

From the Chairman of the GB Distribution Code Review Panel

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Dear Dipen

Environment and Code Objectives

I am writing to you in my capacity as Chairman of the Distribution Code Review Panel.

In relation to Mark Feather's open letter of 21 November 2008 the Panel would like Ofgem to note that the Panel's constitution as approved by Ofgem prohibits the explicit consideration of commercial issues. The Panel interprets this as a prohibition on the explicit consideration of how any cost issues affect individual users, or classes of users. However the Panel recognizes that the wider environmental costs are included within the general considerations of economic networks and also recognizes the obligation on DNO licensees to develop efficient and co-ordinated networks. As such the Panel would expect to take into account all associated economic cost of any proposed changes, irrespective of where they fall. With this in mind, and in response to the specific issues raised in Mark's letter:

- The Panel does not believe that it needs a requirement to specifically consider greenhouse gas (GHG) emissions;
- The Panel does not believe that it needs any specific requirement to consider broader environmental issues. The Panel is already mindful of these in relation to licensees Schedule 9 responsibilities, and to licensees' obligations to run efficient and co-ordinated networks. As the letter points out, the economic effects of GHG are generally accepted and would therefore form part of any appropriate or necessary cost benefit analysis.
- We therefore agree that the existing legal framework is sufficient in its requirement for licensees and therefore Panels to take GHG into account.
- We have always had the view that cost benefit analyses would be generalized, and not limited in scope to the effect on an individual licensee or party.

- The Panel is open minded on the need for specific licence conditions in relation to GHG emissions. However we would like Ofgem to bear in mind that the existing conditions, in the Panel's view, do already force appropriate consideration, and given Ofgem's own duties, Ofgem would not approve any D Code change that failed to appropriately address the issues. On this basis, transparent guidance in this regard, rather than further licence modifications, is probably proportionate.
- The Panel believes that the foregoing deals appropriately both with GHG emissions and with broader environmental issues.

The Panel has through one Panel member contributed to the CUSC Panel work on environmental issues and intends to adopt that approach where appropriate to DCRP work. It is not the Panel's intention to undertake a GHG assessment for every piece of Panel work, but will do so where there are options or trade offs that need be evaluated. For example the Panel does not intend to undertake such analyses for minor procedural or housekeeping changes.

The Panel hopes its views are helpful. In the short term, please direct any immediate queries to me and I shall either respond directly, or seek further advice from the Panel if appropriate.

Yours sincerely,

Mike Kay
Engineering and Planning Director
Chairman of the GB Distribution Code Panel.