



OFGEM

Spring Supplementary Estimates

*Presented to Parliament
by the Office of Gas and Electricity Markets
by Command of Her Majesty
February 2002*

Cm. 5391

£5.00

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Office of Gas and Electricity Markets

Introduction

This Supplementary Estimate is required to provide for resource expenditure on protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry.

1. The increase £1,000 in net resource requirement is caused by a gross increase of £5,024,000 offset by an £5,024,000 increase in Appropriations in Aid.
2. Programme costs have increased by £2,928,000 from £19,675,000 to £22,603,000 to provide for payments from the Department of Trade and Industry in respect of energywatch costs not billed in prior years. This is fully offset by an increase in Appropriations in Aid.
3. Administration costs increased by £2,096,000 from £36,441,000 to £38,537,000 to indemnify licence fee payers against continuing onerous costs arising out of the merger of Offer and Ofgas to form Ofgem.
4. Symbols can be found in Annex 1.

Part I

RfR 1: Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry £1,000

Total net resource requirement £1,000

Additional Net cash Requirement £1,000

Supplementary amounts required in the year ending 31 March 2002 for expenditure by the Office of Gas and Electricity Markets on:

RfR 1: Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry.

Administrative and operational costs, and associated non cash items and payments to DTI.

RfR 2: Expenditure in connection with the Climate Change Levy

The accreditation of renewable energy producers and certification of output under the Finance Act 2000.

The **Office of Gas and Electricity Markets** will account for this Estimate.

Part II Changes proposed

| | Present Net Provision | Change in Gross Provision | Change in A-in-A | Change in Net Provision | New Net Provision |
|---|----------------------------------|--|-----------------------------|--|------------------------------|
| Resources | £000 | £000 | £000 | £000 | £000 |
| Spending in Departmental Expenditure Limits | | | | | |
| RfR1 A—Gas and Electricity Markets Authority; Administration | 1 | 5,024 | 5,023 | 1 | 2 |
| Total Changes to RfRs | 1 | 5,024 | 5,023 | 1 | 2 |
| | Present Provision | Change in Provision | New Provision | | |
| | £000 | £000 | £000 | | |
| Capital and Cash | | | | | |
| Total Capital Expenditure | 1,115 | — | 1,115 | | |
| Non-Operating A-in-A | 150 | — | 150 | | |
| Net Cash Required | 351 | 1 | 352 | | |

Part II Revised subhead detail, including additional provision

| | Resources | | | | | | Capital | | £000 |
|--|---------------|---------------|----------|---------------|---------------|------------|--------------|------------------------------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| | Admin | Other Current | Grants | Gross Total | A in A | Net Total | Capital | Non-Operating A in A | |
| RfR1: Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry | 38,187 | 22,603 | — | 60,790 | 60,788 | 2 | 1,115 | 150 | |
| SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL): | | | | | | | | | |
| <i>Central Government's spending</i> | | | | | | | | | |
| ★ A: Administration | 37,000 | 175 | — | 37,175 | 37,173 | 2 | 1,115 | 150 | |
| ★ B: Payments to the Department of Trade and Industry | — | 22,428 | — | 22,428 | 22,428 | — | — | — | |
| SPENDING ANNUALLY MANAGED EXPENDITURE | | | | | | | | | |
| <i>Central Government spending</i> | | | | | | | | | |
| C: Administration | 1,187 | — | — | 1,187 | 1,187 | — | — | — | |
| RfR 2: Expenditure in connection with the Climate Change Levy | | | | | | | | | |
| Spending in Departmental Expenditure Limits (DEL) | 350 | | | 350 | | 350 | | | |
| <i>Central Government's spending</i> | | | | | | | | | |
| ★ A. Administration | 350 | — | — | 350 | — | 350 | — | — | |
| TOTAL | 38,537 | 22,603 | — | 61,140 | 60,788 | 352 | 1,115 | 150 | |
| | | | | | | | | Accruals to cash adjustments | |
| | | | | | | | | <u>–965</u> | |
| | | | | | | | | Net Cash Required | |
| | | | | | | | | <u>352</u> | |

