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21 April 2004

Dear Chris

OFGEM'S PROPOSED CORPORATE PLAN 2004-2007

We have read Ofgem's proposed corporate plan with interest and welcome the transparency through which Ofgem has developed its corporate strategy and plan in conjunction with its key stakeholders.

The plan provides a useful summary of Ofgem's key deliverables, performance indicators and budget for 2004/05. NGT agrees with the detailed work strands presented in the plan for 2004/05. In particular, we are encouraged by the focus Ofgem has placed on actives that relate to investment by electricity transmission companies to accommodate increased renewable generation. These activities are important if pragmatic arrangements are to be developed that will allow companies to efficiently raise the capital needed to progress the investments required to assist the Government reach its environmental targets.

The corporate plan also reaffirms Ofgem's intention to self-impose a five-year RPI-X control from April 2005. Although we are pleased to see Ofgem's desire to impose on itself the same disciplines that are imposed on the main energy networks, it will be important to reflect in any final price control the debate on uncertainty and price controls which has been conducted in the context of the current DNO price review. If unanticipated new requirements arise for Ofgem, then it will be important for the price control to contain appropriate revenue drivers, including in some circumstances (i.e. when future efficient costs of particular projects are both material and difficult to estimate), the pass through of the costs of particular projects.

If you have any queries about the points raised here, please get in touch.

Yours sincerely

Tim Tutton