



Andy MacFaul  
Better Regulation Unit  
Ofgem  
9 Millbank  
LONDON  
SW1P 3GE

**E.ON UK plc**  
Westwood Way  
Westwood Business Park  
Coventry  
West Midlands  
CV4 8LG  
eon-uk.com

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## **Ofgem Consultation 301/07 PROPOSED REVISED GUIDANCE ON IMPACT ASSESSMENTS**

Thank you for providing the opportunity to comment on Ofgem's revision of this guidance.

E.ON supports Ofgem's decision to review its guidance on Impacts Assessments (IAs) in light of the reasons and circumstances highlighted in the consultation document.

The use of IAs is very important in understanding the benefits and impacts of any changes Ofgem may wish to bring to the energy industry it regulates. IAs should be a useful tool for Ofgem to highlight to itself and stakeholders in any modification where stability in regulation may actually be of benefit compared to continual minor changes, and where change can bring real benefit.

Whilst we are supportive of the proposed changes, we would like to take this opportunity to reiterate the important point that IAs should, in no circumstances, be used as a tool to justify decisions that have already been taken.

With regards to using a value of carbon in IAs, it is right that Ofgem should use the methodology and values set out by DEFRA, but care must be taken to use an appropriate value within that subset. Under the range used previously, it is our perception that Ofgem consistently used values from the lower end of the range, which may have undervalued the cost of carbon. This point is of particular importance to Price Control Reviews, where a stated aim of Government, Ofgem and Industry, is to accommodate a move to a lower carbon electricity network.

Finally, it is important to understand that investment decisions in the energy industry can be based on life-cycles far longer than the proposed IAs cover

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England and Wales  
No 2366970

Registered Office:  
Westwood Way  
Westwood Business Park  
Coventry CV4 8LG

(network investment may be considered as a 40 year investment, for example).  
There is therefore the clear potential for the IA to not give an accurate result, as the window of assessment is not long enough.

However, E.ON generally supports these proposals, and looks forward to seeing the implementation of formal new guidance in spring of this year.

Yours Sincerely

**Dan Meredith**  
Regulation & Energy Policy  
Corporate Affairs



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