

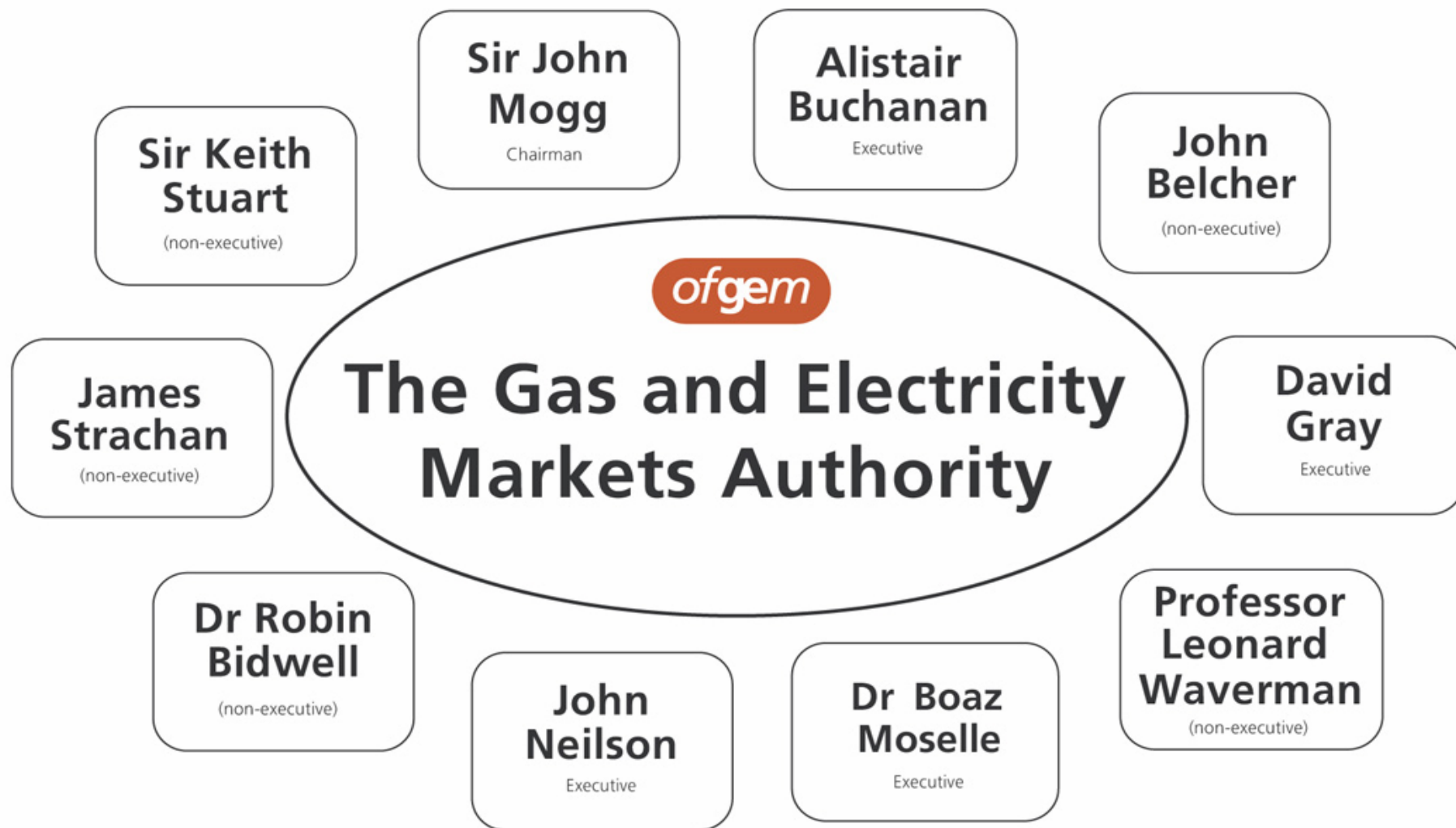
# Ofgem Corporate Strategy 2004-2007

**Groups representing business consumers**

**1 April 2004**

# Agenda

- 12.00 Welcome and introductions
- 12.05 Presentation of final Corporate Strategy and proposals for Corporate Plan
- 12.30 Discussion
- 13.25 Final remarks
- 13.30 Lunch break
- 14.00 Close



