

Responses to Ofgem's proposed Corporate Plan 2004-2007

Introduction

Ofgem's Corporate Plan sets out the detailed areas of work we intend to undertake in 2004-2005 in support of the seven key themes identified in Ofgem's Corporate Strategy. The Plan includes detailed deliverables, performance indicators and budget information. It follows a consultation on our proposed Plan, published in March 2004. We are grateful to those who responded. Details of non-confidential responses can be found on the Ofgem website. The publication of the Corporate Plan follows careful consideration of these responses.

Many of the comments received were similar to those received as part of the Corporate Strategy consultation. It may therefore be helpful to read the Ofgem response to that consultation in conjunction with the following. The Strategy response can be found on the Ofgem website.

Creating and sustaining competition

Several respondents raised concern at the level of resources devoted to competitive markets and that Ofgem should make greater efforts to withdraw from activity in this area. Ofgem is committed to regularly review and, where appropriate, withdraw from direct regulation. However, we will only do so where we believe it is right to do so in the consumers' interest.

Respondents also raised concern that the review of last year's gas price increases was not mentioned in the list of deliverables, and that this review be published quickly. Ofgem understands these concerns and will be taking forward work on the review as speedily as possible. We have completed the initial stage of the review and expect to publish our conclusions to date and next steps later in May.

Regulating Network Monopolies

Some respondents suggested that Ofgem needed to acknowledge more explicitly its role in ensuring sustainable investment in distribution networks. Ofgem has previously stated that an important element of the work we are conducting in this area is to ensure that companies are able to finance the maintenance and efficient investment required to sustain networks and to improve performance. This continues to be our position.

Helping protect security of Britain's energy supplies

Responses focussed on the appearance of only one deliverable in the corporate plan and lack of detail of longer term activity in this area. Respondents suggested that, given the importance of the issue, further detail would be helpful to aid the industry in responding to one of our priorities.

Ofgem said in our response to the Corporate Strategy consultation that we regard a combination of activities across our key priority areas as the best way to deliver cost effective security of supply. Therefore, deliverables under other priority areas also contribute to our work on security of supply. We understand the need for industry to be aware of any future work programmes in this area. We will, therefore, ensure that future work programmes are communicated to the industry as soon as practicable. Two additional deliverables, covering conclusions of reviews on cash-out and topup, have been added to reflect this.

A leading voice in Europe

There was general support for Ofgem's work on European issues. However, some respondents were keen that Ofgem's work in this area did not detract from, or go beyond, Ofgem's responsibilities in Great Britain. In our response to the Corporate Strategy we made clear that our focus is on those issues relevant to our duty to protect the interests of consumers in Great Britain.

Helping to protect the environment

A limited number of responses were received covering environmental matters. Those received are being considered as part of our future work programme and as part of the Environmental Action Plan annual review scheduled to be published in June.

One respondent specifically commented on the need for an effective, clear and transparent EU emissions trading scheme. Ofgem has no role in setting or administering this scheme. However, we will seek to assist the Government in designing its implementation of the scheme so that it meets these criteria.

Helping tackle fuel poverty

One respondent questioned Ofgem's proposal to undertake work on suppliers' compliance with debt prevention and management guidelines, preferring this to be taken forward by the Government, industry and energywatch. Disconnection of energy supplies has become an increasingly important issue. Ofgem has challenged suppliers to develop a strategy to protect vulnerable customers, and published new industry proposals for consultation in April. We do regard it as justified to continue to place emphasis on improving industry performance on debt prevention and management.

Improving Ofgem's efficiency and effectiveness

Several respondents commented favourably on Ofgem's proposal to develop and introduce an RPI-X budget control mechanism from April 2005. However, concerns were raised about the way the mechanism will be calculated, particularly if the financial cap imposed had the effect of preventing Ofgem from undertaking important regulatory work. In considering the mechanism we will clearly need to take account of the requirement for Ofgem to meet its statutory obligations and deal with unforeseen events that will inevitably arise.

Respondents sought external verification of, and public consultation on, the process. The mechanism will be set by the Audit Committee of the Gas & Electricity Markets Authority, informed and validated by our auditors Cheine & Tait. We do not believe it is appropriate for this process to be subject to public consultation.

A number of respondents commented on the volume of consultation exercises, placing a significant administrative burden on consultees, and the length of consultation periods which many considered too short. Ofgem remains committed to improving its openness and transparency when developing policy. The consultation processes we use are therefore a high priority for us.

Ofgem is aware of the significant work involved in responding to our consultations. However, we acknowledge the value of input from stakeholders, requiring that

stakeholders' views are sought and considered in our deliberations. Ofgem is not, however, complacent about this problem and has committed itself to improving the way that we consult. From January 2005, we will aim to set a minimum consultation period of 6 weeks (we are unable to introduce this earlier due to existing work timetables). Where the period is shorter we will explain why.

A number of respondents were supportive of Ofgem's commitment to produce impact assessments for significant areas of work. As mentioned in our Corporate Strategy response, Ofgem is committed to an internal review of how we prepare impact assessments; the resultant guidance will be published on our website.

Respondents commented on Ofgem's previous achievement of deliverables and the desirability of greater prioritisation so that a higher number of target dates are achieved. Ofgem recognises this concern. During the development of the 2004-5 Corporate Plan, particular attention was paid to setting deliverables which reflected our priorities for the year, and that they should be achievable. We do not feel it is appropriate at this stage to prioritise the published deliverables further. However, in the event that timetables are delayed, due to unforeseen work or circumstances beyond our control, we will notify stakeholders via the quarterly reporting of the achievement of deliverables.

Comments were also received about our proposed performance indicators, and particularly whether they reflected the correct measures. A number of suggestions were made as to alternative measures covering the areas of correspondence handling, consultation periods and website diary accuracy. We believe the measures that have been identified are a fair representation of key activities. However, we have committed to improving the way we set consultation periods and are committed to ensuring our website is a useful communication tool for stakeholders. Equally, we are committed to ensuring stakeholder correspondence is handled efficiently. We have not included an indicator covering this as the varied nature of the correspondence we receive would require a plethora of indicators covering different circumstances and a number of mechanisms to be put in place which will take time to implement. We will review this area for next year's plan.

Several respondents commented on the way budget information was presented and that it would be helpful to have details of resources attached to individual deliverables. The budget figures for each area of work include both direct and indirect costs. This is in line with previous Corporate Plan budgets, thereby providing an effective measure for comparison. In most cases, we are unable to provide resource information by deliverable as internal financial controls are based upon work areas not individual items of work. This is not the case for large projects like BETTA and DN Sales. Providing information in different formats for different projects/work areas would lead to confusion.