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22nd April 2004

Dear Chris

OFGEM'S PROPOSED CORPORATE PLAN 2004-07

We are pleased to have the opportunity to comment on your draft Corporate Plan. This represents a further transparent step in your process, following the publication of your Corporate Strategy in March.

It is very helpful to see the programme of key activities set out in Section 2. However for the major projects, such as the Distribution Price Control Review, we would expect a plan to also set out how deliverable targets were to be met. It is also concerning that the plan only anticipates a 75% success rate. For the more ambitious, or less time critical projects this may be acceptable, but it is not appropriate where the impact on Licensees' businesses is as profound as for the Price Control Review. If necessary, there should be a reduction or delay in the number of less time critical projects to ensure a higher success rate for priorities, such as the Distribution review, during the next twelve months.

We do not wish to discourage the undoubted progress that has been made in the development of Ofgem's plans. However, there are a number of areas where the current draft could, in our opinion, be improved.

- There is no detail of planned work or costs beyond 2004.5
- The implications of failing to achieve targets is not described
- There is no detail on how future budgets will be achieved.

We are pleased to see Ofgem's commitment to the greater use of regulatory impact assessments (RIA). It would be helpful to see the first draft of RIAs as an important step in the development of future business plans. So long as clear societal benefits can be identified, work packages should be approved and the costs allowed in the budget.

It is important that proper financial control is applied to expenditure against budget, but there is no particular reason to constrain budgets to an artificial cap, unrelated to workload. We expect a more sophisticated approach to be used in the review of our price control, and would not wish to see Ofgem unreasonably restricted either.

We appreciate that the 2004 Corporate Plan represents 'work in progress' and hope that the comments above will help you to make further improvements in future. If you would like to discuss the issues raised above, please give me a call.

Yours sincerely

Mike Boxall
Head of Electricity Regulation