

1 August 2006

Ofgem's Five Year Strategy 2007-2012

In August last year, we consulted on our corporate strategy for 2006-2011.

We received many contributions that greatly aided the development of our strategy, which is accessible at our website, www.ofgem.gov.uk. I am very pleased to be able to ask you now to contribute to the development of the next five year strategy, for 2007-2012.

The contributions that we received in developing our current strategy are making a real difference to the direction of the organisation. In particular we have, since the beginning of 2006:

- monitored wholesale markets and held seminars for major energy customers to help them prepare for what could be another tight winter;
- worked with the European Commission to push for market liberalisation;
- been working on a Sustainable Development Report assessing progress, barriers and further action required by Ofgem and across Government to help reduce carbon emissions, which we will publish later this year;
- made proposals for the removal of 50 per cent of the obligations contained in the standard conditions of gas and electricity supply licences;
- published conclusions on the potential for smart meters setting out a course for unlocking the barriers to their use;
- worked with industry to set up an Energy Supply Ombudsman and a billing code of practice;
- published price control proposals designed to give clear incentives on transmission network businesses to invest appropriately going forward, which include proposals to reduce barriers to viable renewable projects;
- continued to outperform our RPI-3 cost reduction target, thus enabling us to return nearly 10 per cent of our allowed budget to licence payers; and
- streamlined and improved the quality of our consultation processes.

When we published our strategy in March we stated that we might need to revisit it in the light of the Government's Energy Review. Earlier this month the Government published its Energy Review report and confirmed its commitment to competitive energy markets and effective independent regulation as the cornerstone of Britain's energy policy to deliver secure, sustainable and affordable energy supplies for consumers.

The Government has asked us to become involved in several workstreams as a result of the Energy Review. For example, we will be conducting with DTI a review of distributed generation, which we see as an opportunity to build on initiatives we took at the last electricity distribution price control and work already underway in our newly established microgeneration forum. We will also get involved in workstreams on the quality of information available to market participants, gas security of supply and fuel poverty.

We will be taking work forward in these areas in the coming weeks and months. Beyond that, we would welcome your views on the future strategy and priorities of the organisation. In determining our future strategy we would especially welcome any views you might have on the following:

1. the key challenges you consider the industry faces in the short to medium term (for example, structural, social, environmental or technological);
2. the action you consider the Authority should take to respond to these challenges; and
3. the priority of areas of work you think we should tackle, in response to the challenges you identify.

Please send your comments, by email if possible, to Andy MacFaul, Head of Better Regulation (andrew.macfaul@ofgem.gov.uk). To enable us to take full account of your comments, we need to receive them by 26 September 2006. A timetable for finalising the strategy is set out in an annex.

Responses will be made available in the Ofgem library and published on the Ofgem website. This will enable others to see and consider a wide range of responses. However, should you wish your response to remain wholly or partly confidential, please indicate this clearly in your response.

I look forward to reading and considering carefully your response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Mogg', with a stylized flourish at the end.

Sir John Mogg KCMG
Chairman of the Gas and Electricity Markets Authority

Annex: Timetable

The timetable that we intend to follow in consulting on and developing the strategy is outlined below. Please note in particular that we will consult on a Proposed Corporate Strategy and Plan in January 2007 and publish the final version in March 2007. As last year, we will hold a public session of the Authority during the consultation period.

September 2006	Deadline for responses to initial consultation on our strategy for the next five years
October 2006	Authority considers responses
December 2006	Authority considers Proposed Corporate Strategy and Plan 2007-2012
January 2007	Publish consultation on Proposed Corporate Strategy and Plan 2007-2012
February 2007	Authority public session on the Proposed Corporate Strategy and Plan
February 2007	Deadline for responses
March 2007	Authority considers responses
March 2007	Publish Corporate Strategy and Plan 2007-2012