

Mark Feather
Director, Industry Codes and Licensing
Ofgem
9 Millbank
London
SW1P 3GE

27 January 2009

Dear Mark

Re: Major Policy Reviews and Self Governance

STUK recognises that the gas market has, in recent years, undergone significant change but does not believe that the concerns with the current code governance arrangements warrant significant change to the structure of the governance rules. Whilst we understand that a holistic approach to the reviewing all areas of code governance to allow successes in one area to be taken across to another can be of benefit, we believe that care should be taken to ensure that the right balance between flexibility to react to and promote change with regulatory stability, which will, in turn promote investment in the UK market.

Major Policy Reviews

STUK accept that the concept of a Major Policy Review being initiated either when Ofgem identifies a significant policy issue or when a code modification, raised in the usual way, gives rise to significant policy issues, has some merit.

We consider that transparency with regard to the instigator of a modification and the reasons behind the proposed change will be increased, giving market participants a greater understanding of the need for change. Also a Major Policy Review would enable all market participants including the regulator to be engaged at an early stage, enabling direction and assistance to be offered during the initial exploration of issues, which will aid successful development of any proposals and with full industry insight. A holistic approach to the review of an issue is also likely to be encouraged as part of a Major Policy Review which could help to prevent a piecemeal approach to the development of industry change.

However, STUK do not believe that there is a need for the outcomes of a Major Policy Review to lead to an obligation on any party to raise a code modification. If the Major Policy Review process is successful, an issue would have been fully discussed and developed and the impacts considered, therefore if a change is deemed necessary the required code modifications would be raised by industry parties. STUK also believe that it should be recognised that a successful conclusion of a Major Policy Review could be to retain the status quo or accept minimal change.

Self Governance

STUK consider that there is scope for more self-governance within the codes to increase efficiency in the overall governance process – enabling the Panel to manage the assessment process as well as the decision making on a code modification would free up industry resources.

The effectiveness of the self governance approach will be dependant on the appropriate constitution of the panel which will ultimately determine the success of a proposal and mitigate the risk of undue discrimination against any sector of the market, and would support the use of a representative panel made of elected member, as currently reflected in the UNC arrangements.

STUK trust that our comments will be given due consideration and should you wish to discuss any aspect of this response further please contact me on the above number

Yours Sincerely

Shelley Rouse
UK Regulatory Affairs Advisor
Statoil (UK) Ltd

*Please note that due to electronic transfer this letter has not been signed