

To All Stakeholders

**30 July 2010**

Our ref: lm/mp/amf

Dear colleague

### **Ofgem's Five year Strategy 2011-2015**

In July 2009 and January 2010 we consulted on our corporate strategy for 2010-2015. We published our present strategy on 31 March 2010 (available at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

We are now beginning the process of formulating our strategy for 2011-2016 against a background of significant uncertainty notably in relation to government spending priorities. We have benefitted enormously from the input of a wide range of stakeholders to our current strategy. This has helped shape Ofgem's priorities and direction. More specifically, over the past year we have:

- conducted essential and radical reorganisation to ensure we continue to deliver effectively and efficiently in relation to our growing role in Britain's plans to develop a low carbon economy and to provide a greater emphasis on sustainability;
- conducted a comprehensive review of the challenges facing Britain's energy supplies as the country becomes more reliant on imports, highlighting the scale of investment required to enable Britain to secure its energy supplies and meet its climate change targets;
- in the face of external turbulence, taken a series of difficult decisions including implementing the findings of our earlier in-depth probe into the workings of the retail energy market;
- taken forward reviews of the codes governance regime and of the RPI-X model that has been used to regulate networks for the last 20 years, proposing a re-focussing of regulation on outcomes;
- continued to work in Europe in developing and implementing the European Third Energy Package, paving the way for more competitive European energy markets;
- delivered a new offshore transmission regime to connect offshore renewables generation;

- worked with Government on developing a prospectus for the national roll out of smart meters;
- developed and implemented the Government's feed-in tariffs regime to promote small scale renewable generation;
- published findings and created licence requirements in relation to a range of issues impacting on vulnerable consumers; and
- completed a distribution price control review, opening the way for £7.2bn of investment and establishing a 'low carbon network fund' to promote innovation in the development of new, low carbon technologies.

On 27 July 2010 the Government published its first Annual Statement of energy policy and also announced a review of Ofgem. These are key developments which will greatly influence our future strategy.

We would very much welcome your views on future strategy and priorities for the organisation, especially in relation to:

- 1 the key challenges that the industry faces in the short, medium or long 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 17 September 2010.

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 plan to consult on a draft strategy and plan in January 2011 and publish a final version in March 2011 in line with our normal practice and statutory duty.

I look forward to reading and considering carefully your response.

Yours faithfully

