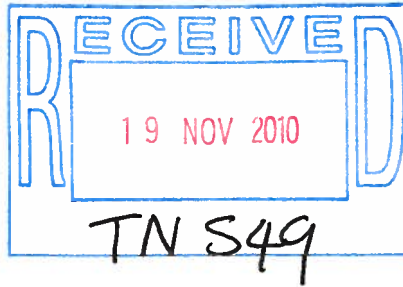


Stuart Cook  
Office of Gas & Electricity Markets  
9 Millbank  
London  
SWIP 3GE



16<sup>th</sup> November 2010

Dear Mr Cook

**Response to Call for Evidence in relation to Project TransmiT**

This letter is written in response to OFGEM's recent call for evidence with respect to Project TransmiT. This letter is being sent on behalf of the Process Industry Carbon Capture and Storage Initiative ("PICCSI"), which comprises of a range of industrial emitters, project developers and public sector partners, within the North East of England ("NEE").

**PICCSI**

Members of the local industry body NEPIC (the North East Process Industry Cluster) have formed an initiative pledging their commitment to working towards developing a NEE industrial CCS cluster and network. This initiative is referred to as the PICCSI and includes members of NEPIC such as;

PX Limited  
Growhow UK Limited  
Progressive Energy

Lucite International Ltd  
BOC Ltd

NEPIC members who are also working to develop a CCS strategy for the industrial base in NEE include;

Conoco Phillips PLC  
Huntsman Tioxide Europe Ltd  
Ineos Europe Limited

Rio Tinto Alcan Ltd  
Sabic UK Petrochemicals  
Sembcorp Utilities UK Limited

**PICCSI's Support for Project TransmiT**

OFGEM's announcement that it is considering undertaking Project TransmiT has been extremely well received by PICCSI members, one of whom attended the OFGEM stakeholder event on the 11<sup>th</sup> of this month. PICCSI supports OFGEM's objectives with regards to Project TransmiT and agrees that an independent review of UK transmission charges and the associated arrangements is necessary. The objectives that OFGEM has described in the call for evidence are, in PICCSI's opinion, completely relevant given the demand for the energy industry to invest in a secure low carbon future and the current problems encountered by the industry in meeting this demand.

**Transmission Charges**

The call for the UK energy industry to implement a low carbon transition and in particular to develop a Carbon Capture and Storage (CCS) network requires a transmission charging scheme that rewards high utilisation factors and active load management to optimise the growing investment in a low carbon future. As such the transmission charging regime must be just and unbiased.

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The members of PICCSI believe however, that the current variances in transmission charges throughout the UK are geographically discriminatory and can have such a detrimental effect on the economics of new project development within the NEE, when compared to other regions in England, as to be disastrous to these projects and thus to the furtherance of a low carbon transition.

It has been stated by Government that Teesside is one of the UK's prime areas for the development of a CCS network. It is well recognised that development of CCS infrastructure requires an immense level of investment to be committed by the industry, yet the economics of developing CCS ready projects within the NEE currently suffer a punitive financial disadvantage due to geographically discriminatory transmission charges. The North East of England zone is subject to the highest transmission charges in England, being £8.79 per kilowatt. The financial burden that this charge places on a project in the NEE can be millions of pounds a year more than projects based elsewhere in England. The current inconsistent charging regime does nothing to encourage the investment so desperately needed to make CCS a reality in a region which is wholly committed and in every other sense in a prime geographic location to ensure that a CCS network is developed.

PICCSI would welcome changes to the transmission charges regime that result in a fairer and non-discriminatory regime and would suggest that the particular issue of inconsistent transmission charges should be given the ultimate priority by Project TransmIT.

### **Capacity Issues in NEE**

The available capacity of UK transmission system does not provide for the substantial increase in generation that is necessary to meet the UK's growing energy requirements. Wait times in the NEE to make an export connection to the national grid can, historically, be as long as seven years. This can place developers in the absurd situation of putting into place all the components necessary for a new development but having to wait for several years until the network can be made ready. In times where increased generation is vital and where the UK needs to support a market capable of offering consumers value for money, the congested transmission network does not support the rapid growth required for competitors to enter the market with the swiftness necessary.

If you require any further information with regards to this response or would like to discuss it further please do not hesitate to contact Mark Lewis on 01642 442560 or via email at [mark.lewis@nepic.co.uk](mailto:mark.lewis@nepic.co.uk).

Sincerely

**On behalf of the Process Industries Carbon Capture and Storage Initiative**



**Mark Lewis**  
**Technical Manager**

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