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Date: 10th June 2013

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By e-mail: zoltan.zavody@renewableuk.com

Dear Mark,

RenewableUK and Scottish Renewables consultation response ref 37/13

GUIDANCE ON OFGEM'S APPROACH TO CONDUCTING IMPACT ASSESSMENTS

RenewableUK, the trade and professional body for the UK wind and marine renewables industries, and Scottish Renewables, the representative body for the renewables industry in Scotland, very much welcome Ofgem's review of its approach to conducting Impact Assessments. Major transformation of the energy system necessarily requires upfront investment, anticipating changes in markets, costs, and behaviours that will justify this investment down the line.

RenewableUK and Scottish Renewables submitted a joint response to the previous consultation in September 2012, and this is reattached. Whilst we welcome Ofgem's further engagement with stakeholders, we note:

- **There seems to be no review of what changes there have been in Ofgem's thinking in the light of the previous consultation.**
- **The comments submitted in our previous response seem not to have been accommodated.**

It is therefore difficult for us to respond to this consultation and build on Ofgem's further thinking, beyond re-emphasising our original points. We would particularly like to re-emphasise the following:

- **It is important to incorporate wider short-term effects, including the costs of: delays, unforeseen price rises, uncertainty for supply-chain, loss of momentum, and lag in the arrival of new entrants in the competitive market – all costs that often end up with the end consumer.**
- **Sustainability considerations and targets should be placed at the beginning of Ofgem's decision making process, rather than at the end within an Impact Assessment. It is then possible to work back from the long-term sustainability goal and identify the least regret activities that will achieve this.**

In relation to the first point on short-term effects, we believe Ofgem should also consider the fiscal implications of its decisions on the UK economy. – Ofgem can create an environment in the energy sector that fosters more commercial activity, for example by implementing regulatory changes to encourage the building of more transmission infrastructure. The businesses which undertake that work, and the energy companies which can then connect projects, will generate taxable income, with the tax flowing back to the Treasury. This impacts taxpayers rather than "consumers" but they are one and the same for all practical purposes.

We appreciate the work that Ofgem is doing in this area and hope that there is still an opportunity to take the above considerations into account.

Thank you for the opportunity to input into this important area of policy development.

Yours sincerely,

Zoltan Zavody
Grid Policy Team RenewableUK

Catherine Birkbeck
Senior Policy Manager, Scottish Renewables

enc: original RenewableUK / Scottish Renewables response