

A faint, artistic background image showing various electrical components like a power plug, a circuit board, and a fuse, rendered in a light blue and white color scheme.

## Allocation of roles and responsibilities - Authority decision

Development & Implementation Steering Group  
8 June 2004

# Overview of presentation

- Summary of RIA
- Respondents' views
- Ofgem's view
- Way forward

# Summary of costs and benefits of each option

Issue	Option 1	Option 2	Option 3
<b>Accountability &amp; clarity</b>			
• Contractual complexity	✓	✗	✗
• Regulatory costs	✓	✗	✗
• Commercial incentives	✓	✗	✗
<b>Security of supply</b>	✓	✓	✓
<b>Efficiency savings</b>			
• Comparative regulation	✓	✗	✗
• Economies of scope	✓	✗	✓
• Economies of scale	—	—	—
• Operational synergies	✓	✗	✗
<b>Loss of benefits relative to option 1</b>	£0	£31 to £64m	£17m to £24m

## Respondents' views

- About half of the respondents that expressed a view preferred Option 1
  - clarity of roles and accountabilities
  - reduces risk of discrimination
  - helps to secure the benefits of comparative regulation
- Some opposed to Option 1 due to risk of market fragmentation
- Concerns regarding SOMSAs
- Concerns regarding losses of economies of scale

# Authority's decision

- Authority considers Option 1 is preferable
  - costs of fragmentation addressed via agency arrangements
- Further work required on SOMSAs
- Customers should not bear costs associated with losses of economies of scale

## Way forward

- Considerable work remains to be undertaken
  - commercial arrangements to apply between the NTS and DNs
  - SOMSAs to be progressed through CIWG
- Authority's decision conditional upon development of satisfactory solutions
- Offtake Arrangements RIA to be released in early June



Promoting choice and value for all  
gas and electricity customers