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OFGEM PROPOSES MEASURES TO SPEED UP REFORM TO ENERGY INDUSTRY RULES

Ofgem has today (Friday) published initial proposals for the reform of the industry rule making process.

Industry rules govern access to and use of energy networks and set the way in which industry players operate in the competitive wholesale and retail markets.

Reform of the rule making process is needed so that the sector can respond more quickly and in a more coordinated way, for example, to meet important security of supply and climate change priorities.

Sarah Harrison, Ofgem's Managing Director of Corporate Affairs, said: "It is clear we need a major shake-up in the industry's rule making process. The energy industry faces key climate change and security of supply priorities. Modernising and streamlining the current governance regime will help meet these challenges more quickly and effectively, and better protect the interests of consumers today and in the future. A prime example is in renewables where reforms to access arrangements to increase connection of green power generation have not progressed quickly enough."

Part of the overhaul involves a key change in how proposals for major reforms are brought forward. Ofgem is proposing that the regulator takes the lead in managing major policy changes through a more transparent, consultative and coordinated process than currently exists, which would result in speedier changes. Such a move will reduce duplication that exists under the current arrangements where multiple parties can table similar proposals at different times.

In line with better regulation principles, modification proposals that are likely to have little or no impact on consumers should be dealt with by industry through a new self-governance process.

Ofgem has also today published initial proposals to assist small participants and consumers in engaging in the codes process. These parties face considerable difficulties in engaging in the complex rule change processes which are dominated by larger market participants. Our proposals are intended to facilitate more transparency in the codes process and to alleviate some of the difficulties faced by small participants and consumer representatives.

Ofgem will collect feedback to the initial proposals before tabling final proposals this winter with an aim to have all the changes in place by spring 2010.

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Notes to editors

1. Ofgem announced its intention to overhaul the governance of gas and electricity industry codes in November 2007 and set out the scope of the review in July 2008. Today Ofgem also publishes a separate consultation on the role of Code Administrators. Information on the Code Governance Review and associated documents, including today's consultations, can be accessed here:

<http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Pages/GCR.aspx>

2. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004, and the Energy Act 2008 as well as arising from directly effective European Community legislation.

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