

09 February 2004

Sir John Mogg
Chairman
The Gas and Electricity Market's Authority
9 Millbank
London SW1P 3GE

Dear John

Ofgem Proposed Corporate Strategy 2004-2006

Thank you for the opportunity to comment on Ofgem's Proposed Corporate Strategy 2004-2007.

I would like to compliment you and your team on the clarity and presentation of the document. It is not only accessible but also sufficiently detailed to point readers clearly towards your future direction.

We are pleased you have committed Ofgem to be guided by the key principles of better regulation. Your seven themes chime with the Government's priorities and the main challenges as we perceive them.

We are also pleased with the strong emphasis on protecting the security of Britain's energy supplies. This is a shared responsibility of DTI and Ofgem, and is of overriding importance to us both. We will continue to work closely with you on this issue, with the objective of sustaining consumer and investor confidence. Your document seems to

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make no reference to how you might see the demand side contributing to security of supply. We would be interested to see if you have any proposals to develop this area of work in the final document.

We are both committing more resources to Europe. UK industry, Ofgem and we all share a common agenda in wanting to see EU energy markets successfully liberalised. The market, and regulatory structure, in the UK is arguably more developed than in any other Member State. We should continue to take the lead in Europe. We need to keep in touch over our distinct but complementary contributions in Europe.

— We are working together to make BETTA a success. Extending the electricity trading and transmission arrangements to Scotland ought to bring benefits to the UK overall. We also support your focus on ensuring that the most vulnerable of customers can benefit from competition. Price control for electricity distribution, and for electricity reviews and for gas transmission, will take place in this period. We support your overall approach, especially the work you recognise is needed to meet the challenges of distributed and renewables generation.

The Draft Social and Environmental Guidance issued to Ofgem by the Secretary of State is currently in Parliament. We expect this to come into effect by the end of February. This Guidance supports the implementation of the longer term energy strategies set out in the Energy White Paper. With the environment and fuel poverty emerging as two of your key themes, we hope to see the Social and Environmental Guidance taken up steadfastly by Ofgem. The Government has set out clear objectives in both these areas and it is extremely important that Ofgem is fully engaged in helping us meet our challenging targets. As you implement your strategy, there will need to be an increasing focus on achieving real change in the framework for delivering our social and environmental agendas. A low carbon economy, and especially the increasing role of renewables, remains a priority for the Government and significant changes to our energy infrastructure (for example, more distributed generation) are needed to help us achieve our goals

A priority for us both is to enhance the protection for, and the benefits available to, domestic consumers, especially the disadvantaged. We look forward to working closely with you and Energywatch to increase access to the competitive market and to ensure the smooth operation of that market by addressing the key areas of mis-selling, the transfer process, and billing and metering. We also hope that the pilot relaxation of the twenty-eight-day rule to encourage the promotion of energy services will benefit domestic consumers. This should lead to reduced bills for consumers, as well as contributing to the Government's environmental objectives.

Identifying your priorities is a challenge, but developing programmes which will deliver on them is probably even more so. We look forward to working with you and your colleagues throughout the period of the plan to play our respective roles in doing so.

Joan MacNaughton
Director General, Energy
