



To all stakeholders

*Promoting choice and
value for all customers*

16 January 2009

Dear Sir or Madam

Proposed Corporate Strategy 2009-14

Today we are launching a consultation on our Corporate Strategy for 2009-2014.

2008 reinforced Ofgem's reputation as an organisation that works hard to protect the interests of consumers. Prime examples include our ground-breaking probe of the retail markets and our first Fuel Poverty Summit. These initiatives have already prompted some price reductions and a range of improvements for fuel poor customers. Ofgem's continued policing of the sector on behalf of consumers was also reflected in a record fine being set against National Grid for anti-competitive behaviour and a sizeable penalty against npower for mis-selling.

Safeguarding the interests of consumers will continue to be central to our plans for 2009 as we look to implement an effective package of probe-related remedies. However, we cannot remain narrowly focused on immediate concerns at a time when the sector is facing the great challenge of developing a more sustainable energy system while maintaining secure supplies. Ofgem must look beyond 2009 and the next five years if we are to be relevant to the customers of the future.

Two events at the end of last year reinforce the urgency of this longer term work: the impact of the global credit crisis on the British energy sector and the Government's support for Lord Turner's vision of a low carbon economy by 2050. Ofgem has already begun to respond to these developments. We have published our report on long-term energy network scenarios and are making good progress with our review of the RPI-X network regulatory regime. These initiatives have been well received. In addition, we are now reviewing the extent to which our market assumptions are affected by the events of late 2008. Your views on all these projects are welcome.

The European Union is expected to adopt the 'Third Package' of energy legislation in the spring. This will be a significant development that could have profound implications for British energy consumers in the future. We are considering how we can shape the European energy scene after the legislation is agreed. Again, we seek your comments.

Our role in the British energy scene was expanded and reinforced during 2008. Parliament has enacted changes to our statutory duties and revised guidance on social and environmental matters will follow shortly. This draft strategy reflects how we will implement these new duties to further the interests of consumers across the board. Ofgem will also take on new energy market functions. In 2009 we will be putting in place the new offshore regulatory regime, feed-in tariffs mechanisms and the heat incentive. We welcome your views on how we propose to meet these challenges in 2009 and beyond in the interests of consumers.

Ofgem is being asked and expected to do more. This has two major implications for us. First, it highlights the need to make sure that Ofgem has the powers that it needs to protect consumers. We have made public our desire for greater powers to deal with companies that abuse their position in wholesale markets and to tackle unjustified pricing differentials in the retail market. Second, it means that Ofgem will need to increase its resources. In 2009 we have to make our 2010-15 RPI-X cost regime (currently RPI-3% per annum) recommendation to the Authority's Audit Committee and its external auditors.

We are both aware that we seek your comments at many stages during the year and we are acutely aware of the burden that this places on you. We are grateful for your constructive contributions and support. These are challenging times and your input is highly important and much valued by us.

The deadline for responding to this consultation is 27 February. We very much look forward to receiving your views.

Yours faithfully



The Lord Mogg, KCMG
Chairman
Gas and Electricity Markets Authority



Alistair Buchanan, CBE
Chief Executive
Ofgem