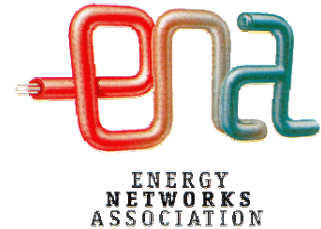


Energy Networks Association
18 Stanhope Place
Marble Arch
London W2 2HH

t +44 (0)20 7706 5100
f +44 (0)20 7706 5101
info@energynetworks.org
www.energynetworks.org

Chris Chapman
Head of Planning
Ofgem
9 Millbank
London
SW1P 3GE

23 April 2004



Dear Chris

Re: Ofgem Proposed Corporate Plan 2004-2007

The Energy Networks Association (ENA) is the trade body that represents gas and electricity transmission and distribution companies in the UK. We are pleased to contribute to your Proposed Corporate Plan for 2004-2007.

This response provides a broad overview of ENA members' views and as such has focused on a number of key points. We recognise Ofgem's commitment to consult widely before finalising its corporate plan and improving its efficiency. In particular, we welcome Ofgem's recent review of its resources and subsequent restructuring, including the new Networks division. This should help to ensure that Ofgem makes best use of its resources to deliver its strategy and meet the challenges it faces in the future.

ENA members strongly support in principle Ofgem's adoption of an RPI-X cost control regime, which should encourage further cost reductions and improvements in efficiency, as long as the correct financial model is adopted. Care must also be exercised in ensuring that a focus on cost reduction and RPI-X is not at the expense of 'quality' regulation (e.g. retention of high calibre staff), particularly as the regulation of networks is increasingly complex and sophisticated. As Ofgem acknowledges, it needs to discharge its responsibilities as efficiently as possible, whilst maintaining a high quality of work and ensuring value for money to its stakeholders.

The ENA welcomes the introduction of performance indicators and the new target of 75% for delivery dates in respect of Ofgem's key deliverables for 2004-2005 (compared with only a projected achievement of 56% in 2003-4). We believe this will be beneficial in helping Ofgem to monitor its performance (and indeed lead to a higher achievement target in 2005-6) and provide stakeholders with greater assurance that delivery dates will be met.

Energy Networks Association
well connected

Registered in England & Wales
no 4832301
Registered office:
18 Stanhope Place Marble Arch
London W2 2HH

The ENA welcomes Ofgem's adoption of the principles of better regulation, including the introduction of regulatory impact assessments for all major areas of work and are pleased that it will be conducting a review of the way it produces impact assessments to ensure they are meeting the needs of both stakeholders and Ofgem. We believe it is of utmost importance that the costs to the industry are considered before regulatory projects are initiated. Therefore the industry looks forward to engaging with Ofgem on future projects.

ENA members recognise the improvements made in Ofgem's consultation process and in meeting agreed timescales when publishing consultation papers (i.e. DPCR4 publications), however stakeholders are still often being asked to respond within very tight timescales (e.g. less than 4 weeks turn around). Therefore it is important that Ofgem takes full account of the need to minimise the considerable indirect costs of regulation.

Although the ENA generally agrees with the themes for driving Ofgem's work over the next three years, neither its strategy nor corporate plan explicitly acknowledge the need to invest in an ageing infrastructure. This is important in terms of long term sustainability of the network, storm resilience and therefore security of supplies and the interests of consumers. This point has been highlighted in our earlier response to the Corporate Strategy, as the ENA believes that this should be a recognised priority and is an issue our members will continue to debate with Ofgem through the DPCR4.

We have also noted that Ofgem's deliverables do not mention the outstanding issues of establishing a workable framework for supplier credit cover and recovery of bad debt. We would like to see these issues resolved as it would provide greater regulatory certainty to the industry.

One of the key messages highlighted by Sir John Mogg at Ofgem's recent workshop on its Corporate Plan, was that the European regulatory dimension would become increasingly important. Therefore we are pleased to see Ofgem has a role in influencing draft legislation. It is important for investors that evolving regulation is consistent with UK regulatory policy and the operation of competitive markets. We also hope that Ofgem is able to provide an influence in a way that minimises any additional burdens on the energy industry in the UK. This would help to ensure EU regulation is proportionate and not overly interventionist (e.g. the draft Energy Efficiency and Energy Services Directive and its provisions relating to the price control revenue driver and metering).

I hope the comments in this response are helpful to Ofgem in finalising its Corporate Plan.

Yours sincerely

A handwritten signature in blue ink, consisting of a stylized 'M' and 'J' followed by a horizontal line underneath.

Nick Goodall
Chief Executive