

## SERVICE DELIVERY AGREEMENT FOR OFGEM

### **SECTION A : STATEMENT OF ACCOUNTABILITY**

The Office of Gas and Electricity Markets (Ofgem) is a non-Ministerial Government Department. In November 2000, the Gas and Electricity Markets Authority will come into being following the enactment of the Utilities Act. All appointments to the Authority will be made by the Secretary of State. The majority of these will be non-executive members.

### **SECTION B : DELIVERING KEY RESULTS**

The aim of Ofgem is to bring choice and value to electricity and gas consumers by promoting effective competition and regulating monopolies.

#### B1 : Key Performance Targets

<b>Objective</b>	<b>Target</b>
1. To advance and promote effective competition in the gas and electricity industries and markets	<ul style="list-style-type: none"><li>• Monitor, review and develop new gas and electricity trading arrangements, including transmission access and operation (Q1- Q4)</li><li>• Prepare revised electricity trading and transmission arrangements for Scotland (Q4)</li><li>• Identify and develop proposals for potentially competitive activities, such as metering (Q1 – Q4)</li><li>• Monitor, review and develop competition in electricity and gas supply markets (Q1- Q4)</li></ul>
2. To conduct effective regulation of monopoly businesses and those parts of the industries where competition is not fully effective	<ul style="list-style-type: none"><li>• Review Transco's price control (Q3)</li><li>• Implement the Information and Incentives Project for electricity distribution (Q3)</li><li>• Monitor and enforce existing price controls (Q1 - Q4)</li></ul>
3. To promote arrangements that provide the best possible choice, in terms of price and quality, for the consumer	<ul style="list-style-type: none"><li>• Monitor, review and develop the Social Action Plan and Environmental Action Plan, including administration of Climate Change Levy and renewable obligations for Ofgem (Q1- Q4)</li><li>• Procure improvements in the transfer process for customers (Q4)</li><li>• Implement new working arrangements with Gas and Electricity Consumers' Council (Q1)</li></ul>

Q1 = April to June 2001

Q2 = July to September 2001

Q3 = October to December 2001

Q4 = January to March 2002

Some of these targets are dependent on developments in gas and electricity markets and, therefore, not directly within Ofgem's control.

## B2 : Measuring Performance

Performance information is validated through a cascading internal review process. Some information is published and therefore also subject to scrutiny by industry, consumer bodies and others.

## **SECTION C : IMPROVING PERFORMANCE**

### C1 : Strategies for Improving Performance

Strategies for improving performance include:

- implementing a new performance management and reward system in 2001 (see Section E)
- implementing a 'traffic light' filter system for prioritising and planning policy (see Section G)
- ensuring consistent application of project management techniques (see Section G)
- re-locating all staff to a single building, with open-plan working to facilitate communication and cross-team working
- comprehensive internal audit

### C2 : Value for Money Targets

Ofgem has a number of measures in place to secure value for money. These include applying a value for money 'filter' to all policy proposals (see Section G) and initiating new flexible arrangements for allocating resources within the organisation (see Section E1).

In some cases, it is relatively straightforward to demonstrate value for money. For instance, in the forthcoming review of BG Transco's price control, Ofgem will be reviewing five years' revenues for BG Transco, whose present annual revenues are about £3 billion. The cost of this review to Ofgem is expected to be less than £2 million (including consultancy expenditure). Other areas of Ofgem's work are harder to evaluate in this way.

Specific targets are to

- achieve a reduction in administration costs as a proportion of total costs between 2000-01 and 2001-02;
- review and implement, as appropriate, recommendations of the external efficiency review and agree with Treasury by end March 2001 a timetable for implementation.\*

---

\* The external efficiency review of utility regulators (which compares the performance of all four utility regulators) which will be completed in late 2000, will make recommendations for bringing all the regulators up to the standard of the best.

### C3 : Variations in Performance

Within Ofgem, we are working to standardise the policy development process, the consultation process, project management and planning (see Section G).

Best practice is shared among regulators through regular meetings and working groups.

### C4 : Procurement

Ofgem will work with the Office of Government Commerce (OGC) to take advantage of economies of scale across government. It will continue to improve its processes for employing consultants and develop key procurement targets in consultation with the OGC from March 2001.

### C5 : Fraud

Mechanisms for detecting fraud include internal and external audit procedures. Measures to prevent fraud are covered under Ofgem's risk management framework and include the implementation and monitoring of procedures to ensure propriety.

## **SECTION D : CONSUMER FOCUS**

### D1 : Consumer Tests

All of Ofgem's work is designed to benefit customers. For example, its intervention in terms of price controls and the promotion of competition is the largest single contribution to reducing the fuel poor.

