

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

Your Ref: Ofgem doc 41/08

Dear Mark

**Proposed Guidance - Environmental Issues and the Code Objectives:
open letter**

energywatch welcomes the opportunity to consider the issues raised in the open letter. This response is non-confidential and we are happy for it to be published on the Ofgem website.

Consumers look to policy makers to ensure that safe, secure and sustainable energy is delivered to them in an economic and efficient manner. Both the quantitative and qualitative environmental cost of policy changes ought to be assessed, specifically in this case the environmental cost of industry code change proposals. We agree that the use of available guidance on the shadow price of carbon can assist in quantifying these costs when assessing relevant modifications.

If code Panels believe that certain change proposals will give rise to environmental impacts, they ought to set appropriate terms of reference for workgroups that undertake the detailed assessment of those proposals. Ofgem's suggestion that these impacts ought to be assessed against the economic and efficient network operation objective of each code may be a suitable short-term solution. However, we believe that Ofgem ought to consider, as part of the codes governance review, and in light of the importance of sustainability as a statutory duty of the Authority, whether an appropriate separate code objective should be developed in due course.

We will continue to assess the issues raised in this letter in terms of the impact on consumers.

If you wish to discuss this letter further, please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley
Head of Regulatory Affairs