

ENERGY BETTER REGULATION PROJECT

INTERIM REPORT

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Executive Summary

The Energy Better Regulation Project was set up to review DTI's energy regulations, exploring the options for streamlining, simplification, consolidation and abolition of existing legislation. The dual drivers of the project were to identify specific energy measures for the DTI Simplification Plan and to ensure the current regulatory framework is fit for purpose.

The project team has worked in partnership with Ofgem to ensure that proposals do not overlap with Ofgem's better regulation work, which includes the Supply Licence Review. The team has also worked with other government departments where appropriate to avoid duplication with their simplification work.

The team's role has also been to embed better regulation principles across Energy Group. A stronger adherence to these principles should create greater consistency in the Group's regulatory activities and ultimately more effective industry involvement in policy development and implementation.

Key findings

Despite the perception that industry is being overwhelmed by red tape and regulatory burdens, we found relatively few specific issues or areas for change. Furthermore, a key theme of the issues raised was the difficulty of achieving a joined-up approach to energy across government, given differing policy objectives.

The issues falling within the remit of the project fit into three broad categories:

- Burdens relating to process, engagement and implementation of policy
- Burdens relating to existing policy positions
- Burdens relating to specific legislative drafting

Proposals for action

We propose that the project team should explore further two specific measures to help address the first category:

- setting up a cross government and industry regulatory forum for energy
- creating a one-stop-shop internet information resource for the energy sector.

Burdens relating to policy positions and implementation through legislation will need to be addressed by policy leads within DTI and other departments, although a significant proportion of the issues raised are not new issues and are already being addressed by policy teams. We propose that the project team oversee the consideration of options by policy leads and commits to responding to all the input received during this project.

Next steps

We intend to continue our informal engagement with industry over the coming months, testing out the proposals and further exploring specific measures with interested parties.

The final report is due by the end of the year and will set out what measures are being adopted, recommendations for further work and clear explanations for where DTI cannot implement industry proposals.

1. Introduction

This project is one piece of a much wider departmental Better Regulation agenda. It was initiated to explore the options and need for regulatory change within Energy Group's remit, with the aim of ensuring that Energy Group's contribution to the departmental Simplification Plan was as far reaching and robust as it could be. The objectives of the project were to look at options for simplification, including streamlining, consolidation and abolition of regulations where and if appropriate.

The DTI Simplification Plan

The DTI, along with all other government departments, is committed to producing a Simplification Plan during 2006. This will be a rolling programme setting out all the simplification measures that the department is undertaking in order to improve the regulatory framework and reduce overall burdens on business.

The DTI published a first draft on 29 November 2005, and formal publication of the final plan will be during the autumn of 2006, when all departments will be publishing Simplification Plans in a similar timeframe. These final plans will include additional detail on how each department intends to meet targets on admin burden reduction.

Within Energy, it was also considered a timely opportunity to review the current regulatory framework more broadly, with a view to streamlining and ensuring it is fit for purpose. The expectation was that the project team would then take forward interim actions over the summer and autumn, making final recommendations on further work by the end of 2006. The project has been run in partnership with Ofgem, as they are also working to apply better regulation principles within their remit in regulating the energy markets.

The main tenet of the project so far has been to understand and explore the issues and burdens as perceived by industry, in order to ensure that the recommendations coming out address real concerns and propose actions that will make a tangible difference. Therefore, the focus of the project in the first months has been to seek direct input by talking to industry, both representative groups as well as individual businesses, bilaterally and through collective discussion forums. This opportunity for stakeholder input and consultation will continue throughout the lifetime of the project, even though we have now ruled out the value of holding a formal public consultation on the general findings and proposals.

