

Neater governance

An industry groupie's perspective



cornwallenergyassociates

What I will cover...

- Set out defining properties of Neta-style governance
- Give perspective on some issues that review needs to address - strengths and weaknesses
- Outline one possible model for change
- But above stimulate debate

"The biggest danger in power sector reform is getting stuck with flawed grid or market rules. Those profiting from a flawed rule will usually cry discrimination if anyone proposes changing it. The challenge is to create a system that enables efficient rule changes."
 Arizu, Tenenbaum and Dunn (World Bank)

cornwallenergyassociates

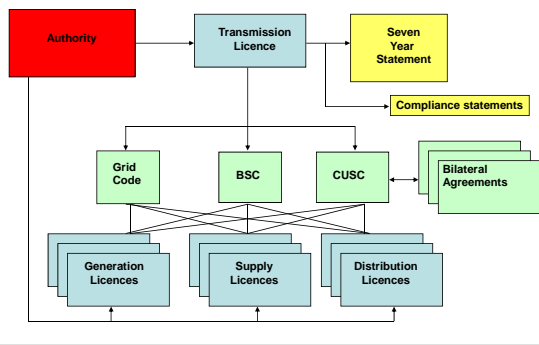
What is good governance?

- Not just ability to effect legitimate change
- Other desirable properties:
 - transparency
 - Predictability and consistency
 - participation and ownership
 - accountability, checks and balances
 - demonstrable value for money
- Enduring good governance will combine all these factors and structures should be adaptable in the light of a changing policy and industry environment

Key features

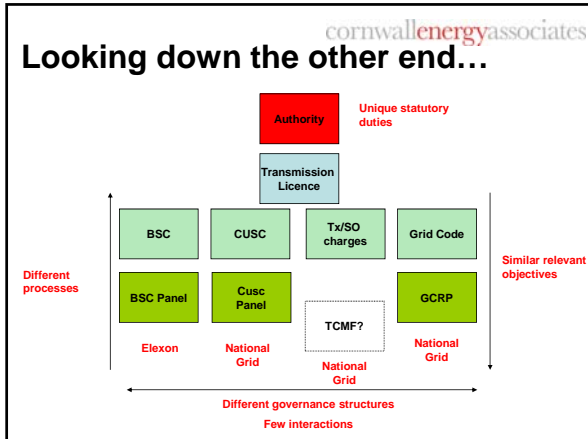
- Improved governance is a key feature of the new electricity trading arrangements
- David Currie’s “second best” market rules
- Central characteristics
 - Authority approval/direction to change
 - licence obligations
 - panels overseeing processes
 - objectives and objectivity – not representational
 - right to participation
 - independent market administrators (in some cases)

One end of the telescope...

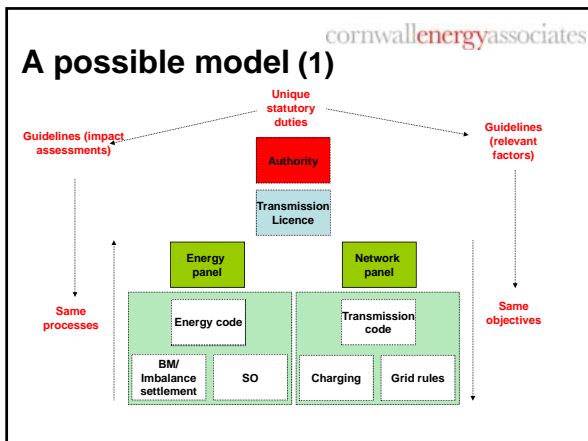


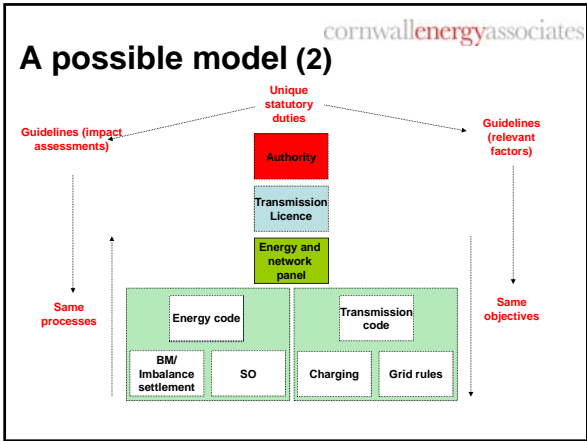
...Some good things

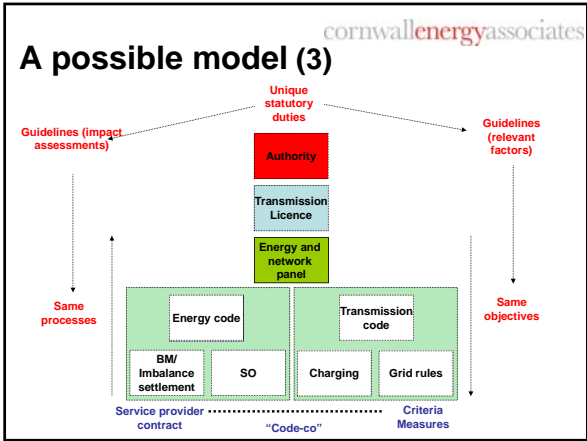
- Change
 - and lots of it
 - orderly
- Regulatory engagement
 - both during and after process
- Wider stakeholder participation
 - ability to promote change and express views
- Focussed debate, analysis and transparency against non-partisan objectives
- (Limited) redress through appeals mechanism



- cornwallenergyassociates
- ### ...Some less good things
- Developmental issues
 - fragmentation; “sticking plaster” outcomes
 - Variable impact assessments
 - primacy of efficiency over competitive impacts
 - no standard practice
 - Modification group dynamics
 - participation and voting
 - need for “critical friend”
 - Appeal route legalistic and expensive
 - Different practices can be confusing
 - some better than others







cornwallenergyassociates

Key points

- The review is very timely
- Basic principles in play look right, especially independence and explicit objectives
- But much can be done to improve the details
- The key questions include:
 - have we got the right building blocks?
 - how can good practice be crystallised?
 - how do we achieve joined up thinking/consistency?
- Too much possibly for a single electricity panel?
- Separate panel for gas but same basic structure
