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Dear John

### **Ofgem Sustainable Development Report 2006**

Many thanks for sending us a copy of Ofgem's Sustainable Development Report under cover of Steve Smith's letter to Paul Golby and for giving us the opportunity to comment.

The extension of Ofgem's range of statutory duties in the Energy Act 2004 to incorporate sustainable development risked creating some uncertainty amongst regulated companies about how Ofgem would carry out its functions, given potential tensions, for example, between economic and environmental objectives.

This report, along with Ofgem's corporate strategy and five year plan, helps clarify Ofgem's position, and we support this first step which we would like to see Ofgem build on in future. The report provides a useful and comprehensive account of how Ofgem contributes directly and indirectly to sustainable development, but we would like to see in future reports a fuller and more thoughtful discussion of how, in principle, Ofgem intends to interpret its duty to promote sustainable development and how it believes this duty will affect the way in which it carries out its statutory functions.

Ofgem's views on how it can best promote sustainable development are important not just because it regulates the energy markets but

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also because it provides influential advice and support for energy policy development by Government departments. For example, Ofgem has strong views on how renewables can best be supported while providing value for customers which it has recently articulated in its response on reform of the Renewables Obligation. A high level statement of its approach to promoting sustainable development and environmental objectives in particular in regulation of energy markets would help stakeholders put this sort of intervention in a better context.

Yours sincerely

**Brian Seabourne**