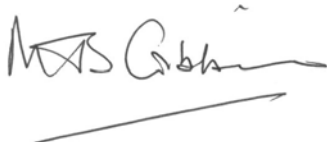
 Regulatory Policy Committee	OPINION	
Impact Assessment (IA)	Modification of gas and electricity licenses for the purpose of implementing a cost recovery mechanism for energy supply company administration	
Lead Department/Agency	Department for Energy and Climate Change	
Stage	Final	
Origin	Domestic	
IA number	DECC 101	
Date submitted to RPC	05/04/2013	
RPC Opinion date and reference	09/05/2013	RPC12-DECC-1480(2)
OITO Assessment	GREEN	
<p>Overall comments on the robustness of the OITO assessment. The IA says that the proposal “is out of scope of OITO because the fees and charges relate to cost recovery and not an increase in regulatory activity” (paragraph 36). This appears to be a reasonable assessment and is consistent with the current One-in, Two-out Methodology (paragraph 2.9.8 vii of the Better Regulation Framework Manual).</p>		
<p>Overall quality of the analysis and evidence presented in the IA</p> <p><i>Baseline.</i> The IA provides an assessment of the likely administrative costs of running the proposed cost recovery mechanism, relative to the cost of recovering the costs through general taxation (the assumed ‘do nothing’). However, as costs could also be met by a reduction in Government spending or an increase in borrowing, it is not clear that this is appropriate. In addition, this approach is inconsistent with the approach adopted by other government departments, where the marginal administrative costs under the counterfactual are assumed to be zero. The IA therefore overstates the baseline costs and as a result overstates the net benefits of the proposal. The assessment of the baseline needs to be amended so that it is consistent with the standard approach across government departments to cost recovery IAs.</p>		
Signed 	Michael Gibbons, Chairman	