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23 April 2004

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Sent via e-mail to: chris.chapman@ofgem.gov.uk

Dear Chris,

Ofgem's proposed corporate plan 2004-2007

Centrica welcomes the opportunity to comment on Ofgem's proposed corporate plan. This response mainly uses the headings contained in the Ofgem document and we are happy for this non-confidential response to be placed in the Ofgem library.

1. Introduction

Focus on efficiency and effectiveness

- 1.4 We applaud Ofgem's intention to commit itself to a 5-year RPI-X cost control from 2005 onwards. We hope Ofgem applies the same rigour to its own costs and structure, in particular support functions and management hierarchies, as it does to the price controlled companies it regulates. One of the key lessons of privatisation has been the significant level of improvement in efficiency from previous state sector control. This has been clearly demonstrated by the companies delivering operating cost reductions of more than 5% each year.

Consultation and Impact Assessments

- 1.12 We have previously welcomed Ofgem's policy of producing impact assessments for all major areas of work prior to the requirement for it to do so. However, since April 2003 there have been instances where we feel there was scope for improvement, most recently with respect to the removal of the Scottish Hydro subsidy. We would hope that Ofgem's review of its decision making would include the need for it to increase the proportion of its consultation documents that allow more than 28 days for response.

2. Deliverables 2004-5

- 2.1 The previous achievement of deliverables has rightly been recognised by Ofgem and the target of 75% achievement is a welcome first step. We would hope to see a gradual tightening of this over time perhaps as part of the 5 year RPI-X control. Consideration should also be given to the setting of a secondary target of achievement of deliverables of say 95% compared to the forecast achievement of 82% given for 2003/4.

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Creating and sustaining competition

We particularly welcome: -

- The intention to “Review the supply licences in the light of Better Regulation principles ... to reduce barriers to market entry”. As we have said previously, we hope that Ofgem will be able to further reduce its role in this market;
- Confirmation of the importance of the Customer Transfer Project; and
- Review of brand independence and effective separation of supply and distribution.

Regulating network monopolies

The recent introduction of relative price controls and the remaining service issues associated with Independent Gas Transporters networks will require an ongoing commitment from Ofgem to resource and support.

Helping protect security of Britain’s energy supplies

The inclusion of key European deliverables rightly reflects the increasing importance of this area.

Improving Ofgem’s efficiency and effectiveness

Including the delivery of the Ofgem RPI-X framework could enhance this section.

General Comments

We would welcome a move to a genuine three year plan. Currently there is no information given beyond a one year horizon. The greater uncertainty beyond the initial one year timeframe could be addressed by the presentation at a lower degree of granularity for later years.

4. Budget information 2004-5

General comments

The budget information should be more closely linked with the ‘Deliverables’ and ‘Performance indicators’ shown earlier in the document to allow better transparency of individual activities and their costs.

Hopefully the move to an RPI-X framework will allow future corporate plans to reflect at least three years cost information.

Creating and sustaining competition

The key challenge for Ofgem should be to facilitate a reduction in the expenditure in this area relative to others, i.e. to further withdraw regulation from competitive markets.

Regulating monopoly networks

We believe that the costs for DN Sales should be moved to this area from “Creating and sustaining competition” as the intention is to create pseudo competition and to use the results of that, in the form of comparative benchmarks, to set monopoly network price controls.

If you have any questions about any aspect of this response, please do not hesitate to contact me on the number given above.

Yours sincerely

Tahir Majid
Regulatory Issues Manager, Strategy