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Dear Chris,

Ofgem Proposed Corporate Plan 2004-2007

Thank you for the opportunity to comment on Ofgem's Proposed Corporate Plan. BP's response is not confidential and may be placed in Ofgem's library and on its web-site.

As I explained in our earlier response to Ofgem's Proposed Corporate Strategy 2004-2007 (I refer to my letter dated 4 February 2004), BP believes that security of supply in the UK and liberalisation in Europe, with open access to networks and markets, are the major challenges facing the industry over the coming years. Ofgem must maintain its focus in influencing the European position throughout 2004-2005.

There is also a challenge in effectively managing priorities throughout the coming year to ensure that projects are successfully delivered. I am particularly mindful of the significant amount of work currently being carried out on the proposed NGT DN Sale whilst we are also working to deliver successful implementation of the RGMA programme and metering competition.

I now address Ofgem's key deliverables for 2004-2005;

Creating and sustaining competition

BP is committed to addressing any problems identified with customer transfers in the I&C gas market, but believes that the Customer Transfer Programme, currently led by the ERA, is best suited to addressing domestic and/or electricity issues, in which markets most of the problems appear to occur.

BP is closely monitoring work on the proposed NGT disposal of distribution networks, and is keen to ensure that benefits to customers are not compromised and that increased fragmentation does not impact supply competition. BP welcomes Ofgem's intention to publish agreed plans to ensure that SPA is not compromised. Specific issues still to be addressed include administrative complexity, the IT cost of separation and potential complications of the balancing regime. Development work will continue to require significant industry resources.

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With regard to the RGMA project, BP remains of the view that the key to effective competition in gas metering would be for Transco to offer for sale its metering assets.

Regulating network monopolies

BP expects that GEMA's decision on the consumer benefits arising from DN Sales will take full account of the costs incurred by market participants in development, implementation and ongoing operational activities.

Helping protect security of Britain's energy supplies

BP believes that this is the major challenge facing the gas industry over the coming years. As the UK moves to greater import dependence there is a need to create an appropriate environment to encourage more diverse supplies of gas. Along with this will come the challenge of accepting a wider range of gas quality in a timely fashion and with minimum disruption to consumers. BP is disappointed that there is no mention of this as a specific activity for 2004-2005.

A leading voice in Europe

BP supports Ofgem's role in influencing and shaping the liberalisation debate in Europe; this is closely linked with concerns over future security of supply. There is a need for a robust framework that incentivises long-term investment and includes the promotion of active traded markets in gas and power.

Ofgem support will be essential in creating opportunities for British companies in the European energy markets, many of which are effectively closed to new entrants because of slow liberalisation. Without the British position being actively put forward, there is also a risk that British interests in security of supply will be relegated below those of other member states.

Helping protect the environment

BP strongly supports emissions trading as the leading element within a suite of market-based initiatives to achieve environmental objectives. An effective, clear and transparent EU emissions trading scheme is a priority and BP would welcome Ofgem's support in this area. BP is disappointed that there is no mention of this as a specific activity for 2004-2005.

Improving Ofgem's efficiency and effectiveness

The financial impact of regulation on industry costs is significant, as are the indirect costs of participating in industry workgroups and responding to consultations.

BP welcomes Ofgem's efforts to improve both its working practices and cost effectiveness, and hopes that the recent organisational restructure will help to deliver better efficiencies. The projected achievement of only 56% of 2003-2004 deliverables early or on target may well be an indicator that targets were overambitious or unrealistic in terms of deadlines or available resources. Better prioritisation of issues may also contribute to improved future achievement of deliverables.

The introduction of performance indicators, alongside the proposed publication of regular updates on the Ofgem web-site, should help to incentivise improved achievements in 2004-2005.

BP welcomes Ofgem's open consultation as part of its decision-making process as well as its increased use of Regulatory Impact Assessments, but sometimes the volume of work generated for the industry can be quite overwhelming and industry participants are continually having to prioritise issues to make best use of limited resources. We are not convinced that Ofgem always recognise this position.

I hope you find our comments helpful; please do not hesitate to contact me if you would like to discuss any aspect of this response.

Yours sincerely,

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