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## EEF response to Ofgem's 'Targeted Charging Review: a consultation'

Consultation closing 5 May 2017

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We welcome Ofgem's recognition of the need to holistically review electricity transmission and distribution network charging arrangements, and the proposal to launch a Significant Code Review to review and reform the current way that residual charges are applied.

As the representative voice of UK manufacturing, with over 5,000 businesses in membership, from SME manufacturers to the UK's largest industrial energy users, we see a range of challenges and opportunities for UK manufacturers from changes to network charging arrangements. For example, many members generate their own electricity and provide vital system balancing services. Any changes to network charges and their impacts on bills will influence business decisions in the coming years, including investment cases for energy, climate and environmental projects, and behaviour change, such as engaging in demand side response. We therefore welcome the more holistic nature of this review.

Whilst EEF are not able to comment on the suggested options for residual charges at this time, it will be vital that the views of manufacturing and industrial consumers are reflected in the proposed Significant Code Review, so that reforms can be developed and implemented in a sustainable way for all UK consumers, including SME manufacturers, to large industrial and commercial consumers. Our response therefore focuses on the proposed Charging Coordination Group.

***Question 20: We would welcome your thoughts on the potential make-up of a CCG. Please refer to the potential role, structure, prioritisation criteria and assessment criteria.***

The current swathe of reforms in the network charging space, with multiple entities and industry code modifications for different industry codes being progressed at the same time, cause real challenges for manufacturers and industrial consumers to engage in industry changes that have a profound impact on their businesses. Even the largest industrial consumers find it challenging to commit the level of resource necessary to actively participate in industry change processes and multiple working groups, such as the numerous recent energy industry change proposals on triad reforms.

We welcome the proposal for the Charging Coordination Group (CCG) chaired by Ofgem, given the complexity and breadth of network charging reforms currently underway and expected in the future. We agree with Ofgem's wish to see 'wide industry representation to help steer the overall charging reform programme'.

We believe the CCG could play a critical role, that is missing in current arrangements, to help all consumers (including SME manufacturers to large industrial consumers) to understand the swathe of reforms underway, the implications and timings of changes to the arrangements, and provide meaningful views and evidence to inform the range of network charging reforms, including the proposed TCR. We see the CCG as a vital route to engage for businesses and consumers who are not 'pure energy sector players', but for whom changes in the energy sector, and network charging arrangements in particular, have a real impact on their activities.

We also note that the Government's Industrial Strategy green paper and the Committee on Climate Change's Energy Bills report published earlier this year both highlighted that UK businesses face amongst the highest electricity prices internationally, with higher network costs being a component of this. The Industrial Strategy green paper also set out the development of a roadmap to minimise business energy costs. We therefore highlight a potential interaction and need for consistency between this initiative and the CCG.

In conclusion, we urge for the CCG to be structured to include representation from manufacturers, industrial consumers and industrial co-generation participants. This will both help to prepare these consumers and businesses for industry change, and allow meaningful participation to inform the large number of reforms under way, to deliver a fair and sustainable transition to any new arrangements.

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## About EEF

EEF, the manufacturers' organisation, is the representative voice of UK manufacturing, with offices in London, Brussels, every English region and Wales.

Collectively we represent 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector. We directly represent over 5,000 businesses who are members of EEF. Everything we do – from providing essential business support and training to championing the manufacturing industry in the UK and the EU – is designed to help British manufacturers compete, innovate and grow.

From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enables businesses to remain safe, compliant and future-focused. More information at [www.eef.org.uk](http://www.eef.org.uk)

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