



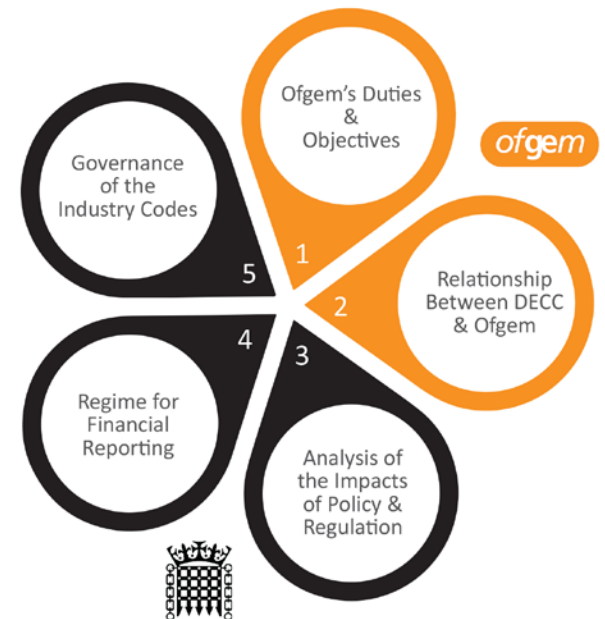
CMA, Governance & the Codes

Presented by Sebastian Eyre

The Least Discussed of the Remedies?

CMA identified five remedies in this area:

1. Ofgem's duties and objectives
2. the relationship between DECC and Ofgem
3. the analysis of the impacts of policy and regulation
4. the regime for financial reporting
5. governance of the industry codes



The use of recommendations to Government

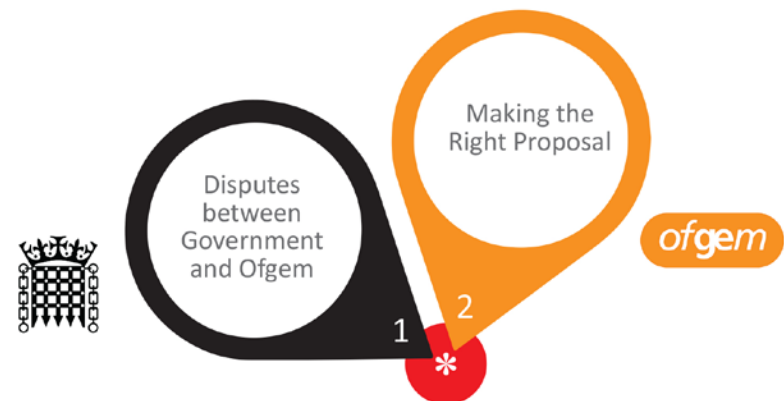
- The Enterprise Act 2013 assumed there would be a political consensus in solving specific market problems identified by CMA
- This is not true for energy. Legislation is unlikely to remain intact:
 - Many opposition MP's starting position is that they are happy to nationalise (Jeremy Corbin)
 - Consumer representatives still believe customers energy bills are too high
 - Environmentalists want subsidy regimes that negate market forces



Will reforms to the codes run into difficulty?

Two Potential Problems:

1. If Ofgem propose its own modifications it could inadvertently trigger disputes between Government and Ofgem. For example over transmission access rights
2. Ofgem will always pass their own modifications into the codes, so it needs to be certain that it has made the right proposal



Conclusions: *Forward to 1948?*

The CMA can point out the underlying political or institutional causes of market failure to Government and ask for legislation - so what is the problem?

- This demonstrates the limits of MI's if there is a *substantial* political dimension
- It may also encourage Government to develop its own solutions to the problems further compromising regulatory certainty
- Continuity in this area is fantastic; It looks like the type of relationship between Ministers and the Monopolies Commission under the 1948 Act persists?