The outcomes of the project were intended to dovetail with existing cross Whitehall work to map administrative burdens (the Admin Burdens Measurement Exercise carried out by consultants PricewaterhouseCoopers), and to incorporate the findings of that work so far as was relevant and practicable. However, as that particular project has not yet formally reported, and the Simplification Plan publication has been pushed back until the autumn, we may find that the current prioritisation of issues and solutions identified through our work will need to be revisited, or added to, once we have the final figures and admin burden reduction targets set for the department in due course. In addition, we will need to take account of outcomes expected during the summer from both the Barker Review (interim report) and the Energy Review.

This paper puts forward a summary of those proposals made, setting out those actions we consider the project can most usefully explore further over the coming months in order to add the most value to industry (Annex A). It is possible that formal

consultation will be necessary before implementing some of the individual proposals, but this would need to be considered on a case by case basis. Decisions for further prioritisation and action will be based on evidence of need, added value and more detailed cost benefit analysis.

2. Process and approach

The project has been run to maximise industry input. During the initial scoping phase the team met bilaterally with trade associations across the energy sector to explore high level issues and identify possible solutions. The team has also met with a number of businesses and run workshops with cross section of stakeholders to address specific issues. The engagement strategy to date has included the involvement of policy officials from within DTI and OGDs, regulators, academics and think tank representatives, as well as trade associations, lobby groups and individuals from industry. Over the last few months we have also sought stakeholder views via informal consultation.

Although the original project plan had allowed for the option of a formal public consultation to be held over the summer and autumn, on the basis of the range of issues raised, we have decided that this is not the most useful route for engagement at this stage. We propose to follow up publication of this report with further informal consultation as necessary with interested parties on specific elements.

3. Project scope

The project was set up with the remit to look at those energy regulations which fall specifically under DTI's remit. Therefore, as the regulatory framework is much broader than merely DTI, the project has been run in partnership with Ofgem to ensure that we minimise duplication whilst enabling greater scope to the project.

A significant proportion of the proposals and issues raised fall outside both DTI and Ofgem's combined remit; for instance planning regulations and environmental legislation which fall to DCLG and Defra respectively. There are also other regulators, notably HSE and EA, which impose regulatory requirements on industry. As the project team obviously cannot commit to action on behalf of other bodies, we are instead looking at options for engaging jointly on the overarching cross-government simplification agenda, and utilising existing avenues such as the Energy Review to ensure read across.

4. Project findings, issues raised and key themes

4.1 Summary of findings

The informal consultation process has highlighted that whilst the regulatory framework is not perfect, it is far from being the overwhelmingly defective burden that is implied by the high level, general criticism that there is 'too much red tape'. Probing beneath this initial reaction within the Energy sector, we have found that in many cases, there are relatively few identifiable problem areas. In general, a large proportion of the burdens that do exist are either: related to existing policy position (rather than the regulations implementing the policy); linked to process, engagement and implementation (again rather than to specific regulations); or are right down at the detail of specific wording and definitions, often in secondary legislation.

In some ways this makes it easier for the project team: there is significantly less than anticipated to consider in terms of change to primary legislation to remove or reduce burdens; but on the other hand, there are fewer obvious measures that will make immediate or major difference to the energy industry overall.

The issues raised broadly fall into a number of themes, themselves in two categories:

a) those which are within DTI's gift to address:

- detailed sector specific concerns
- implementation of Better Regulation approaches and principles
- joined up Government and access to information / policy development
- more general legislative issues

b) those falling outside the direct project remit:

- Ofgem owned regulations
- planning regulations
- environmental issues
- EU implementation and policy development

4.2 Key themes and proposals falling within DTI's remit

4.2.1 Sector specific concerns

a) Gas and Electricity

In the gas and electricity sectors, the licence exemption regime has been identified as an overly complex and burdensome area of regulation, and we propose that this could be looked at with a view to simplification and a possible extension to the automatic exemption for smaller generators.

Another key area on which we have received a number of submissions is the regime around electricity consents and Wayleaves, in particular relating to appeals and hearings and the need for stronger statutory rights for maintaining and developing infrastructure. The relevant team within Energy Group are already looking at this policy area and reviewing the processes and supporting regulations in place, and these comments have therefore been passed across rather than creating a new workstream to explore this further.

