

Andy MacFaul
Head of Better Regulation
Ofgem
9 Millbank
London
SW1P 3GE

18 September 2009

Dear Andy,

Re: Code Governance Review: Major Policy Review and Self Governance – Initial Proposals

Thank you for the opportunity to comment on the above consultation.

STUK recognises that the UK gas market has, in recent years, undergone significant change and with the increasing emphasis on sustainable development, climate change and security of supply, is entering a period of reform. It does not however believe that the concerns around the ability of the current gas code governance arrangements to manage such change warrant significant restructuring of the existing governance rules.

Whilst STUK accepts that the concept of a Major Policy Review has some merits, including increased transparency and the ability for the regulator to engage at an early stage, it believes that many of these can be achieved within the current governance structure. Indeed the UNC governance work streams invite and welcome attendance from Ofgem at as early a stage as possible in the modification development process and encourage input and feedback throughout for guidance as to the types of analysis Ofgem require and to prevent development of proposals that are unacceptable to the Authority.

STUK are not satisfied that the level of reform proposed and the increased level of intervention and power allowed to Ofgem is proportionate to the perceived problems and believes that there is scope for the status quo arrangements to be improved to achieve the same benefits sought by a major reform.

STUK do however consider that there is a case for more self-governance within the codes. The case for increased self governance should be considered independently from the implementation of the MPR process as there are benefits in improving the efficiency of the process to be gained.

STUK support Ofgem's proposal that the panels should have the ability to manage the assessment of modifications and decide the development path that they should follow. STUK would however like to see more guidance as to a participant's ability to object to the development route chosen, particularly if the movement of a proposal by Ofgem between development paths is considered as inappropriate.

The effectiveness of the self governance process 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. STUK would support the use of a representative panel made of elected member, as currently reflected in the UNC arrangements.

Should both MPR and self-governance routes be implemented, STUK believe that there is indeed a case for retaining the improved status quo path. It is as yet unclear how many modifications would be able to follow a self governance route, STUK believe it is likely that the majority of proposals would still need to follow the path 2, as even the less contentious proposals may negatively impact either a single party or market sector.

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

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Shelley Rouse
UK Regulatory Affairs Advisor
Statoil (UK) Ltd

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