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Consultation on OFGEM's proposed Corporate Strategy 2004-2007

Dear Chris,

BNFL welcomes the opportunity to respond to the consultation on OFGEM's proposed Corporate Strategy for 2004-2007. We will not comment on the details of the seven 'themes' identified in the consultation document; rather, our remarks are at a high level, considering how best to manage the interactions between the themes.

Economic efficiency and externalities

We agree that the seven themes are well chosen to underpin OFGEM's principal objective, which is to protect the short- and long-term interests of consumers. We believe that the best way of ensuring that this objective is met, given the complex interactions between energy, environmental and social policies, is through the pursuit of economic efficiency.

We suggest that OFGEM should consider formally adopting economic efficiency as a core value for all of its thinking. OFGEM should always seek to understand and promote the benefits of rigorous economic analysis, and should commission (or encourage others to commission) such analysis to help inform decision-making. Regulation should aim ultimately to ensure that those taking business decisions should have to take into account the full marginal cost of the consequences of those decisions, including non-market costs. OFGEM's themes are very diverse. Analysis should therefore aim to take into account all known non-market externalities, including those associated with environmental damage, security of supply (and the consequences of its failure), employment and the social and economic benefits of innovation.

The nuclear option

In meeting the challenges that OFGEM will face over the coming years the nuclear option potentially has a crucial role to play. Therefore the potential role of nuclear power must play a pivotal role in the Authority's consideration of security of supply, for example through the Joint Energy Security of Supply Working Group with DTI. The Authority must also consider whether the current market framework and structure create barriers to future nuclear investment and so prevent nuclear from making cost effective contributions to CO₂ reduction targets and security. If this is found to be the case they must also, as a matter of some urgency, consider how these barriers and obstacles will be reduced or eliminated.

Again thankyou for the opportunity to comment on your proposed corporate strategy for 2004-2007. If you wish to discuss any of the issues we have raised in more detail then please do not hesitate in contacting me.

Yours Sincerely,

Nigel Burrows
Regulation & Market Access Manager