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Dear Philip

Ofgem's Forward Work Programme 2012-13

Thank you for the opportunity to comment at this stage on Ofgem's proposed work programme for 2012-13: I am writing on behalf of each of Northern Powergrid Holdings Company and its two licensed electricity distribution businesses, Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc.

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 recognise that, at this time in particular, that assessment needs to take clear account of the current government review of the electricity market and the additional objectives pertaining to the Authority's recently-designated role as national regulatory authority: we therefore fully support the delay in formulation of a full corporate strategy and plan. Notwithstanding this delay, we agree that the four strategic priorities to protect the interests of consumers that were set out in the March 2011 corporate strategy and plan remain valid and that it is appropriate to base the 2012-13 work programme on them.

Clearly the most important DNO-specific item on Ofgem's agenda for 2012-13 is the commencement of the next distribution price-control review, RIIO-ED1. We continue to look to RIIO to deliver due recognition and encouragement of appropriate behaviours such as good stewardship, cost-risk management and effective business planning and performance. We wholeheartedly endorse the proposed approach of establishing a clear strategy for the review early in the process, to use as a key basis for assessment of companies' business plans: this approach is already showing its worth in the transmission and gas distribution reviews, and we welcome Ofgem's initiating the RIIO-ED1 review so early this year, by publishing its initial consultation and moving to establish industry working groups quickly, given the importance of the issues that the review must address. We shall, of course, shortly be responding in full to this consultation.

We note the continued priority that Ofgem is giving to the achievement of a low-carbon sector, while maintaining an enduring interest in security of supply, consumer value operation of sustainability programmes. We agree that the issue of supporting the attainment of UK targets for greenhouse emissions should remain a priority area. The key projects of smart meter rollout, the smart grids forum and low carbon networks fund will continue to be priorities as the electricity distribution companies develop business plans through the course of the next price control review.

We note the effectiveness of Ofgem's first five-year cost-control regime on its own costs and the continuation of that regime into a second five-year period. Whilst applauding the savings that have been achieved, we would reiterate our concerns about what we perceive to be an issue with recruitment and retention of key staff by Ofgem and emphasise the need to avoid detriment to the protection of service standards that are ultimately in the best interests of customers.

I hope that you will find these comments helpful.

Yours sincerely

Tony Sharp

Tony Sharp
Regulation Manager