Ofgem provides some services directly to the public (pricing information, dealing with complaints about suppliers). Some of these responsibilities will transfer to the new Gas and Electricity Consumers' Council (GECC) in autumn 2000. To ensure that services remain responsive to consumers, Ofgem will advise the GECC about their provision and work with it to ensure that consumers are clear about the responsibilities of each organisation.

### D2 : Consumer Access

Ofgem's website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)) is available 24 hours per day. All publications are available on this. A new user-friendly website design will be introduced in autumn 2000 and continuous improvements will be made after this.

### D3 : Awards for Excellence in Service Delivery

None.

### D4 : Prompt Handling of Correspondence

Ofgem aims to respond to customer complaints letters within ten working days.

## **SECTION E : MANAGING PEOPLE**

### E1 : Civil Service Reform

Key issues in Ofgem's programme are set out below.

#### Corporate Planning

Ofgem publishes a Corporate Plan each year. This sets out its annual priorities, programme of work and budget. All staff are involved in the development of the Corporate Plan through producing work plans for each directorate. These directorate plans provide the basis for the Corporate Plan. Corporate objectives cascade into individual objectives for all staff within Ofgem.

#### Performance Management and Reward

Ofgem is developing a new performance management and reward system to meet the Modernising Government requirements. This will be implemented in 2001 and will include the following features:

- performance ratings against objectives and competencies
- a competency framework
- regular performance reviews
- 360 degree feedback
- bonuses for outstanding performance

#### Pay and Grading

Ofgem is carrying out a review of pay and grading. The outcome will be implemented in spring 2001 and is likely to include broader banding and a new pay structure.

#### Diversity Awareness

Ofgem will continue to meet the civil service target to employ women in 25% of SCS posts. Currently the figure for Ofgem (30%) exceeds this target.

Ofgem will contribute to the civil service targets for the employment of people from ethnic minority groups. Currently 17.5% of its staff have declared themselves from an ethnic minority. None of these are employed in SCS posts (less than 20 posts). Ofgem will continue to monitor the position for all staff and, in 2001, will consider whether to set targets.

Ofgem is an equal opportunities organisation and every effort is made to encourage people with disabilities to apply for posts and to accommodate their needs in the interviewing process.

Ofgem operates full and open competition in its recruitment programme.

## Learning and Development

Ofgem is committed to the learning and development of all of its staff. It has already implemented an induction programme, which includes a half-day course, visits to stakeholders and a number of lunchtime seminars. It also offers a quarterly programme of training for all staff, which consists of a range of tailor-made courses.

Key activities in 2001 will be:

- producing a learning and development strategy to support Ofgem's corporate strategy
- implementing a management development programme for senior managers and directors
- laying the foundations for a coaching and mentoring culture
- developing a structure for career management

Ofgem encourages its staff to obtain externally recognised qualifications, by providing assistance to study further and higher education courses in relevant subjects. In 2000, it supported 4% of the work force to obtain externally recognised qualifications.

In addition, new flexible arrangements for allocating resources will be initiated in 2000. This will allow individuals to gain skills and experience in areas outside of their core responsibilities.

## Investors in People (IIP) Status

Ofgem will have an initial assessment in December 2000. It aims to achieve IIP status in 2001.

## Flexible Working

Ofgem offers part-time working, home-based working and operates an optional flexi-time system.

## E2 : Wider Public Service Reform

Ofgem works closely with the Treasury and the Cabinet Office in the implementation of its Civil Service Reform and Modernising Government initiatives.

## E3 : Sickness Absence

Ofgem is actively supporting the reduction of sickness absence levels across the Civil Service by 2001 and 2003, as laid down by the Cabinet Office in 1998. It is reviewing its sick absence policies on an ongoing basis and promoting measures to ensure that its sickness absence figures are in line with the Cabinet Office directive.

## **SECTION F : ELECTRONIC GOVERNMENT**

Ofgem will contribute to targets for electronic government by:

- continuing to make all publications available on the internet

- by 2001, publishing all responses to consultations on the internet (where consent is given)
- developing and extending the intranet as a forum for internal communication
- ensuring that the majority of internal communication takes place electronically
- increasing the proportion of documents circulated electronically to external audiences

## **SECTION G : POLICY AND STRATEGY**

Ofgem is developing a number of initiatives to ensure best practice in policy making including:

- streamlining its corporate planning process. Continuing to consult upon and publish an annual Corporate Plan and Budget
- implementing a 'traffic light' filter system for prioritising and planning its policy development programme. This considers factors such as value for money and legal considerations
- ensuring consistent application of project management techniques across the organisation by providing a systematic training programme for all project managers and central support and monitoring of all key projects
- providing a consistent approach to consultations, and promoting the use of a range of consultation techniques, by ensuring compliance with Ofgem's guide to best practice
- developing and implementing a risk management framework