



BOC Process Gas Solutions

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Mr Gary Keane
Distribution Policy Analyst
Office of Gas & Electricity Markets
9 Millbank
London
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Dear Mr Keane

**BOC Gases response to Electricity distribution rebates to suppliers:
Consultation document – July 2003**

BOC welcomes the opportunity to set out its views on distribution rebates to suppliers: Consultation document – July 2003 and these are set out in the attachment. I hope you find these views helpful.

With best wishes.

Yours sincerely

A handwritten signature in black ink that reads 'Hugh Mortimer' in a cursive script.

Hugh Mortimer
Commercial Manager, Utilities



BOC GASES RESPONSE TO ELECTRICITY DISTRIBUTION REBATES TO SUPPLIERS: CONSULTATION DOCUMENT – JULY 2003

1. Introduction

BOC has owned and operated industrial gas producing plants in England and Wales for many years and with an annual consumption approaching 2TWh making BOC amongst the very largest industrial electricity customers in Britain. Presently BOC's bill for distribution use of system (DUoS) charges runs into 7 figures. As BOC's normally contracts with electricity suppliers on the basis that DUoS charges are a pass through cost, the fact that DNOs have been giving suppliers apparently secret rebates is of great interest to BOC.

2. Specific views

BOC is not in favour of the policy of DNOs refunding DUoS charges to suppliers via rebates for the following reasons: -

- This policy is not transparent.
- Customers who have contracted with their suppliers on the basis that DUoS charges are passed through at cost should have been contacted and refunds provided. This has not happened.
- Suppliers are not being open about whether they have received rebates or not.
- Rebates have been provided on a fixed amount of money per MPAN which for industrial customers bears little relation to the amount of DUoS overpaid.
- This policy provides the DNOs with the incentive to err on the side of overcharging without the risk that they will be subject to interest charges on overcharges
- The continuation is even more unfavourable to customers if the NGC Plugs modification is approved as large amounts of DUoS money relating to reduced NGC system exit charges may be involved.

BOC supports Ofgem's proposed modification that would preclude rebates.

BOC believes that Ofgem should name DNOs A, B, C, D and E.

BOC believes that Ofgem should investigate whether rebates were given in the period 1990/1 to 1999/2000.

Hugh Mortimer, 29 September 2003