



**Legal, Regulation and
Compliance**

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Wednesday, 29 July 2009

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

By E-mail: mark.feather@ofgem.gov.uk

Dear Mark,

Re: Open letter, Review of Industry Code Governance – Environment and Code Objectives

Thank you for the opportunity to comment on the open letter detailed above. This non-confidential response is on behalf of the Centrica group of companies excluding Centrica Storage Ltd and may be placed on the Ofgem website and in the Ofgem library.

Centrica has responded to the previous consultations in this area, and though not restated here, our views have not changed.

In terms of specific points raised by the open letter, whilst we do not support piecemeal change, if a change is to be implemented, we agree it would not be appropriate to extend the requirements on code panels and industry participants to take account of broader environmental impacts rather than just GHG emissions.

We continue to have concerns about how conflicts between the new requirement to take account of GHG emissions and the existing network operation objective should be managed.

Moving to the proposed drafting, we believe that there is a risk it is not sufficiently clear. The requirement to take into account the impacts “where relevant”, or, as in the draft text, “where applicable”, is open to interpretation. We believe that either the drafting needs to be more specific, or guidance is required on how these terms are to be interpreted, including the materiality levels at which impacts need to be taken into account and the indicators to be used in assessing “relevance”.

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The draft text also refers explicitly to the financial impact. It would be helpful to make a specific reference to the basis on which this impact is to be evaluated, for example, using an approach consistent with that used for DECC IAs. For practical purposes, the licence could refer to the “guidance” issued from time to time by Ofgem.

Finally, we note the recent release of the UK Low Carbon Transition Plan (LCTP) which proposes moving responsibility for reducing carbon emissions to Ofgem. It would be appropriate to consider whether additional changes are needed as a result of the LCTP. If so, we would prefer that Ofgem conduct an additional consultation prior to implementing change to ensure the issue is considered holistically.

We trust these comments have been helpful, and I would be happy to discuss any points in more detail.

Kind regards,

Yours sincerely,

By e-mail

Alison Russell
Senior Regulation Manager, Upstream Energy