A further set of concerns relate to the policy around CHP generation, ranging from apparent conflicts in policy positions and incentives between different departments; the complexity of the regime acting as a barrier to small operators; right through to lack of clear guidance and support available. Some of these are areas for DTI, although the main concerns are largely on Defra-led regulations.

b) Upstream Oil and Gas

On the upstream oil sector, there are a number of areas of possible action suggested by industry, from establishing a register of licences and obligations; looking at funding mechanisms; simplifying the annual award process; through to streamlining the time-consuming regime for small well approvals. We are exploring these further with officials and will be looking to see where they might dovetail with existing simplification work being led by DTI, and where separate policy workstreams could usefully consider the options. Again, there are also a number of concerns relating to environmental legislation which is a Defra lead.

c) Downstream Oil

There have been issues raised in the downstream oil sector, notably around the question of strategic oil stocking and the recommendation that there should be a central agency to manage this, but also some concerns about specific Statutory Instrument wording issues, and proposals on compensated metering. Again, these are being explored with the policy leads to ensure we tie in with existing work.

d) Coal

Relating to coal legislation are a number of policy conflicts around the ownership and licensing of gas in coal, in particular the extraction and use of methane from exhausted mines in electricity generation, and issues about policy incentives for the extraction of methane from un-mined coal seams. There are also concerns around the remit of the Coal Authority, and the fact that the existing wording in legislation does not now match the practical role that the Authority can and perhaps should be taking. These proposals are being explored further by policy leads.

e) Nuclear

Concerns raised by the nuclear sector focus largely on planning and consents, and the need to integrate licensing and planning processes to provide predictable timeframes. However, they have also raised a secondary issue relating to the fact that the UK does not accept international standards and approvals, but requires its own approval process, which is naturally time consuming and more costly for industry. This is already being considered as part of the Energy Review, with some of the planning aspects also being addressed by the Barker Review.

4.2.2 Better regulation approaches and principles

A general theme from stakeholders is that whilst they welcome better regulation principles relating to consultation and guidance, they are concerned that they are not applied consistently across DTI or government more widely, and therefore do not provide the predictability and stability that business would like. For instance, there is a concern that timeframes are not adhered to at all times, and consultation fatigue can lead to the perception that government consults as part of due process rather than to add value. The number, length and frequency of consultations is a real issue for smaller organisations, who often do not have the resource to contribute fully. This is an area where the project team can make a difference on improving internal processes, both specifically within Energy Group, and more widely in the department by inputting best practice on better regulation to the central Better Regulation Team.

The publication of forward look information regarding commencement dates for legislation coming into force is seen as a positive move, although there is concern that it doesn't seem to be widely adopted by other departments. This may be a communication issue, linked to the fact that there is no obvious 'one-stop-shop' on better regulation for industry that joins together what they can expect from government as a whole, alongside specific sectoral or departmental measures, and the role or opportunities for industry.

To this end we are exploring the value of an internet portal or interactive website to link the work on Energy to other parts of DTI, and indeed more widely across Government. We will also look at the possibility of introducing some form of forward look of consultations for Energy Group to provide industry with a heads up on what is likely to be coming along for their input, as a way of assisting industry to keep abreast of changes to the regulatory framework.

We also need to ensure that Energy Group as a whole is committed to following best practice on better regulation, particularly developing clear, robust RIAs in a timely manner to enable industry challenge as appropriate, and short, focused consultations to add value to the policy development process. Engaging effectively with stakeholders is a key element of driving the better regulation agenda, and this plays in to the existing mechanisms and approaches across both Energy Group and the department more widely.

Another concern that we will need to consider further is related to the amount, type and frequency of information that we require from industry. This is an ongoing issue where some progress has already been made in certain areas, but the comments have highlighted that we could do more right across the board, in partnership with regulators and relevant OGDs.

