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Dear Andy

OFGEM'S PROPOSED CORPORATE STRATEGY AND PLAN 2005-10

I write in response to Ofgem's consultation on your proposed Corporate Strategy and Plan. We appreciate the opportunity to engage in discussion on the subjects raised.

We welcome the consistency in the basic themes that form the plan. This provides reassurance that the key issues identified in previous plans continue to be relevant for the future. The opening section of the document, which describes the challenges ahead, is now well developed and requires no further comment.

However the rest of the document is less successful in drawing out detailed plans consistent with the strategy. Within the title of the document, you have extended the scope of the plan to five years. This would give us valuable guidance on the areas where significant work may be undertaken in future years except that there is no detail beyond year one. It will always be the case that regulatory action must to some extent react to market developments and changes in public policy, but it is disappointing that there is so little indication of the proactive agenda beyond March 2006.

In the particular context of the electricity distribution businesses it should be possible to map out some of the main issues to be addressed before the next price control review. Not all of these will need to be tackled in the next twelve months and some spreading of workload should therefore be appropriate for both you and the companies involved. It would also be relevant to note the extent to which a five year 'regulatory contract' has just been established and the limits that this might place on other interventions before the next review. Consequently we would expect the medium term plans to focus on preparing the ground for the next review and helping to ensure market development follows the course that you had anticipated at the last review. This is likely to include specific projects in respect of competition in metering and connections services. Beyond this, it would be interesting to have some indication of where your resources will be committed.

We recognise that there is much work to do associated with the restructuring of the gas distribution networks. However, it will be important to focus on those issues that must be tackled to allow the transition to take place. Other tasks, such as further work on using markets to determine capacity requirements, should be a lower priority.

Looking more widely at the themes you have identified, it should similarly be possible to sketch out areas of work, which will represent a response to expected policy initiatives from Brussels or Whitehall, or reflect areas where regulatory change is needed but non-urgent. It would help all parties in the energy markets to have a better idea of what you may have planned for 2006-2010.

I hope you find these comments helpful. I would be pleased to join in further discussion on the issues raised.

Yours sincerely

Mike Boxall
Head of Electricity Regulation