



# SP Transmission & Distribution

Mr Michael Fewes  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Your ref

Our ref

Date

13 September 2004

Contact/Extension

Jeremy Blackford

0151 609 2346

Dear Mr Fewes

## Draft Guidance on Impact Assessments

I write on behalf of SP Transmission & Distribution in response to Ofgem's Draft Guidance on Impact Assessments.

SP Transmission & Distribution supports the view that conducting an assessment of impacts is an integral part of policy development and is not only about publishing reasons for decisions, but also a structured approach to policy development and decision making. We do however have a number of comments regarding the proposals contained within the consultation document and the quality of the impact assessments (IAs) produced to date. These refer to the stages of consultation within the production of IAs, and the methodology for cost/ benefit assessments. Our views in these areas are detailed below.

### Stages of Consultation

Section 5.14 outlines the three components that may comprise the impact assessment process: an initial draft IA, a partial IA and a final IA. Section 5.15 explains that this approach is intended to complement Ofgem's existing consultation process such that the initial IA is published in conjunction with an initial consultation document, a partial IA with final proposal documents and final IA with decision documents.

SP Transmission & Distribution broadly agrees with the proposed stages, believing that it reflects best practice as outlined in both the Cabinet Office and the National Audit Office guidance documents. We do however have some concerns regarding the timing of each stage within the consultation timetable. The Cabinet Office's guidance document 'Better Policy Making: A Guide to Regulatory Impact Assessments', says that impact assessments should start as early as possible, and that an initial RIA should be prepared as soon as a policy idea is generated. We would support the initiation of impact assessments before the formal consultation process commences. This would enable initial comments from industry

Members of the ScottishPower group

New Alderston House Dove Wynd Strathclyde Business Park Bellshill ML4 3FF  
Telephone (01698) 413000 Fax (01698) 413053

members and other relevant stakeholders to be incorporated into initial proposal papers, enhancing the overall consultation process.

### **Assessments of costs and benefits**

With regards to the quantification of the potential costs and/or benefits proposal options, Section 1.5 states 'some issues are more amenable to quantification than others... properly justified quantification of costs and benefits may be hard to produce.'

We acknowledge these difficulties, and the role that industry participants and stakeholders have to play in providing relevant and quality information to feed into this process. However, we believe that there is scope to improve the assessment of impacts across all stakeholders before policy decisions are taken. We note in this context that the Cabinet Office's guidance document states 'although the trigger for producing an RIA is that it has an impact on business, charities or the voluntary sector, once it is undertaken it should cover the full range of impacts on all stakeholders.'

### **Quality of IAs produced to date.**

The points made within this response letter are based on our assessment of Ofgem's current published methodology and on the IAs produced by Ofgem to date. As such the following comment should be taken in conjunction with the points detailed above.

In our view current IAs, while helpful, tend to focus on summarizing the issues concerned rather than the detailed impact of proposals on the parties involved. It would also be helpful if there was a more transparent link between the IA and policy proposals and options at each stage of the consultation process. This would assist interested parties in understanding the influence of IAs on the consultation process and the final outcome.

I hope that you find these comments helpful, but please contact me if you need to discuss.

Yours sincerely



**Jeremy Blackford**  
**Regulation Manager**  
**SP Transmission & Distribution**