



Patrick Cassels, Head of Electricity Network Access

Ofgem
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Via email (FutureChargingandAccess@ofgem.gov.uk)

21 February 2022

Dear Patrick,

Subject: Access SCR – consultation on updates to “minded to” positions

Thank you for the opportunity to respond to your [consultation](#). This response is on behalf of the GFG Alliance. GFG encompasses three core industry brands: LIBERTY Steel Group, ALVANCE Aluminium Group and SIMEC Energy Group. We have a large generation and industrial demand portfolio in GB and employ around 3,000 people in the UK steel sector. The metals and metal products we produce face intense international competition. This severely limits our ability to pass through costs our competitors aren't exposed to. Energy costs materially affect our production costs, exceeding 20% of Gross Value Added (GVA) at several sites. Fair, internationally competitive network charges are a top priority for our and GB's industrial businesses.

Summary views

Our substantive comments relate to your revised “minded to” position **not to levy generation Transmission Network Use of System Charges (TNUoS) on Small Distributed Generation (SDG)** at this time. **We support this updated position.**

As set out in our responses to your June 2021 Access SCR consultation, October 2021 TNUoS Call for Evidence and various consultations on CMP343, we have serious concerns about the direction and consistency of some of Ofgem's thinking on TNUoS charges and the particular unfairness to large energy intensive consumers that could arise. We are grateful that Ofgem has listened to stakeholders on the question of TNUoS charges for SDG and committed to further thinking before taking reforms forward. This further thinking should extend to rejecting CMP343 and reconsidering simpler, less distortive methods of residual cost recovery, such as simple £/meter charges (at least in part).

While we note your comment that you *“have not yet seen convincing evidence that SDG is sufficiently different to transmission-connected, or larger distributed generation to warrant a perpetual differential in [TNUoS] charging treatment”*, this observation applies equally to demand as it does to SDG. Ofgem's “minded to” position on CMP343 not only perpetuates existing differences in locational charges for demand and generation (e.g. different charging zones and tariff structures), it also

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proposes removing locational signals for demand customers in northern regions making up around half the country's geographic area. Ofgem cannot remove demand locational signals for northern consumers on the one hand, whilst stating that generation TNUoS should be introduced for SDG in the same region, on the other. An inconsistent approach to locational TNUoS for generation and demand consumers will lead to unfair outcomes, especially for users with generation and demand resources in the same location. Unless and until a fair and consistent approach to locational TNUoS signals for demand, SDG, large DG and transmission connected generation can be found, we strongly question whether inconsistent, piecemeal changes are in the best interests of consumers. Careful, internally consistent consideration of these issues is required before further reforms are put forward.

We remain available to discuss all aspects of TNUoS charging. Please contact me if this would be helpful.

Yours sincerely,

Tim Collins
Head of Regulation, GFG Alliance