



Highlands and Islands Enterprise
Iomairt na Gaidhealtachd 's nan Eilean

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Dear Mr Feather

Response to Ofgem open letter on Industry Code Governance (284/07)

As you are aware, Highlands and Islands Enterprise (HIE) is the Government's agency responsible for economic and community development across the northern half of Scotland. Along with its local partners (Shetland Islands Council, Orkney Islands Council, Comhairle Nan Eilean Siar, Highland Council, Moray Council and Argyll & Bute Council), HIE has taken a considerable interest in, and has responded to a number of Ofgem consultations on a wide range of issues. We are also working closely with Scottish Government in relation to a wide range of regulatory issues and are supporting its efforts to challenge the barriers currently blocking renewables development across Scotland. HIE and its partners welcome the opportunity to respond to the open letter on Industry Code Governance (28 November 2007). Code governance issues have featured in several consultation responses which HIE has submitted recently.

Comments are provided under the principal questions listed in the open letter.

1.1 Is it time to look again at the effectiveness of code governance?

HIE believes that a review of code governance in the near future is essential.

1.2 Critical analysis of modification proposals

HIE agrees with Ofgem that on occasions documents reporting on or summarising a modification proposal are not clearly written, or do not provide clear reasons for the decisions reached. Means to avoid this should be included in the review of code governance.

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Careers Scotland in the Highlands and Islands is part of the HIE network.



Options include:

- a formal external review process (for clarity only) before a document is issued;
- allowing clarification questions and responses during the consultation period, possibly with a requirement to extend the consultation period if there are many such clarification questions.

1.3 The relevance of code objectives: are they still fit for purpose?

Definition of objectives

HIE believes it is necessary to review the applicable objectives for each code. This review should consider:

- more detailed definition of the objectives, including environmental and sustainability issues;
- avoidance of words open to multiple interpretations, such as 'efficient';
- reference to defined quantitative methods to account for certain issues, such as the effect on atmospheric emissions;
- explicit recognition that for some environmental objectives, speed of action is more important than absolute fairness, or absolute minimisation of costs.

Similarity of objectives between codes

To achieve similarity of objectives across codes, Ofgem may wish to consider an initial consultation on these and other broad principles of 'objectives', possibly followed by code-specific consultations on implementation. The initial consultation would seek to ensure that any differences between the objectives of specific codes are fully justified.

Dealing with broader issues

HIE believes it is worth considering providing a formal route by which a code review panel, or similar, can refer an issue 'upwards' to Ofgem, if it believes that there are aspects of the issue which affect other codes or which have broader policy implications than can be covered by its own defined objectives.

1.4 Charging methodologies

HIE strongly supports the suggestion that responsibility for defining charging methodologies should be moved outside the network operators.

Even if this is not possible, the objectives for the charging methodologies could be aligned more closely with the objectives of other codes.

1.5 Other issues

Differences between codes

HIE does not believe that closer alignment of the principles and methods of governance of the industry codes would be, of itself, a significant benefit. This issue alone would probably be insufficient to justify change. However, where change is contemplated in

any code, it is sensible to seek that changes result in greater similarity between codes, rather than greater divergence.

We hope you find these comments helpful.

Yours sincerely



Elaine Hanton
Head of Renewables

On behalf of a Highlands & Islands partnership comprising:-

Highlands & Islands Enterprise

Shetland Islands Council

Orkney Islands Council

Comhairle Nan Eilean Siar

Highland Council

Moray Council

Argyll & Bute Council