

EIUG response to Ofgem Consultation on Targeted Charging Review

The Energy Intensive Users Group (EIUG) supports Ofgem's proposal for a Significant Code Review to examine residual transmission and distribution charges for demand and generation and elements of the charging arrangements for storage and smaller embedded generation.

EIUG shares Ofgem's concern about recent and likely future increases in network charges and the fairness or otherwise of current cost allocation for transmission and distribution. We have also expressed concern that hastily implemented changes to transmission charging arrangements as a result of piecemeal modifications such as those recently proposed by large power generators could unduly disadvantage embedded generators and other stakeholders. In our response to Ofgem's open letter last year on charging arrangements for embedded generation, we argued that 'Ofgem should accept the need for a more considered, comprehensive and formal review of transmission charging arrangements, so that the full range of potential impacts on industrial co-generators and other stakeholders can be properly analysed and taken into account in the development of any subsequent reform proposals.' We therefore welcome Ofgem's recognition of the need to review of charging arrangements, and this specific proposal for a targeted charging review.

EIUG would support the establishment of a Charging Coordination Group, chaired by Ofgem, to oversee the wider charging review work the industry is undertaking. We agree with Ofgem's desire to ensure 'wide industry representation to help steer the overall charging reform programme' and trust that this Group, if established, will include representation of industrial energy user and industrial co-generation interests.

EIUG is not yet in a position to comment on the five suggested options for setting residual charges, but would be pleased to liaise with Ofgem and other industry bodies about this during the Significant Code Review process.