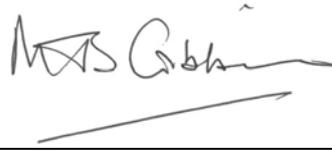


 Regulatory Policy Committee	OPINION	
Impact Assessment (IA)	Transmission Constraint Licence Condition	
Lead Department/Agency	Department of Energy and Climate Change	
Stage	Final	
Origin	Domestic	
Date submitted to RPC	28/05/2012	
RPC Opinion date and reference	09/07/2012	RPC12-DECC-1098(2)
Overall Assessment	AMBER	
<p>The IA is fit for purpose. Information provided separately to us by the Department should be included in the IA prior to publication to explain more clearly how the costs of the proposal should be exceeded by the benefits.</p>		
<p>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</p>		
<p><i>Impact of proposal.</i> The IA says the preferred option, “would prohibit, during a transmission constraint period: dispatching or withholding one or more generation units in circumstances when the generator had more economic options available..” (page 1). However, it is not clear from the IA how this would work in practice. The department has provided us with further information that clarifies how the new conditions in generator licences would address the problem of “companies with generation located in a transmission-constrained region engaging in exploitative behaviour”. The additional information also includes references to consultees’ responses supporting the assessment that any additional costs to the licensing regime will be insignificant. Furthermore, the new information better illustrates how businesses are expected to benefit from the proposed measure as consumers of electricity. This information should be included in the IA prior to publication.</p>		
<p><i>Implementation and enforcement.</i> The IA says that, “we also implicitly assume that the licence condition is effectively enforced by Ofgem.. [and that].. in its consultation on the draft Guidance for the TCLC, Ofgem is consulting on the details of implementation and enforcement. We anticipate that responses to Ofgem’s consultation will inform the Final IA” (paragraph 98). However, the extent to which this Final Stage IA has been informed by Ofgem’s consultation remains unclear, as does the actual enforcement regime to be established. Both of these should be set out more clearly in the IA.</p>		
<p><i>Presentation.</i> Figure 2 provides an illustration of the impact of export constraints on pricing over the period April 2005 to August 2008. The IA would benefit from more recent data, where available, to demonstrate the current scale of the problem.</p>		
<p>Have the necessary burden reductions required by One-in, One-out been identified and are they robust?</p>		
<p>The IA says that the proposal is a regulatory measure that will be net beneficial for business (an ‘IN with a zero net cost’). This is consistent with the current One-in,</p>		

One-out Methodology (paragraph 17) and provides a reasonable assessment of the likely impacts.

Signed

A handwritten signature in black ink that reads "Michael Gibbons". The signature is written in a cursive style with a long horizontal stroke at the end. Below the signature is a long, thin horizontal line.

Michael Gibbons, Chairman