator incentives scheme, subject to Transco consent | Q2 | Achieved |
| Distribution, electricity | Develop objectives and structure for next price control | Q3 | Achieved |
| | Report on quality of supply output measures and medium term performance information | Q2 | Expected Q1/03 |
| | Publish final proposals on structure of electricity distribution charges | Q4 | Expected Q1/03 |
| | Consult on distribution losses | Q2 | Achieved Q4 |
| | Consult on distribution losses | Q4 | Expected Q1/03 |
| | Consultation on the regulation of independent electricity distributors | Q2 | Achieved |

## Regulating monopoly businesses effectively (continued)

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Distribution, Gas | Further consultation on the separation of Local Distribution Zones (LDZ) price controls | Q3 | Replaced by initial proposal |
| | Consult on development of the quality of supply incentive scheme for LDZs | Q4 | Expected Q1/04 |
| | Decision document on IGT charging | Q3 | Expected Q1/03 |
| Asset risk management | Conduct surveys and publish results | Q3 | Achieved Q4 |
| Price control compliance, all industries | Ensure compliance with price controls through monitoring of performance and deal with disputes and determinations | Ongoing | N/a |

## Helping to tackle fuel poverty and working towards a low carbon economy

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Social Action Plan | Publish debt management and prevention guidance | Q2 | Achieved |
| | Publish proposals on reducing debt blocking depending on the outcome of the current industry trial | Q2 | Achieved Q3 |
| Energy efficiency | Publish guidelines on energy efficiency advice | Q2 | Achieved Q3 |
| Reporting progress | Publish annual review on progress and priorities under the Social Action Plan | Q4 | Achieved |
| Generation | Continue to support the Environment Agency in work to develop emissions trading | Ongoing | N/a |
| Distributed generation | Review options for domestic and micro-combined heat and power | Q4 | Achieved |
| | Implement interim changes to connection charging regime | Q1 | Achieved |
| Supply | Provide guidance on green supply | Q1 | Achieved |
| Renewables | Issue first Renewables Obligations Certificates (ROCs) | Q2 | Achieved |
| | Implement ROCs' transfer registry | Q2 | Achieved |
| Energy efficiency | Issue procedures manual on administering Energy Efficiency Commitment (EEC) | Q1 | Achieved |
| | Prepare model code of practice on energy efficiency advice for industrial and commercial customers | Q1 | Achieved |

## Helping to tackle fuel poverty and working towards a low carbon economy (continued)

| Activity | Action | Delivery Period | Completed |
|---|---|---|---|
| Reporting progress | Publish report on evaluation of Energy Efficiency Standards of Performance (EESoP) 3 Programme | Q4 | Expected Q1/03 |
| | Issue guidance to electricity companies on protection of amenities statements | Q4 | Achieved |
| | Publish annual review on progress and priorities under the Environmental Action Plan | Q1/03* | On target |
| Attract and retain high calibre staff | Implement Ofgem recruitment and retention strategies | Ongoing | N/a |
| | Implement learning and development strategy to secure Investors in People accreditation | Ongoing | N/a |
| Ofgem's proposals | Implement revised Ofgem consultation best practice guidance, including improved rationale | Q1 | Target met Implementation September 2002 |
| Strategy | Contribute to the follow-up to the Performance and Innovation Unit report/Government White Paper | Ongoing | N/a |

*In last year's Strategy this was mistakenly displayed as Q4/02.

# Appendix 5. Ofgem corporate structure

## The Gas and Electricity Markets Authority

Determines strategy and decides on major policy issues

- **Richard Ramsay**
- **Callum McCarthy** – Chairman
- **John Neilson**
- **Dr Boaz Moselle**
- **John Belcher** (non-executive)
- **James Strachan** (non-executive)
- **Margaret Ford** (non-executive)
- **Professor Len Waverman** (non-executive)
- **Richard Farrant** (non-executive)
- **Sir Keith Stuart** (non-executive)

## Ofgem Management Committee

Manages all policy, resources and operational issues day-to-day

- **Callum McCarthy** – Chief Executive
- **John Neilson** – Managing Director Customers & Supply
- **Dr Boaz Moselle** – Managing Director Competition & Trading Arrangements
- **Richard Ramsay** – Managing Director Regulation & Financial Affairs
- **Roy Field** – Chief Operating Officer

### Legal

- General Counsel **Nicola Northway**
- Deputy General Counsel **Helen Matheson**
- Senior Legal Advisor **Ebrahim Ali**
- Senior Legal Advisor **Michael Brocklehurst**

### Executive

- Director - Communications **Sarah Harrison**
- Director - Technical **John Scott**
- Director - Strategy **Joanna Whittington**

### Customers & Supply

- Director - Co-ordination and metering **Maxine Frerk**
- Director - Social and Environmental Affairs **Virginia Graham**
- Director - Supply **Iain Osborne**

### Competition & Trading Arrangements

- Director - Electricity Trading Arrangements **Sonia Brown**
- Director - Europe **David Halldearn**
- Director - Gas Trading Arrangements **Kyran Hanks**
- Director - Industry Codes **Nick Simpson**

### Regulation & Financial Affairs

- Senior Financial Advisor **Peter Bucks**
- Director - Scotland **David Halldearn**
- Director - Electricity Distribution **Martin Crouch**
- Director - Transportation **Andrew Walker**

### Ofgem Operations

- Head of Human Resources **Heather Bryson**
- Head of IT **David Mutter**

For more information, visit our website at:

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