

10 June 2013

Mark Wagstaff  
Better Regulation  
Ofgem  
9, Millbank  
London  
SW1P 3GE

Dear Mark

### **Review of Ofgem's Impact Assessment Guidance**

I am writing on behalf of Energy Networks Association (ENA), the voice of the networks. ENA is the industry body for UK and Ireland gas and electricity transmission and distribution networks, essentially, the 'wires and pipes' that deliver this vital service to our homes and businesses.

ENA members welcome Ofgem's review of its impact assessment guidance, with a view to streamline the structure of the guidance, to ensure consistency with regulatory good practice and to consider the various aspects of impacts in an integrated manner.

#### **Question 1: We are proposing to revise the structure of the guidance to place greater emphasis on Impact Assessment (IA) as a continuous, iterative process. Do you agree with our approach / emphasis?**

Our members agree with Ofgem that it is important for there to be a clear structure and process for Ofgem to utilise when considering impacts and also that in its decision making process Ofgem also considers a wider range of publications, such as initial proposals, open letters and consultations to ensure impact assessments are not considered in isolation.

#### **Question 2: Our proposed approach to assessing impact, costs and benefits is to develop an iteration of options between three aspects. These are: monetised, aggregate cost-benefit analysis; distributional effects; and long-term, hard-to-monetise considerations. These assessments are informed by a consideration of our principal objective to protect consumers (existing and future) and our other statutory and EU duties, including considerations of competition (EU and domestic). Do you agree with our approach to assessing impacts? We welcome any views on this approach, and the specific content within each category.**

ENA believe that it is important that Ofgem consider all impacts between the three aspects as they are detailed in the consultation as this should focus Ofgem's considerations. This will also support Ofgem's emphasis to ensure that the IA process is continuous and iterative.

**Question 3: We have interpreted our duty to have regard to sustainable development by considering a mid-term stress and security assessment and a long-term natural asset and greenhouse gas assessment. For more detail on this approach, please see our recent discussion paper “Strengthening strategic and sustainability considerations in Ofgem decision making” (June 2012). Do you agree with our approach to considering long-term, complex and hard-to-monetise issues? We welcome any views on this approach.**

ENA members feel that Ofgem has set out the approach for considering long-term, complex and hard-to-monetise issues in a logical way although it is felt that these considerations should focus on the overall system impacts of a change and the interactions between energy systems, rather than focus on the system impacts on each system in isolation.

**Question 4: Are there any other substantive changes that we should consider incorporating in the guidance, as appropriate to our statutory duties and functions?**

We are concerned that Ofgem’s proposals fail to consider or recognise the impact of their decisions on 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.

The principal area where ENA members would like to see further changes to Ofgem’s guidance is in relation to the standard length of time allowed for consultation responses. We are pleased that Ofgem has provided for a twelve week consultation period on issues that are expected to be of wide significance or interest. ENA members feel it is important to allow industry a reasonable amount of time to respond. Realistic response times would also help industry to provide Ofgem with the information that it states is required in order to assist Ofgem’s own analysis of costs and benefits as part of the IA process.

We recognise that there are times when it would be sensible to specify a shorter response time - for example, where other bodies dictate the consultation timetable. However, a greater period of time, on average, to respond to consultations would also allow industry to plan and resource its input to the wide range of consultations that Ofgem produces, reflecting the range of policy initiatives that are current at any one time.

I trust that you find these comments useful, we would be happy to meet with you and the relevant members of your team to discuss them further.

Yours sincerely

A handwritten signature in black ink that reads "David". The signature is written in a cursive style and is positioned above a long, thin horizontal line that extends to the right.

David Smith  
**Chief Executive**