Resource to Cash Reconciliation

| | Present | Increase +/ Decrease – | Revised |
|---|-------------|---------------------------|-------------|
| Net Total Resources | — | 351 | — |
| Voted Capital Items: | | | |
| Capital | 1,115 | — | 1,115 |
| Less non-operating A-in-A | 150 | — | 150 |
| | <u>965</u> | <u>—</u> | <u>965</u> |
| Accruals to Cash Adjustments | | | |
| Capital charges | –7 | 119 | 112 |
| Depreciation | –1,299 | — | –1,299 |
| Other non-cash items | –34 | — | –34 |
| Increase (+)/decrease (–) in stock | — | — | — |
| Increase (+)/decrease (–) in debtors | –9,917 | –209 | –10,126 |
| Increase (–)/decrease (+) in creditors | 3,380 | — | 3,380 |
| Increase (–)/decrease (+) in provisions | 2,202 | –3,978 | –1,776 |
| Excess cash to be CFERd | 4,710 | 4,068 | 8,778 |
| | <u>–965</u> | <u>—</u> | <u>–965</u> |
| Net Cash Required | 351 | 1 | 352 |

Part III Extra Receipts payable to the Consolidated Fund

As in existing provision

Forecast operating costs statement

for the year ended 31 March 2002

| | Provision 2001–02 | |
|---------------------------------------|-------------------|-------------------|
| | £000 | £000 |
| ADMINISTRATION COSTS | | |
| RfR 1 | | |
| Staff costs | 13,000 | |
| Other administration costs | <u>25,187</u> | |
| | | 38,187 |
| RfR 2 | | |
| | <u>350</u> | |
| Total Gross Administration costs | | 38,537 |
| Operating Income | | <u>38,185</u> |
| Total Net Administration Costs | | <u>352</u> |
| PROGRAMME COSTS | | |
| Voted Expenditure | | |
| RfR 1 | | |
| Expenditure | 22,603 | |
| Income | <u>22,603</u> | |
| | | — |
| Non-Voted Expenditure | | |
| Expenditure | — | |
| Income | <u>—</u> | |
| | | — |
| Total Net Programme Costs | | <u>—</u> |
| NET OPERATING COST | | <u>352</u> |
| NET RESOURCE OUTTURN | | <u>352</u> |
| RESOURCE BUDGET OUTTURN | | <u>352</u> |

Forecast cash flow statement

for the year ended 31 March 2002

| | 2001–02 |
|---|----------------|
| | £000 |
| Net cash outflow from operating activities (Note i) | 9,391 |
| Capital expenditure and financial investment (Note ii) | – 965 |
| Receipts due to the Consolidated Fund which are outside the scope of the department's operations | — |
| Payments of amounts due to the Consolidated Fund Financing (Note iii) | – 8,778 |
| | 352 |
| Increase(+)/decrease(–) in cash in the period | — |

Notes to the cash flow statement**Note i: Reconciliation of operating cost to operating cash flows**

| | |
|---|----------------|
| Net Operating Cost | 352 |
| Remove non-cash transactions | – 1,221 |
| Adjust for movements in working capital other than cash | – 6,746 |
| Use of provisions | – 1,776 |
| Net Cash outflow from operating activities | – 9,391 |

Note ii: Analysis of capital expenditure and financial investment

| | |
|---|------------|
| Intangible fixed asset additions | — |
| Tangible fixed asset additions | 1,115 |
| Proceeds of disposals of fixed assets ⁽¹⁾ | – 150 |
| Adjust for movements in working capital on capital expenditure and financial investment | — |
| Net Cash outflow from investing activities | 965 |

⁽¹⁾ Includes profit/loss and bad debts on disposal of fixed assets.

Forecast cash flow statement (*continued*)

for the year ended 31 March 2002

Note iii: Analysis of financing and reconciliation to the cash requirement

| | |
|--|------------|
| From Consolidated Fund (Supply): current year expenditure | 352 |
| From Consolidated Fund (Supply): prior year expenditure | — |
| From Consolidated Fund (non Supply) | — |
| Net payments from the National Insurance Fund | — |
| Net payments from the Contingencies Fund | — |
| Net loans from the National Loans Fund | — |
| Capital element of payments in respect of finance leases and 'on balance sheet' PFI contracts | — |
| Net Financing | 352 |
| | |
| Increase/decrease in cash | — |
| | |
| = Net cash flows other than financing (net outflow = +) | — |
| Adjust for payments and receipts not related to Supply: | — |
| Amounts due to the Consolidated Fund—received in a prior year and paid over | — |
| Amounts due to the Consolidated Fund—received and not paid over | — |
| | |
| Adjust for payments financed from Contingencies Fund advances accounted for in a different year: | |
| Current year payments accounted for in following year | — |
| Prior year payments accounted for in current year | — |
| | |
| Net cash requirement for the year | 352 |

