



To all stakeholders

*Promoting choice and
value for all customers*

6 August 2007

Dear colleague

Ofgem's Five Year Strategy 2008-2013

In August last year, and January this year, we consulted on our corporate strategy for 2007-2012.

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 2008-2013.

The contributions that we received in developing the current strategy, and at the open Authority meeting in June, are making a real difference to the direction of the organisation. In particular we have, since the beginning of 2007:

- completed our review of the standard conditions of the gas and electricity supply licences and removed 50 per cent of the obligations in them;
- launched a major project, *Consumer First*, to improve the way that we take consumers' interests into account in our decision making;
- continued to assess the state of competition in domestic supply markets, and concluded that all market segments remain highly competitive with major savings possible for customers switching supplier or payment type;
- taken steps to improve our understanding of the basis for the higher prices paid by prepayment meter (PPM) customers;
- begun to look at ways of improving the communication of information to PPM customers, and vulnerable customers in general, about the benefits of switching;
- consulted on a new 'star rating' system to help customers looking to reduce their carbon footprint compare the 'green' energy deals offered by suppliers;

- begun the task of managing and coordinating a series of trials of 'smart meters' that could help consumers be more energy efficient and help tackle global warming;
- continued to work with the supply companies, the distribution network operators and the Government to open the way to household-scale generation and other types of generation sited closer to homes to reduce the energy lost in transporting it;
- worked with the European Commission and EU member state energy regulators to push for genuinely liberalising measures as part of the Third Legislative Package;
- been working on our second annual 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;
- implemented new price controls giving clear incentives for transmission network businesses to invest appropriately going forward, which include proposals to reduce barriers to viable renewable projects;
- pursued innovative solutions in designing the new regulatory regime for offshore transmission;
- extended the RPZ and IFI schemes to encourage the electricity distribution companies to increase their investment in innovation; and
- continued to outperform our RPI-3 cost reduction target, putting us on course to deliver £12 million of savings to licence payers over five years.

When we published our strategy in March we noted that it was being finalised at a time when energy policy was under profound review. In May 2007 the Government published the White Paper, which reaffirmed 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. We are taking forward with the Government a number of workstreams as a result of the White Paper.

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 that the industry faces in the short to medium term;
2. how you think the Authority should respond to these challenges; and
3. the order of priority we should give to our areas of work in response to those challenges.

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 24 September 2007. 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', written in a cursive style.

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 2008 and publish the final version in March 2008.

24 September 2007	Deadline for responses to initial consultation on our strategy for the next five years
18 October 2007	Authority considers responses
13 December 2007	Authority considers Proposed Corporate Strategy
7 January 2008	Publish consultation on Proposed Corporate Strategy
25 February 2008	Deadline for responses
20 March 2008	Authority considers responses and revised Corporate Strategy
31 March 2008	Publish Corporate Strategy and Plan 2008-2013