

24 September 2019



By e-mail to:
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CC'd to BEIS:
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Dear Andy,

Re: Future Charging and Access Programme- consultation on refined residual charging banding in the Targeted Charging Review (TCR)

I am writing on behalf of the Mineral Products Association in response to your open letter that was published on 3rd September setting out some refined proposals for residual charging banding in the TCR.

The Mineral Products Association (MPA) is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries. With the affiliation of British Precast, the British Association of Reinforcement (BAR), Eurobitume, MPA Northern Ireland, MPA Scotland and the British Calcium Carbonate Federation, it has a growing membership of 530 companies and is the sectoral voice for mineral products. MPA membership is made up of the vast majority of independent SME quarrying companies throughout the UK, as well as the 9 major international and global companies. It covers 100% of UK cement production, 90% of GB aggregates production, 95% of asphalt and over 70% of ready-mixed concrete and precast concrete production. In 2016, the industry supplied £18 billion worth of materials and services to the Economy and was the largest supplier to the construction industry, which had annual output valued at £152 billion. Industry production represents the largest materials flow in the UK economy and is also one of the largest manufacturing sectors.

The MPA therefore represents a wide range of organisations, from large energy intensive cement sites that are EHV distribution connected through to quarries that are connected at lower voltages.

In the MPA response to the TCR consultation, which was submitted in February 2019, we set out concerns that the information contained in the original TCR consultation and supporting documents was not sufficiently detailed to enable an accurate calculation of the impact on our members. While the review of forward-looking charges is ongoing it is impossible to understand what the impact of residual charges could be or determine what the additional impact of the proposals might be compared to the current situation.

MPA Cement is part of the Mineral Products Association, the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries

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The decision by Ofgem to delay introduction of TCR changes was welcome but the refined proposals still don't enable MPA to determine the expected cost of residual charges on our members. Using information found online¹, rough estimates suggest the proposals could lead to increases of £millions annually for our members. This would entirely wipe out any wider business benefit of the EII compensation/exemption that some MPA members receive for the indirect cost of RO, FiT and CfD. An increase in cost as a result of TCR will therefore add considerably to the already high electricity prices that energy intensive industries (EII's) face in the UK. This further threatens the competitiveness of EII's that operate in global markets and is therefore unacceptable.

As well as this impact on international competitiveness, the simplification of residual charges, as outlined in the refined proposals, would create intra-sectoral distortions between sites within the same band but in different geographical locations across the UK due to being supplied by different DNO's with differing numbers of sites within each band. The extent of this distortion is unknown because Ofgem have only provided the example for one region. Furthermore, the banding itself creates a series of cliff edges whereby sites falling either side of a charging band threshold and supplied by the same DNO could face vastly differing network costs (ca. £673k in the example shown between the top two EHV bands). This could create considerable competition distortions within sectors and must be avoided. This issue could be compounded if Ofgem do not put safeguards in place to ensure that sites supplied by multiple Mpan's are charged on a site basis and not charged per Mpan.

Your letter indicates that the impact assessment and final decision will be published in the next two months. MPA requests that Ofgem put a hold on any decision relating to residual charging until after an accurate impact assessment setting out exactly how much the changes to residual charging will impact the competitiveness of EII's. This cannot look at residual charges in isolation but include all network charges in a holistic manner. If charges are going to increase for EII's, justification must be given including how Ofgem and BEIS plan to protect their competitiveness and the value they bring in terms of jobs and income to the UK economy.

Yours sincerely



Dr Diana Casey
Manager, Energy and Climate Change

¹ For example:

https://players.brightcove.net/6021289057001/default_default/index.html?videoId=6024361799001