



First Hydro Company is part of a joint venture between
International Power plc and Mitsui & Co., Ltd.

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Mark Feather
Director, Industry Code and Licensing
Ofgem
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30 April 2008

Dear Mark

Proposed Guidance – Environmental Issues and the Code Objectives

International Power agrees that aligning Ofgem's wider statutory duties on sustainability and the environment with Panel assessments of code modifications is appropriate. However, we have a number of comments and concerns on Ofgem's proposed way of addressing this alignment.

Firstly, these proposals offer guidance to Panels, they do not seem to have any legal standing. How a Panel will assess environmental issues with no legal standing against agreed code objectives that have legal standing is unclear. Rather than issue guidance, Ofgem should consult on licence changes to allow environmental considerations to have the same legal standing as existing code objectives.

Second, Ofgem has offered no guidance to Panel's as to the weighting that should be applied to environmental issues compared to other Code Objectives. Do environmental impacts for example carry a greater weighting than simply the financial impacts of GHG emissions?

Thirdly, we note that the guidance will come into effect on 19 May following a 2 week consultation. To assess the impact of a code change on GHG emissions, Panels will need to employ experts or consultants to undertake modelling of the impact and the required scenario analysis. This will delay the timetable for modifications that are already being considered and will require the approval of additional costs to carry out the GHG assessment. If the guidance is to become part of the assessment of modifications, it should only apply to modifications raised after the guidance implementation date.

Finally, in determining the GHG impact of a code modification, it is important to only consider the incremental difference that a modification will make. If for example, a modification brings forward the construction of renewable generation that would have been built in any case, then only the carbon saving from bringing forward the start date should be considered. Other incentive mechanisms must also be discounted in any assessment of the environmental benefit

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I hope you have found these comments useful, whilst we support this intention, an industry debate followed by a fuller consultation on legal text is required.

Yours sincerely

Libby Glazebrook
Manager, Market Development