NOTES TO THE ESTIMATE**Forecast Reconciliation of Net Resource Outturn to Net Operating Costs and Resource Budget Outturn**

for the year ended 31 March 2002

| | 2001–02 £000 |
|---|-----------------|
| Net Resource Outturn | 352 |
| Add Consolidated Fund Extra Receipts in the OCS | — |
| Net Operating Costs | 352 |
| Reverse the deduction of gains and deduct the losses incurred on disposal of assets | — |
| Other adjustments | — |
| Resource Budget Outturn | 352 |
| of which: | |
| Resource Departmental Expenditure Limit (DEL) | 352 |
| Annually Managed Expenditure (AME) | — |

Explanation of Accounting Officer Responsibilities

The Treasury has appointed the Chief Executive of Ofgem, Callum McCarthy, as Accounting Officer for the Department with responsibility for preparing the Department's Estimate.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.

Analysis of appropriations in aid

| | 2001–02 provision | |
|--|-------------------|----------------------|
| | £000 | £000 |
| | A-in-A | Non operating A-in-A |
| RfR1: Protecting consumers by regulating monopolies and promoting competition in the gas and electricity industry | | |
| Licence Fees | 56,488 | — |
| Technical Fees | 1,200 | — |
| Rental income | 2,200 | — |
| Other income | 900 | — |
| Sales of fixed assets | — | 150 |
| TOTAL RfR1 | 60,788 | –150 |

Analysis of extra receipts payable to the Consolidated Fund

| | £000 | |
|------------------------|--------------|-----------------|
| | 2001–02 | Provision |
| | Income | <i>Receipts</i> |
| Licence fees | 8,778 | — |
| Miscellaneous receipts | — | — |
| Total | 8,778 | — |

Departmental Expenditure Limits and administration costs limits

As announced by the Secretary of State for Trade and Industry to the House of Commons, the Ofgem Resource DEL will increase by £1,000 from £351,000 to £352,000. Capital DEL is unchanged.

The Administration Costs Limit will increase by £1,220,000 from £36,130,000 to £37,350,000.

Cash which may be retained to offset expenditure

| | £000 |
|--|-------------|
| Cash which may be retained by the department to offset expenditure in the year due to its relationship with income that has or will be appropriated in aid | 60,938 |

Annex 1

The symbols used in these estimates are set out below.

Public Expenditure:

- ★ A section of an Estimate which contains discretionary expenditure.
- φ Income receipts which are classified as negative DEL or negative DEL in respect of income from capital disposals (including assets sales) and which are, exceptionally, surrendered as Consolidated Fund extra receipts rather than being taken into the Estimate as appropriations in aid.
- Δ Income receipts which are classified as negative AME or negative AME in respect of income from capital receipts (including asset sales) and which are, exceptionally, surrendered to the Consolidated Fund as extra receipts rather than taken onto the Estimate as appropriations in aid.
- Extra receipts which are classified as 'other spending outside DEL' and are surrendered direct to the Consolidated Fund as extra receipts.
- Ω Includes notional expenditure in respect of capital charges offset by matching negative expenditure in Column 2 of the Part II table of the Estimate.

Statutory authority for expenditure

- Items where provision is sought under the sole authority of Part I of the Estimate and of the confirming Appropriation Act.

Accounting and audit arrangements for grants in aid and certain subscriptions, etc, to international organisations:

- ♥ The accounts of this body are audited by the Comptroller and Auditor General and presented to Parliament.
- ♦ The accounts of this body are audited by auditors appointed by the Secretary of State (or Minister) and presented to Parliament. The books and accounts are also open to inspection by the Comptroller and Auditor General.
- ♠ The accounts of this body are audited by auditors appointed by the Secretary of State (or Minister) and presented to Parliament.



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