



Department
of Energy &
Climate Change

DECC Eighth Statement of New Regulation

July – December 2014

July 2014

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Eighth Statement of New Regulation

Announcements in the Eighth Statement of New Regulation (SNR) are led by the changes to Petroleum Model Clauses, which will amend the existing framework to make it more suitable for the exploration and development of unconventional oil and gas. This policy has been confirmed to reduce costs to business by nearly £46m each year, compared to the existing setup. In addition, we are extending the definition of a microbusiness to cover more small businesses, which will allow them access to a faster and simpler dispute resolution process for disputes with their energy suppliers. This SNR period will see DECC's "One-in, Two-out" balance increase substantially at the end of the year, moving the Department up the Whitehall "One-in, Two-out" league table.

Background

The Eighth Statement of New Regulation¹ (SNR8) covers regulations coming into force from 1 July to 31 December 2014. It presents a summary account of the planned regulatory activities and current One-in, Two-out balance across Government Departments. It was published on 9 July by the Department for Business, Innovation and Skills (BIS). This document supplements it and provides more details on DECC's "One-in, Two-out" position and our upcoming regulations.

One-in, Two-out balance

The table below shows DECC's forecasted cumulative One-in, Two-out balance as at 31 December:

	Cumulative position as at 30 June 2014	Measures to be introduced during SNR8	Forecast Cumulative Position at 31 December 2014
	IA Count		
INs	1	0	1
Zero net cost	6	0	6
OUTs	5	2 ²	7
Total	12	2	14
	Equivalent Annual Net Cost to Business (EANCB)³, £m		
INs⁴	0.12	0	0.12
OUTs	-3.79	-45.8	-49.59

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328272/bis-14-P96A-eighth-statement-of-new-regulation.pdf

² A deregulatory policy on Petroleum Model Clauses Amendment has been transferred from SNR7 to SNR8, and the resulting OUT will therefore be accounted for on 31 December 2014.

³ EANCB is the annualised value of the present value of net costs to business.

⁴ This figure has been doubled for OITO measures.

Total Net Cost	-3.67	-45.8	-49.47
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Summary of measures

DECC plans to introduce two OUT measures in scope of “One-in, Two-out” during the SNR8 period, one of which is a Red Tape Challenge (RTC) commitment.

The regulatory landscape for business will be simplified by scrapping a further four RTC measures and improving eight, although these do not fall in scope of “One-in, Two-out”.

OUTs

The first OUT of £45.8m is a delayed policy from SNR7 on Petroleum Model Clauses Amendments. Industry told DECC that, even where unconventional gas development has been shown to be acceptable on environmental, planning and other criteria, it could be inhibited by the previous terms of Petroleum Act licences, which were designed for conventional oil and gas. Those terms have been adjusted in such a way that future licences will be compatible equally with both conventional and unconventional oil and gas. This change will remove the burden on unconventional gas companies that would otherwise be imposed by the use of licences designed for a different technology, and by so doing will encourage and expedite unconventional gas development.

The second OUT extends the definition of a microbusiness to more small businesses to enable them to access a statutorily approved redress scheme in the case of an unresolved dispute with their energy supplier. This measure is a commitment made as part of the Red Tape Challenge initiative and has been transferred from the previous SNR.

INs

DECC is not planning to introduce any IN measures during this SNR period.

Zero Net Costs

DECC will not be implementing any Zero Net Cost measures during this SNR period.

European Union Measures

Two UK policies will transpose European legislation by the end of the year. The first will implement the requirement of the EU Regulation No 994/2010⁵ to introduce an enforcement regime for gas interconnectors. The Regulation requires Member States to enable gas to flow in both directions between borders or to obtain a justified exemption. Member States are additionally required to introduce an effective penalty regime for breaches of the Regulation. This should improve security of supply.

The second policy forms part of the transposition of the EU Third Energy Package⁶. The UK is required to have in place an effective enforcement regime for breaches of the Congestion Management Procedures, which are designed to prevent established gas shippers from hoarding capacity on the EU’s gas networks.

⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:295:0001:0022:EN:PDF>

⁶ http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2012.231.01.0016.01.ENG

DECC will not be gold-plating any of these policies so as not to impose additional regulatory burdens on UK businesses.

One-in, One-out

A further tranche of four DECC measures, related to the roll-out of smart meters across the UK, came into force at various times between April and June 2014. The smart meter programme and its impacts on the UK have already been accounted for under the previous “One-in, One-out” (OIOO) system and so have no effect on the “One-in, Two-out” balance.

Impact Assessments

DECC publishes full Impact Assessments for all of its major regulatory measures, and for many of its more minor ones. These are scrutinised by the Regulatory Policy Committee (RPC), an independent body comprised of businesspeople and economists. The RPC has consistently rated DECC’s Impact Assessments as ‘fit for purpose’ and has ranked DECC as second best across Whitehall Departments for the quality of its Impact Assessments in its recent Annual Report⁷. This demonstrates the robustness of DECC’s analysis and is a performance we will work hard to continue.

See the statement in full⁸ for an overview of the regulations due to come into force between 1 July and 31 December 2014 across all Government departments.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/286236/Annual_Report_of_the_RPC_March_2014_FINAL.pdf

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328272/bis-14-P96A-eighth-statement-of-new-regulation.pdf

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