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Dear Andy

Ofgem's Proposed Corporate Strategy and Plan 2011-16

Thank you for giving us the opportunity to comment at this stage on Ofgem's proposed five-year corporate strategy and plan. Although we focus not surprisingly on matters that are most relevant to electricity distribution network operators (DNOs), we nevertheless recognise that Ofgem's assessment of priorities must achieve a requisite balance across the whole range of activities for which it is responsible. We also fully support the need this year for Ofgem to undertake a mid-year review of its strategy and plan to take account of the major developments that are expected in the coming months, notwithstanding Ofgem's reasonable expectation that such developments will not fundamentally affect the four key policy areas it has identified as central to the protection of consumers' interests.

We fully support Ofgem's pursuit of the objective of doing everything that it can to promote a cost-effective switch to low-carbon energy on a timescale consistent with achievement of the government's targets for reduction of carbon emissions and greenhouse-gas emissions. In this context we agree with the eight energy networks-related actions identified by Ofgem in the draft plan.

We would emphasise the vital significance that we attach to the rolling out of the RIIO conclusions in the next transmission and gas distribution price control reviews. Given that the outcomes of these reviews will undoubtedly have major repercussions for the next electricity distribution price control review, it is crucial that Ofgem should recognise DNOs as key players in them and should make requisite arrangements (including in relation to its own assigned resources) to ensure the fullest and broadest debate and consideration of the key contentious generic issues that will arise. We would illustrate and underline this point by stressing that Ofgem must not underestimate the ongoing concerns of DNOs in respect of financeability issues.

We continue in our firm belief that the regulatory framework must recognise and encourage appropriate behaviours such as good stewardship, cost-risk management and effective business planning and performance, particularly in times of volatility and uncertainty such as those in which we currently find ourselves, and we are looking to RIIO to deliver this.

Reference is made by Lord Mogg in the foreword to the plan to the third energy liberalisation package. We would stress the importance of recognising the extent to which the UK is already compliant with many of its provisions and of avoiding any temptation to 'overgild' when considering requisite changes to existing UK energy licences.

Finally, we would reiterate the point we made in our input last September that, in addressing what we perceive to be an issue with recruitment and retention of key staff, Ofgem should ensure that its continued focus on reducing costs protects service standards that are ultimately in the best interests of customers. In this context we would instance the five-month delay between the closure

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of Ofgem's statutory consultation on its guidance document on the DG Standards Direction last September and the publication of a final version of the document just a week ago, which we were advised by relevant Ofgem staff was caused by the need for the document to take its turn in securing sign-off by Ofgem's legal team. This meant that the document did not appear until four and a half months after the DG Standards Direction itself had entered into force, which we feel was an inappropriate delay.

I hope that you will find these comments helpful: should you have any questions arising from them, please do not hesitate to make contact.

Yours sincerely

T H Sharp

Tony Sharp
Regulation Manager