

To all stakeholders

**28 July 2009**  
Our ref: lm/sh/mf

Dear colleague

### **Ofgem's Five Year Strategy 2010-2015**

In August 2008 and January 2009 we consulted on our corporate strategy for 2009-2014. We received many contributions that greatly aided the development of our strategy, which is accessible at our website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

May I now ask you to contribute to the development of the next five year strategy for 2010-2015? The past contributions that we received in developing the current strategy, and more recently at the open Authority meeting in June, are helping to shape the organisation's priorities and direction. Over the past year, we have:

- responded to growing anxiety about energy prices by conducting a probe into the energy supply market – the conclusions of which will be implemented in the autumn and will bring the benefits of competition and greater protection for all consumers, especially those on low incomes and other vulnerable groups;
- launched an independent and impartial analysis of the energy markets to test their capacity to cope with the fallout from the credit crisis and Britain's shifting reliance on imported gas (*Project Discovery*), which is looking ahead over the next decade at the prospects for security of supply in Britain;
- progressed our review of the incentive based regulatory regime for the networks (*RPI-X@20*), which will set the future direction of energy network regulation to meet low-carbon, security of supply and quality of service goals for consumers;
- reviewing the price controls for the electricity distribution companies, in which we are seeking to expand funding for innovation and to prepare the networks for a low-carbon future while securing excellent customer service at reasonable prices;
- published initial proposals for overhauling the energy industry rule-making processes that would tackle head-on the scope for vested interests to delay key rule changes, bring more transparent and efficient decision-making and better enable the industry to address major challenges such as climate change and security of supply;
- delivered a new interim transmission access regime with swifter connections to the national networks for low-carbon generation and new funding for expanding grid capacity. There are no network-related barriers now to getting connected;

- established a new offshore transmission regime, which will ensure faster, more innovative connections and better value for money for consumers in relation to the costs of connecting offshore wind farms to the national grid; and
- played a central role in pushing for the implementation of smart meters.

The Government has very recently published the UK Low Carbon Transition Plan setting out proposals for the energy sector, which includes clarifying that Ofgem, in protecting current and future consumers, should help tackle climate change and ensure security of supply.

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](mailto:andrew.macfaul@ofgem.gov.uk)). To enable us to take full account of your comments, we need to receive them by 18 September.

In the interests of transparency we will make responses available in our library and on our website. If you wish your response to remain wholly or partly confidential, please indicate this clearly.

Having considered responses we will consult on our strategy and plan in January 2010 and publish the final version in March 2010.

I look forward to reading and considering carefully your response which, please may I again remind you, we need by 18 September 2009.

Yours faithfully



**Lord John Mogg**  
**Chairman of the Gas and Electricity Markets Authority**