# Challenges ahead

- Government environmental policy requires **major investment** in our gas and electricity industries to:
  - help deliver a **low carbon** economy
  - allow for becoming a **net gas importer**
  - deliver sufficient electricity generation to maintain **security of supply**, especially as older plant is retired and demand continues to rise
- Significant new European **environmental legislation** to curb emissions will have increasing impact on markets
  - place **upward pressure** on wholesale electricity prices – pressure which is likely to remain

## Key themes for 2004-2007

- **Creating** and **sustaining** competition
- **Regulating** network monopolies
- Helping **protect** security of Britain's energy supplies
- A **leading voice** in Europe
- Helping **protect** the environment
- Helping **tackle** fuel poverty
- Improving Ofgem's **efficiency and effectiveness**



## Key activities for 2004-2005

- Electricity **distribution price control** review
- Creating a **GB-wide wholesale electricity market**
- Proposed sales of **gas distribution networks**
- **Investigation** into London and Birmingham **power cuts**
- Preparing for new **European gas and electricity legislation**

# Continuing activity

- Ofgem will:
  - actively examine where we can **withdraw further** from regulation
  - make full and vigorous use of our **enforcement powers**
  - aim to keep **markets competitive**, and
  - ensure that companies comply with their **licence obligations**

# How we will deliver

- **New structure** reflects the seven themes
- Allows us to operate more **efficiently and cost-effectively** as well as **prioritise** our work better
- Four new policy divisions:
  - **Markets**
  - **Networks**
  - **Corporate Strategy**
  - **Corporate Affairs**



# We practice what we preach

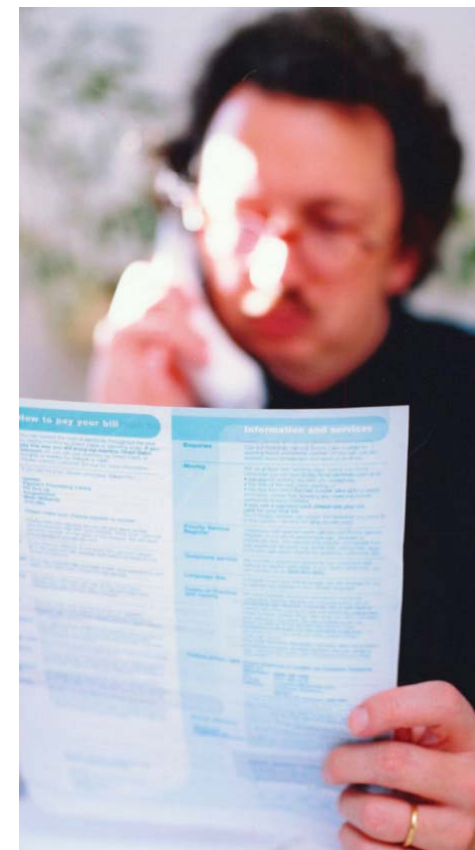
- Committed to significantly **reduced budget** for 2004-2005
  - an **eight per cent reduction** in real terms from £36m to £34m
- From April 2005, will operate under **RPI-X budget cap**
  - we take seriously not only **what** we do, but **how** we do it

# Commitment to 'better regulation'

- Committed to the **'better regulation'** principles:
  - proportionality
  - accountability
  - consistency
  - transparency, and
  - targeting
- Test policies through **Regulatory Impact Assessments (RIAs)**
  - explain reasons for the approach we have taken

# Creating and sustaining competition

- We will make sure **competition** continues to work well for consumers, particularly the **vulnerable**
- The need to constantly **monitor both wholesale and retail markets** remains
- Committed to **withdrawing from regulation** where appropriate
- Industry structures
  - keep under review **structure of gas and electricity markets**
- Metering and connections
  - work with industry to identify any **potential barriers to competition**



# Regulating network monopolies

- Remain committed to **incentive regulation**
- Timing of gas and electricity **transmission price controls** aligned
- Separate controls for **gas distribution networks** to be introduced
- Developing incentives to invest to accommodate **renewable generation**
- Improving incentives to provide customers with **reliable and secure service quality**
- Ongoing work on the **potential sell-offs** of local gas networks



