

## **Plan for a Smart, Flexible Energy System – A call for evidence**

### **Response from the Confederation of Paper Industries**

CPI represents the supply chain for paper, comprising recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers and makers of soft tissue papers.

CPI has more than 70 member companies from an industry with an aggregate turnover of £6.5 billion, 25, 000 direct and more than 100,000 indirect employees.

Paper manufacturing is inherently energy intensive, with energy generally being the highest manufacturing cost behind raw materials. Internationally competitive energy prices are critical to ensure a long-term future for energy intensive industries in the UK.

Increasing network costs and the impact on total energy costs are of particular concern. Government has clearly accepted the case that energy intensive industries cannot pass higher costs through to customers without risking competitive damage – indeed Government compensation schemes have been established to mitigate the cost impact of the Carbon Price Floor, the Renewable Obligation, Feed-in-Tariffs and Contracts for Difference.

As well as being major consumers of grid supplied electricity, a number of mills have also invested in on-site CHP.

### **Enabling storage**

CPI agrees with the overall analysis as presented, and we highlight the need to maximise the number of technologies used to provide flexibility in a technology neutral way. We also stress that security of supply needs to be delivered at the least cost to consumers. Our Members also raise concerns over the large and increasing non-energy costs added to electricity bills.

We agree that network operators could use storage to support their networks, but it is important that they do so through as competitive a process as possible to minimise costs and safeguard the interest of consumers.

We have no comment to make on issue of network companies owning their own storage, but comment that there should be systems to prevent any abuse of market position to prevent the operation of alternative providers in the market.

## **The role of aggregators**

Such companies can provide a useful service for smaller companies and those able to only offer relatively small amounts of flexible demand. However several CPI Members have commented on the complexity of directly applying to schemes because of over-complex rules.

## **System value pricing**

While such pricing systems can influence behaviour, peak-pricing does risk making industrial companies operating inflexible and continuous production processes uncompetitive when their demand cannot respond to the price signal. With the current policy to support an expand industrial production this issue needs to be properly considered by policy makers.

Having made this point, a number of CPI companies already provide flexibility through either demand side measures drawing on parts of the production process, or through flexible operation of their own CHP plant. There may still be additional opportunities to increase this participation.

## **Smart distribution tariffs**

We note increasing volatility and increases in DUoS charges during recent years, causing problems for energy intensive manufacturing companies. Volatility in distribution charges cannot provide a useful signal for investment in distribution capacity.

## **Other Government policies**

The policy led move towards more intermittent sources of renewable electricity has resulted in high and increasing costs to provide back-up generation and system balancing services. These costs are passed to consumers and need to be contained by securing additional secure and flexible generation capacity.

## **Consumer engagement with DSR**

The key to greater participation by industry is keeping participation rules as light touch and simple as possible. Lower thresholds for participation, would remove the requirement to apply through aggregation companies.

## **Consumer protection and cyber security**

We share concerns over data security and the potential for production levels to be derived from leaked or published installation level data.

Data security risk would also add to concern over remote control of equipment by third party companies as part of demand management systems.