



Dipen Gadhia
Distribution Policy
The Office of Gas and Electricity Markets
9 Millbank
LONDON
SW1P 3GE

Manor House
Station Road
New Penshaw
Houghton le Spring
DH4 7LA
Tel 0191 387 7310
e-mail: jon.bird@ce-electricuk.com

16 January 2009

Dear Dipen

Re: Review of Industry Code Governance – Environment and Code Objectives

I am writing on behalf of CE Electric UK (CE) Funding Company and its wholly owned electricity distribution licensees Northern Electric Distribution Limited (NEDL) and Yorkshire Electricity Distribution plc (YEDL). This letter provides our response to Ofgem's consultation on the environmental considerations in code governance, set out in Mark Feather's letter of 21 November.

As ever, we welcome the opportunity to consider the adequacy of existing arrangements that is always triggered by a consultation of this nature. CE takes its environmental obligations and responsibilities seriously and we are committed to addressing responsibly the issues of sustainability and climate change.

Following due consideration, we remain of the belief that existing code objectives, alongside the legal obligations placed on relevant parties, are sufficient to accommodate adequate and proportionate assessment of greenhouse gas (GHG) contributions resulting from change proposals. We agree that, under the existing codes arrangements, the industry parties and panels can assess and take into account impacts of GHG emissions against the relevant code objective governing efficient and economic network operation. We therefore feel that it would be both disproportionate and unnecessary to expand the scope of the existing licence and code objectives.

The introduction of a new general environmental objective that might encompass more than an assessment of GHG by including broader environmental impacts would also seem to be disproportionate. It would in addition appear to be an unnecessary burden as it could easily lead to a duplication of the effort expended in the evaluation, consultation and voting in respect of change proposals by individual industry parties under other legal obligations.

In considering any broadening of the scope of governance in respect of wider environmental considerations we believe there are some potential unintended consequences that should be considered by Ofgem. For example, it might ultimately lead to a necessity for panels to engage environmental specialists to evaluate all code proposals, which would be disproportionate given the limited circumstances in which the environmental impacts of a proposal would be significant or even tangible. The engagement of such specialists would

CE ELECTRIC UK FUNDING COMPANY

Registered Office: Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF
Registered in England and Wales. Registered Number: 3476201

If you would like an audio copy of this letter, a copy in large type, Braille or another language, please call 0800 652 6543

be a duplication of effort and costs, given that individual companies are legally obliged to assess environmental impact anyway.

It is also worth considering that broader or heavier governance might inadvertently lead to additional carbon cost in itself; this is because one of the significant cost areas of code governance is the cost of working group meetings and the associated travel costs. While code panels try to minimise costs through such means as teleconferences, a number of face-to-face meetings would be inevitable. Therefore any broadening of scope could lead to more working group activity and therefore more meetings and their associated carbon emissions. We are therefore pleased that the Authority has indicated it will explore more light-handed measures.

The establishment of the CUSC Environmental Standing Group to consider the implications of the Guidance for CUSC amendment proposals and the efforts to establish a consistent approach to carbon costing across the industry are welcome initiatives. In the interests of cost-effective industry self-governance we feel that this work should be allowed to conclude before Ofgem considers formal amendments to the existing industry governance framework. We therefore look forward to the findings and conclusions of the Standing Group's final report.

I hope the above sets out our views with sufficient clarity, but I should be more than happy to discuss any of the points in this letter in greater detail. We would also welcome the opportunity to participate in any groups that may be established to take forward developments in this area, perhaps as a result of the final report of the CUSC Environmental Standing Group and ahead of any final decisions Ofgem may see fit to make.

Yours sincerely

A handwritten signature in black ink that reads "Jon Bird". The signature is written in a cursive style with a horizontal line above the first few letters.

Jon Bird

Head of Sustainability