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Dear Mark,

Review of Industry Code Governance – Environment and Code Objectives

I am writing to you as STC Committee Chair on behalf of the STC Committee. Thank you for the opportunity to respond to the above consultation.

The issues associated with environmental issues and the STC Objectives have been discussed by the Committee following the publication of your letter in April 2008 and the establishment of the CUSC Panel Standing Group. Following the completion of the final Standing Group Report by the CUSC Panel Standing Group in November 2008, the Report was circulated to the STC Committee for information.

The STC Committee agree with the findings of the Standing Group, that the existing legal framework enables the STC Committee to undertake an assessment and take into account the impacts an amendment may have in terms of carbon impacts as part of the cost benefit analysis. In addition, the STC Committee believes a broader assessment than that envisaged by Ofgem under the STC objective (b) development, maintenance and operation of an efficient, economical coordinated system of electricity transmission, may be achievable by using the more general code objective that refers to efficient discharge of the relevant licensee's activities.

However, the STC Committee does not believe that we are obliged to undertake such assessments and a mandatory requirement would reduce the STC Committee's ability to consider each amendment on a case by case basis and undertake an assessment which is both appropriate and proportionate to the issue in hand.

The STC Committee also agrees that the environmental assessment should not be limited to evaluating the impact on a particular licensee but should also include other parties affected by the change.

The Electricity Act places general duties and obligations (including Schedule 9) on holders of transmission or other licences. Schedule 9 relates to the management/mitigation of the effect of physical works so is likely to practically fall within the Transmission Owner activity. Applicable STC objective (a) refers to the efficient discharge of the licensees (i.e. NGETs) obligations under the Act and licence. In considering the obligations under the Act, there is no express distinction between those activities NGET undertakes as TO or as SO.

The STC Committee does not currently assess or take account of broader environmental impacts such as impacts on visual amenity, local air quality, the natural landscape, noise pollution and flora and fauna, when developing and assessing amendment proposals. We believe that such assessment would not be appropriate as they relate to the impact of an amendment rather than the STC amendment itself. In addition, broader environmental impacts should remain to be assessed via other legal rules which already exist such as planning law. Furthermore Regulatory Impact Assessments,

facilitated and undertaken by the Authority, are already inclusive of an environmental impact assessment (in accordance with the Sustainable Energy Act).

Therefore, Schedule 9 could be applicable to the STC under applicable objective (a) but the context is difficult to envisage and the scope of assessment should not be broadened to take account of broader environmental impacts such as impacts on visual amenity, local air quality, the natural landscape, noise pollution and flora and fauna, when developing and assessing amendment proposals.

In summary, the STC Committee believes:

1. that the existing framework is suitable and new licence provisions are not required;
2. Ofgem's guidance (Ofgem Final Clarification and Guidance on the treatment of carbon costs under the current industry code objectives) should be reviewed at regular intervals as this provides a more flexible and speedy response to developments regarding environmental considerations than new licence provisions; and
3. the scope of assessment should not be expanded to include broader environmental and public policy issues.

If you wish to discuss further please do not hesitate to contact me on 01926 656386 or bec.thornton@uk.ngrid.com.

Yours sincerely

Bec Thornton