4.2.3 Joined up government

A major criticism that has been voiced repeatedly by industry relates to the lack of coherent joining up across Government and the way that one department's policies can be in direct conflict with another's. Even where policy is working towards a common objective, there can be overlaps and inconsistencies between different departments, and this can have an adverse impact on industry.

One option we have to improve this situation is to look at establishing a combined regulatory forum for energy, potentially along the lines of the existing VIPER (Vehicle Industry Policy and European Regulation) forum. This would join together relevant departments and industry stakeholders in one group to ensure coordinated setting of new energy related policy and a clearer route to understanding, and averting, possible tensions in interpretation of policy and unintended consequences. However this will need to fit with the existing SEP (Sustainable Energy Policy Network), and to reduce bureaucracy, it may be more appropriate to enable industry representation and participation in this existing forum. It will also need to link across to the existing industry forum on European legislation.

Shorter term options include running joint seminars on simplification options for industry to ensure the concerns of business on specific regulations and policies are heard directly by the relevant lead departments.

4.2.4 Legislative issues

a) Tidying up the statute book

Whilst the main aims of simplification and streamlining are welcomed, there are polarised views on the value of consolidation and abolition: tidying up the statute book is seen as potentially a good thing, but outweighed by the significant opportunity costs involved in repealing. The general consensus is that where regulations are not in active use, they are not imposing a real burden on industry, and therefore there is limited benefit in removing them. Consolidation, on the other hand, has more immediate value, but is equally resource intensive and only of benefit until the next amendment is made. The main practical advantage to pursuing either of these options would appear to be the potential for easing the access of smaller, newer players into the sector.

An alternative option proposed that might mitigate the problems posed by the complexity of the statute book, is some form of guide to currently relevant legislation

for industry - both primary and secondary. The most cost effective and practical option might be a simple list of the current legislation on the DTI website, with every statute and measure linked to a printable version. Formal legal consolidation would be costly and time consuming for potentially little benefit in practical burden reduction terms. A 'guidebook' style consolidation might be more appropriate for production by the private sector: trade associations or the large legal publishers, such as Butterworths, who already produce a handbook specifically for the Electricity sector.

b) Distance between policy intention and implementation consequences

To address the issues around legislation not meeting the policy intention behind it when implemented in practice, we are looking at the potential for establishing a regulatory scrutiny panel for energy regulation. This would operate at a working level, and provide industry with a forum for discussing the detail of RIAs and secondary legislation with legal teams and officials, to ensure that they achieve the original policy intention with as few unintended consequences and grey areas allowing for differing interpretations as possible. Whilst this could be formed as a pilot for the rest of DTI, an alternative option may be to link this with the proposed role of a standalone cross Whitehall industry regulatory forum (as set out in 4.2.3).

c) Guidance and support

Stakeholders have also raised concern about the lack of clarity in guidance and legislation creating problems of interpretation. Whilst we would not want guidance to take on quasi-legal status and prevent flexibility, this does indicate that we could improve the quality of guidance provided, and look at ways to make legislation easier to understand. We propose to address this by working with the Better Regulation Team on their culture change programme to explore ways of embedding best practice and improving the skills of our officials in this area. Potentially, utilising the forum mentioned in 4.2.3 above, industry participation in the development of new legislation will also play a part in improving the quality of legislation and guidance.

d) Changing policy drivers and the need to update legislation

In addition, a general issue has been raised relating to the evolution of the markets and policy drivers over time, leading to legislation being based on objectives and assumptions that are no longer entirely valid. This means that some legislation is very out of date and does not necessarily meet the requirements of the current competitive environment. In particular, the new emphasis on environmental factors, a desire to stimulate innovation and investment, and the encouragement of smaller players is not wholly supported by existing legislation that was based on policies set ten or twenty years ago. The questions around the value of repealing historic legislation are discussed above, although this issue is more about reviewing and updating existing policy to ensure that implementation supports the policy intention rather than focusing on simply repealing chunks of legislation.

