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If telephoning ask for:
Eric McRory

10th June 2013

By email: mark.wagstaff@ofgem.gov.uk

Dear Mr Wagstaff,

GUIDANCE ON OFGEM'S APPROACH TO CONDUCTING IMPACT ASSESSMENTS

Thank you for providing the Scottish Environment Protection Agency (SEPA) with the opportunity to comment on the above consultation document.

SEPA is fully supportive of Ofgem revising the guidance structure to place greater emphasis on Impact Assessment (IA) as a continuous, iterative process.

Justifying decision making through IA as you suggest is entirely proportionate, improves the transparency of the process, and builds an holistic picture that takes account of the long term and harder to monetise considerations as well. This is a sound approach and by optioneering in this manner it should be possible to make the best decisions for the long term.

When addressing the non monetary impacts SEPA would encourage you to look further than biodiversity and consider the impact on ecosystem services. This will provide the most complete understanding of impacts and lead to the most sustainable options being adopted.

SEPA welcomes the move towards addressing unintended consequences and the interaction of different decisions and policies. By highlighting this, they are put in the public domain and will be more likely to be remedied. As well as externally there is much going on in parallel within Ofgem; Project TransmiT, Integrated Transmission Planning and Regulation (ITPR) and Electricity Market Reform (EMR) for example may all overlap and it is essential that the IA process will capture any interactions and unintended consequences.

The proposed approach covering strategic and sustainability considerations through a two tier methodology looking at a stress and security assessment in the short term and a natural asset and greenhouse gas assessment over the longer term is commendable. However SEPA would encourage Ofgem to look at the two assessments over both time periods where appropriate to gain the most complete picture of impacts.



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Taking account of greenhouse gas implications in a consistent manner is also a positive step. It is important to take a long term view with IA as many generating and infrastructure decisions made today will still be impacting post 2050. It may be the case that the Impact Assessments may result in short term cost increases for consumers in order to secure a longer term benefit. It is important that this does not result in increasing fuel poverty. Working with other agencies in a more holistic manner should make it possible to offset increasing costs to consumers with (for example) energy savings resulting in little net additional cost.

Ofgem should make public its preferred future view in terms of assumptions taken. Impacts of mutually exclusive outcomes should be considered for example the success or otherwise of Carbon Capture and Storage (CCS) and the take up of energy efficiency measures. This could result in a number of scenarios with associated likelihoods. The effects of technology may be to close off other options further down the line and this should be recognised.

The scarcity of natural resources must be considered along side an ecosystem services approach. Much of the current technology relies on very finite rare earth elements and this limitation needs to be recognised. SEPA acknowledges the difficulties in assessing this accurately but would recommend that due cognisance is taken. Overall 'resilience' needs to be given a higher profile as it will become the dominant factor in the quest for long term environmental sustainability.

As a public body committed to openness and transparency, SEPA feels it is appropriate that this response be placed on the public record. If you require further clarification on any aspect of this correspondence, please contact Eric McRory, Principal Economist, SEPA Corporate Office, at the address shown.

Yours sincerely,



Paula Charleson
Head of Environmental Strategy

Cc: David Sigsworth