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Dear Mark

Review of Ofgem's Impact Assessment guidance

Thank you for the opportunity to respond to this consultation. Impact assessments (IA) provide an opportunity for Ofgem to describe its decision making process and demonstrate proportionate and targeted responses. IA can also improve accessibility for all of the stakeholders who may be impacted by the decision.

Our key concern with Ofgem's proposals (and previous impact assessments) is the failure to recognise the impact of the decisions on the investors. The energy networks will be required to finance and deliver significant investment in the future. Ofgem must consider and recognise the impact of their decisions on the investment community and the potential implications for deliverability at efficient costs.

Future IA's must recognise all of the risks and costs associated with its decision. These assessments must also be consistent with the policy positions contained in the main consultations. We have previously seen an IA recognising an increased level of risk whilst the policy position suggested no change. This also suggests that the impact assessment has been drafted separately from the decision making process rather than informing it. Ofgem should illustrate how the IA has influenced the decision making process – a similar approach to the Well Justified Business Plan decision making requirements.

Ofgem's current policy of publishing an IA at the consultation stage but not producing one at the final decision should be addressed. In the current consultation, Ofgem recognise that IA's will alter based on policy positions but a final published IA must set out the rationale for the decision and the implications for customers, stakeholders and investors.

Response times to IA consultations should be based on the issue, rather than the timeframe available. These documents should be part of the decision making process and therefore Ofgem should ensure that appropriate consultation periods are built into the plan.

Please feel free to contact me if you have any queries. We are happy for this response to be published.

Yours sincerely,

Paul Bircham
Regulation Director