4.3 Key themes and proposals outside the project scope

There are a number of areas where we do not have a remit for taking forward proposals and implementing change. We are however engaging with those who do lead on these areas, and will be working with the Better Regulation Executive to ensure these issues and proposals are appropriately handled as part of the cross government simplification agenda.

4.3.1 Ofgem responsibilities

A significant number of the gas and electricity specific issues raised by industry relate to Ofgem responsibilities. As such, we are not proposing to address these directly within the remit of this project, but are working with Ofgem to ensure that they are covered by the regulator's existing and planned better regulation activity. For example, a potential area of regulation that industry believes could be simplified or removed are the standards of performance regulations, which fall to Ofgem to administer and enforce, and they have already committed to reviewing these. The burdens created by requirements on business to notify changes of tariff, for instance, are already being addressed as part of the Supply Licence Review, as are industry concerns about the existing duplication within specific licence conditions of much broader national legislation. Other issues have been raised around the balance between voluntary codes and targeted self-regulation driven by industry and the need for formal regulation in the competitive market.

4.3.2 Planning

The issues and concerns arising around planning regulations are largely connected to process and involve addressing timescales, levels of expertise and providing greater certainty and predictability for industry. Many of the issues are linked to the planning regime more generally, which lies within the remit of DCLG (formerly ODPM) and are being explored as part of the Energy and Barker Reviews. One particular proposal that may need to be explored further once the outcome of these reviews is known, is the possibility of setting up an expert body to provide technical expertise to help reduce the time required for local authorities to get up to speed on specific issues when dealing with applications, appeals and inquiries.

The remainder are more specific issues linked to the process and policy around electricity consents, of which overhead lines and wayleaves are a subset, falling within DTI's policy remit. These specific Wayleaves issues are currently being addressed within the Energy Group, as part of ERDU's own broader review of consents, looking to simplify and streamline the process around hearings and disputes related to overhead lines. Therefore, these measures will be included in the rolling simplification plan but we are not proposing to include them in the prioritisation of work to be taken forward by the project team.

4.3.3 Environmental legislation

There are a number of specific issues raised in relation to environmental legislation and the burdens imposed by regulations stemming from EU Directives. Some of these link to the requirements for Environmental Impact Assessments, whilst others are much wider issues to deal with EU ETS requirements or overly prescriptive definitions within regulations. A key recurring theme is the need to rationalise environmental legislation to ensure a better alignment with other cross government policies on innovation, economic growth and investment, and to reduce the policy conflicts that currently exist.

There are also a number of issues, particularly in the CHP field, where energy efficiency policy appears to be in conflict with the practicalities of the legislation. There is also a concern that excessive complexity is acting as a barrier to smaller operators, of which the CHP sector has a significant proportion. These fall largely within Defra's remit, and indeed are issues they are already aware of.

As these issues are not led by DTI, we will need to share these with Defra and the EA, and jointly explore mutually beneficial options for simplification. Stakeholders have expressed a desire to be more closely involved with Defra on this, and so we will look at the opportunity for a joint approach to stakeholder engagement, including the potential for a joint forum as set out in para 4.2.3.

4.3.4 EU and international

In terms of the EU more generally, there have been a number of concerns expressed about regulatory process, in particular the manner in which some legislation appears as a *fait accompli* or is lost in the general plethora of consultations. Other concerns include the general issue of gold-plating, and limited following of best practice in other Member States on implementation. The main specific issues relate to EU ETS, although other regulations such as the Habitats Directive have also been raised as overly burdensome in the UK implementation.