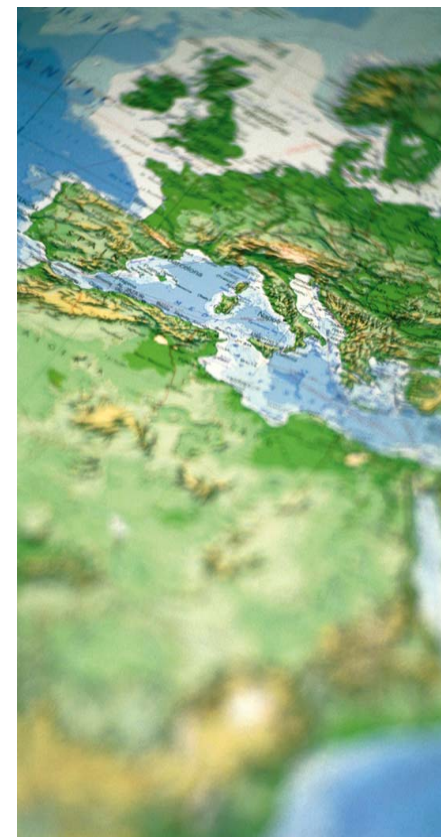
# Helping protect security of Britain's energy supplies

- Combination of competitive markets, statutory and licence obligations and right incentives for **networks** best way of **maintaining security of supply**
- Ofgem will:
  - contribute to **policy debate**
  - provide reliable **information and analysis**
  - ensure companies **behave** in a manner consistent with market rules
  - encourage network companies to deliver investment in a **timely and efficient manner**
  - ensure network **charging** and **contractual arrangements** facilitate competition and security of supply



# A leading voice in Europe

- We will engage more fully with other **EU regulators**
- Sir John **vice-Chairman** of new energy regulators' advisory group
- Influence **liberalisation debate** to the benefit of GB consumers
- Work to bring about **reforms** within EU to enhance competition in **European gas markets**



# Helping protect the environment

- Ofgem has **statutory duties** to have regard to:
  - **impact** of gas and electricity industries on the environment and **SoS's** social and environmental **guidance**
- Important role to play in **administering major Government programmes** to achieve environmental targets and improve domestic energy efficiency
- Advise Government on implementation of **emissions trading schemes**
- Encourage:
  - environmental improvements which provide **value for money for consumers**
  - networks to **accommodate renewable generation** in the most efficient manner



# Helping tackle fuel poverty

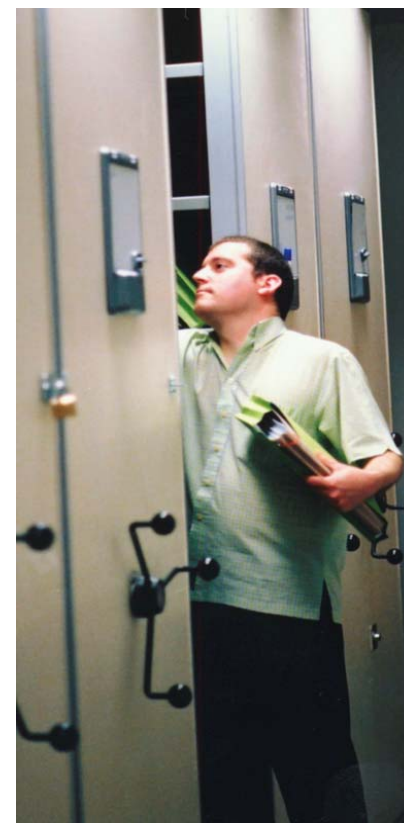
- Specific duty to have regard to interests of **vulnerable customers**
- Social Action Plan **provides framework** to take forward our work
- Further work on **debt and disconnection, payment methods, special services** and **energy efficiency advice**
- Increasing prices could increase number of households in **fuel poverty**
- Must ensure focus remains on **competitive markets** and **efficient network operation**
- Work with **Government, industry** and **energywatch**





# Corporate Plan – 2004-2005

- Provides **greater detail** of work to be undertaken in 2004-2005
- Sets out:
  - key deliverables
  - performance indicators, and
  - budgets
- Reflects results of **resource review**
- **RPI-X cost control regime** to be introduced, following detailed scrutiny of cost base later in 2004-2005



A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a red rounded rectangular background. The background of the slide is a light blue gradient with a faint image of a power outlet and a person sitting at a desk.

Promoting choice and value for all  
gas and electricity customers