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Dear Andy

Ofgem's consultation – Five Year Strategy 2011-2016

The Gas Forum was established in 1994, acting as a body that represents the views of Gas Shippers and Suppliers active in the GB Market. The Forum now counts among its membership virtually every significant GB gas shipper and gas supplier. Its members are Centrica, BP, Total, Shell, e.on, npower, EDF Energy, BG Group, Scottish Power, Statoil, Corona Energy, ExxonMobil and GDFSuez. The Gas Forum members have a significant interest in seeing Ofgem develop competitive market arrangements, building on the market arrangements that exist today.

As we said in our response to the previous strategy, the Forum is concerned by Ofgem's apparent disregard in relation to supporting the development of a competitive market framework. Instead, Lord Mogg's opening statement refers to "a strong theme of energy regulation" with focus on policy areas protecting customers' interests with scant recognition of the need for effective competition. The Forum believes that Ofgem must extend its focus areas to include the maintenance and development of competitive market arrangements.

The Forum still believes that its overall objectives are aligned with those of Ofgem, but recommends that some specific "market targeted" goals should be added:

Energy Networks

- Ofgem should ensure that the work in this area will facilitate effective competition between shippers and suppliers. It is vital that RIIO and the associated incentive regimes ensure capacity in the networks allow the competitive market to function efficiently. This could form part of the output measures, but needs explicit recognition as an Ofgem goal.
- Ofgem should expand upon which processes it is referring to in terms of reducing barriers to entry.

Energy Markets

- The Forum would like to see Ofgem commit to faster turnaround of applications for exemptions under EU regulations. We appreciate the EU wide regime of regulation is changing under the third package, and we welcome Ofgem's proposal to review the treatment of access arrangements at storage and LNG sites. However, Ofgem needs to ensure that the review is given due priority and more generally its decision making process in relation to TPA exemptions is accelerated in order to encourage new investments.
- The SCR on gas security should be given a delivery date in the corporate strategy deliverables table. A firm commitment to resolving the issue gives the market greater certainty about the timing of any policy changes.

The Forum welcomes Ofgem's proposal to try and keep regulation proportionate by following a "one in one out" approach to regulation under its simplification agenda. We would welcome discussions with Ofgem on specific changes that they have in mind and we would like to see this specifically considered in any policy documents Ofgem publishes where additional regulatory burdens are likely to arise, for example under licence changes. The Forum suggests that Ofgem also considers the regulatory burden being imposed on suppliers in particular from government led regulation, such as CRC, Green Deal, etc...

On the electricity side, Ofgem needs to recognise that the drive to a low carbon market will require gas fired generation to deliver secure supplies. This need arises as older plant shuts (coal, nuclear and oil) and as more intermittent generation connects. The way gas fired generation operates may alter, with an increasing need for flexibility, and Ofgem must ensure that in developing the GB power market it does not lose sight of the impacts on the gas market and crucially that it continues to monitor, and defend where necessary the effective functioning of the gas wholesale market. The Forum knows that gas will have a vital role to play in delivering secure supplies of electricity and we will work with Ofgem and DECC to help deliver the government's energy goals.

If there are any points in this letter that you would like to discuss further please do not hesitate to contact me. In the meantime the Forum looks forward to working with Ofgem going forward.

Yours sincerely



Steve Gordon – Acting Chair of the Gas Forum