Options for improving policy development processes could lie with DTI, although Defra is often the lead department on a number of EU issues. A key measure that we need to explore further is improving the gateway facility provided by UKREP in Brussels and ensuring that DTI channels information to and engages stakeholders most effectively at the early stages of policy development. One potential avenue for facilitating this could be through the joint government industry regulatory forum suggested in 4.2.3 above, although this would need to complement the effective industry forum on European Regulation already in existence.

Gold plating is a cross Whitehall issue that is being addressed through the Cabinet Office's Davidson Review, and so specific issues arising from this project will be fed into that process rather than taken forward in isolation.

5. Conclusions

As this is an interim report, the aim has been to set out the findings so far and make an initial assessment of the proposals in order to identify those areas where further work will yield the most benefits. We would welcome the views from industry on the recommendations and prioritisation set out below in Annex A, and will be looking to develop the actions and measures more fully over the coming months.

Given the wide range of proposals raised by stakeholders, the project team is probably not best placed to fully consider the value of all of them, nor to determine whether or not they can be implemented. Therefore, we recommend that the work arising from the project so far can be best allocated in three directions for further work over the coming months.

Firstly, there are the general better regulation internal processes and broader legislative issues, which fall naturally to the project team to take forward, in liaison with the BRT and Energy Group as a whole. We will discuss the expected benefits of these proposals informally with industry to ensure that any actions do yield positive outcomes for industry rather than being internally focused.

In particular we propose to explore the options for two specific pieces of work:

- setting up some form of cross government and industry regulatory forum for the energy sector, potentially along the VIPER model, to examine regulations, policy proposals, RIAs and guidance, at an early stage.

- creating a one-stop-shop internet resource to provide an easy access route to all relevant government and regulator information for the energy sector.

Secondly, there are a number of individual pieces of work relating to specific policies and regulations, which would seem to sit more naturally within policy teams, with support as necessary from the project team. Energy Group as a whole will need to take the lead on considering these proposals, not least because of the need for specific policy expertise in fully evaluating the measures proposed, but also because some pieces of work, particularly those relating to policy decisions, may need to be progressed on a longer timeframe than the duration of the project itself. A large proportion of these are indeed already being considered within existing work across Energy Group.

Thirdly, there are a number of proposals that fall within the remit of other departments or agencies such as Defra and Ofgem; or are already being addressed by current projects: the Davidson Review; the Barker Review; and the Energy Review. Therefore, we suggest that this final category should be specifically excluded from the next stage of the project, once the project team has established a mechanism for ensuring follow up of proposals with the Better Regulation Executive and relevant OGD and regulator leads.

In addition, there are a small number of proposals that our initial policy assessment has indicated to have limited benefit for the resource required. These could be subject to further more detailed assessment as resource permits, however at this stage in the project we suggest they could be excluded from the immediate prioritisation on the basis of more limited benefit or obvious policy need.

In conclusion, we recommend that the second half of the project should look at the options for taking forward key pieces of work, detailed further in annex A below, both on better regulation more generally and on some specific legislative issues that have been raised. Informal consultation throughout this process will ensure that proposals are fully considered and will achieve the desired outcomes for industry, and also enable discussions on specific actions that, when set against other departmental priorities, may not be considered appropriate or possible at the present time. We anticipate that further cost benefit analysis will enable prioritisation of longer term measures and those that depend on the outcomes of other work currently in hand across government.

Recommendations for further work over second half of project

1. Proposals to improve transparency and engagement:

- Exploration of the value and scope for a cross government and industry group for the energy sector, possibly along the model of the VIPER model, to serve as an advisory and engagement forum, with potential dual role of:
 - Scrutinising new regulations and policy proposals
 - Inputting industry views on policy development and implementation (potentially both EU and domestic)
- Scoping of options for developing a one-stop-shop website for energy stakeholders: specifically ensuring we have a user-friendly and useful portal via the Energy website, signposting industry to further resources and setting out general information on relevant legislation and available guidance.
- Consideration of potential for holding a joint industry seminar with relevant OGDs and regulators, focusing on simplification and the better regulation agenda and to explore perceived misalignment between different policy agendas.
- Improvements to the internal (Energy Group) processes on better regulation: developing guidance material for energy policy officials, setting out the processes and support available and providing practical help; establishing protocols on consultation and engagement strategy, RIA development and monitoring.

