



## Department of Energy & Climate Change

### **Energy Act: Ofgem Strategy and Policy Statement**

**Issue:** The introduction of a Strategy and Policy Statement to strengthen the current regulatory framework by bringing greater clarity and coherence to the roles of the Government and Ofgem.

#### **Policy commitment:**

The Coalition Programme for Government included a commitment to review the role of Ofgem, the independent economic regulator for the gas and electricity markets in Great Britain. Conclusions of this review, which found a need for greater clarity of the roles of regulator and Government, were published in July 2011.

The review also concluded that the Government should: set out the Government's strategic priorities for the energy sector in Great Britain, describe the roles of Government, Ofgem and other relevant bodies, and define policy outcomes that Government considers Ofgem to have a particularly important role in delivering.

These provisions will provide greater clarity and certainty about the roles of Ofgem and Government and about the strategic context for Ofgem's independent regulatory role, and confidence that policy and regulation will remain aligned and coherent.

#### **Legislative proposal:**

The Energy Act contains provisions for what the Strategy and Policy Statement will set out. This includes:

- what the Statement should contain;
- the duties for the Secretary of State and the Gas and Electricity Markets Authority in relation to the Statement;
- procedural requirements to be satisfied before the Secretary of State may designate the Statement, including consultation and Parliamentary approval;
- the process for reviewing the Statement, at least every 5 years; and
- annual reporting requirements for Ofgem.

It also will repeal the existing social and environmental guidance.

#### **Relationship to other legislative proposals:**

Establishing a Strategy and Policy Statement, should give greater certainty that the regulator is aligned with Government's strategic goals. The SPS could, for example, contain Government policy outcomes related to other legislative proposals in the Act (e.g. EMR) that Ofgem would be required to report against.