

Dear Sirs

**Re Consultation on revised submission and implementation dates for the EHV Distribution Charging Methodology**

**Consultation pursuant to standard licence condition (SLC) SOA.38 of the electricity distribution licence in relation to proposals for the Authority issuing a derogation against licensees' obligations against licencees' obligations in Part C of SLC 50A**

We refer to your letter of the 20<sup>th</sup> August 2010 regarding the above matters and your request for the views of stakeholders such as ourselves.

For your information Mir Steel UK Ltd (MSUK) purchased the assets of the former Alphasteel Works in Newport in July 2008. This was immediately prior to the global economic collapse of late 2008 which, given the speed of collapse, as you will be aware was not anticipated and affected businesses throughout Europe and beyond

After an extremely difficult period and significant investment one processes returned to production during July 2010 creating in excess of 100 jobs locally with the potential to increase to circa 450 jobs on the commencement of producing liquid steel.

During this period MSUK had attempted to reduce all outgoings to a minimum including reducing our agreed available capacity from 150MVA to 60MVA in order to maintain a presence in Newport.

We are now aware, albeit late in the day, that to implement your favoured 'Option 25' methodology will increase or LRIC charges from the current £17,437 to £563,000 an increase of some 3,000% for no additional benefit.

Having discussed this with our colleagues in South Wales generally (where WPD have a huge amount of EHV users) we wish to make it known that we strongly protest to the time table you have provided as in our opinion this is far too short to give appropriate consideration to both our and other users continued objections considering the excessive increases in these proposed charges.

In short the consequences of implementing 'Option 25' will result in charges for the current capacity of 60 MVA increasing to £563,000 and then in excess of £1.2 millions when a further increase to 150 MVA is required on commencement of our Melt Shop.

Comparing this increase to other listed EHV users we would suggest a more vigorous effort to seek our opinion would be expected as such an increase could seriously impact on the business threatening or possibly cancelling future investments.

You will obviously be aware that the potentially fully depreciated assets to which this charge refers are in the main overhead lines and underground cables from a power station bordering our property. The assets involve no switch gear at either end these being owned either by ourselves or other parties. We are advised that the total cost of replacing this equipment would be less that £500,000 whereas our charges could potentially increase to up to 3 times this value each year.

During the next few months we shall need to consult with our owners in Russia, the Assembly Government, fellow users of EHV and other industry experts, particularly due to the fact that our owners are currently considering further investment proposals for our site in Newport,

We would urge you to reconsider both the time lines and the impact of implementation on both our business as it stands, future investment and the potential loss of heavy industry and further jobs in South Wales

Haydn Swidenbank  
OPERATIONS DIRECTOR