2. Specific proposals requiring further analysis of options:

- Streamlining licence exemption legislation: recommendation for a separate project to explore this and make the necessary legislative change following public consultation on proposals.
- Amendment of specific coal legislation: particularly clarification of wording and policy intention, effected either through legislative change or guidance; also policy decision on extending the existing legal remit of Coal Authority.
- Tidying up statute book as and when resource and a vehicle is available, to remove overlaps, obsolete regulations and consolidate amendments: exploration of which areas would be of most benefit to industry (specific suggestions include: Fossil Fuel Levy, the Gas Acts, some coal legislation, Atomic Energy Act). Initial scoping and cost benefit analysis work is required to assess value and potential timeframe for carrying out further work in this area.

3. Proposals currently being assessed and/or progressed by policy teams:

- Exploration of options for amending specific Statutory Instrument on pump labelling and issues around compensated metering proposals being assessed by DTI policy teams.
- Consideration of a number of upstream oil and gas issues including policy positions, legislative change and options to streamline and improve practical information provision/requirements. Being taken forward by policy team.
- Review of decommissioning and financial security arrangements and ensuring the policy supports future use of infrastructure: being considered by the Brownfield Decommissioning Security Group.
- Exploration of various issues on electricity consents and Wayleaves, currently being addressed in a wider review of consents by DTI policy team (ERDU).
- Various nuclear issues, including new build, are being considered as part of the Energy Review, alongside a number of specific planning and consent issues.
- Simplification of DTI guidance and requirements under EU ETS, will be taken forward under Phase II of the programme; wider EU ETS issues are led by Defra.

4. Proposals on policy areas led by OGDs and external bodies:

- Consideration of specific electricity and gas issues: including standards of performance, notification requirements and concerns about duplication of national legislation in licences. Currently being addressed by Ofgem's existing better regulation work (Supply Licence Review, Review of Industry Codes).
- Rationalising environmental legislation. Concerns include: implementation of EU Directives, EU ETS complexity, specific issues on renewables, Waste Directive definitions and CHP policy. All policy areas led by Defra, but industry concerns could potentially be explored via a joint forum as part of wider simplification work.
- Issues on EU gold plating are being taken forward through the Davidson Review, with issues largely focusing on environmental legislation, where implementation is led by Defra.
- Planning and land-use issues are expected to be covered by the Barker Review and are policy areas led by DCLG.

5. Proposals to be held for longer term consideration as resource allows:

- Consolidation of Gas and Electricity into single Act: likely to have a major resource and time requirement with limited benefit as clarity will only last until next round of amendments.
- Rationalisation of regulatory bodies, including exploration of role and size of Ofgem: may be an issue to be considered further once the Energy Review has reported.
- Creation of single regulator for Gas industry to replace existing onshore/ offshore split between Ofgem and DTI: there is limited evidence that existing regime is problematic or needs changing, unlikely to be supported by the offshore industry.
- Veto rights of Ofgem on appeals: the right is already limited in scope, and as it hasn't been used to date there is limited evidence to suggest need for change. Would need further exploration.
- Rationalising licences into a single energy licence: potentially limited added value due to lack of synergy between different licences, would be Ofgem lead.

6. Proposals on existing policy with limited scope for change at this time:

- Exploration of amendment to Renewables Obligation to facilitate extraction of coal mine methane for use in power generation: has been considered already by DTI and a policy decision taken in line with European Renewable Energy Directive; CCL exemption incentive in place for generation using methane.
- Further exploration of strategic oil stocking policy: has been considered and set fairly recently, and limited evidence that current policy doesn't work.