



Department of Trade and Industry

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### **Ofgem's Three Year Strategy: 2005-2008**

Thank you for seeking the DTI's input into Ofgem's three year strategy 2005-2008.

Overall, the Department feels that the 2004-2007 corporate strategy is a clear document whose seven key themes should continue to be developed by Ofgem.

The principal objective of Ofgem, shared with the Secretary of State, is to protect the interests of consumers. With recently announced increases in energy prices, it is essential that we ensure that competitive markets deliver choice and value for consumers. We look forward to continuing to work with Ofgem, and Energywatch, to maximise consumer access to the competitive market; and to improve industry's service to customers, thereby, driving down complaints on billing, metering and other key areas. Ofgem may also want to consider whether it should produce a more regular update of the state of competition in the domestic and non-domestic electricity supply markets.

Within the theme of security of supply, Ofgem may wish to include a reference to their role in planning and co-ordinating the management of emergencies in co-operation with the DTI, other Government Departments and industry. In addition, a careful watch on the evolution of generating capacity in Great Britain is recommended, in particular to monitor the impact a greater proportion of embedded and variable generation may have for areas such as the maintenance of grid stability and any implications for security of supply.

The issue of gas quality, as the UK seeks to import more gas to meet its needs, is one that may present us with new challenges. Within Ofgem's

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responsibility for non-safety aspects of gas quality, it would be interesting to know whether Ofgem is looking to develop any work in this area.

The Energy White Paper 2003, the Social and Environmental Guidance issued to Ofgem by the Secretary of State in early 2004, and the Energy Act 2004 presents an unequivocal statement of long term Government Energy policy including how it interacts with broader Government environmental and social policies. These documents should ensure that Ofgem can make a contribution to delivering Government energy policy, appropriate to its functions, principal objective and duties, without compromising the principle of arm's length regulation.

I know that officials from both the DTI and Ofgem continue to work well together to ensure that these issues are being tackled. We look forward to seeing Ofgem's 2005-08 strategy.

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