

Mr. Kyran Hanks,
Director, Wholesale Markets,
Office of Gas and Electricity Markets,
9 Millbank,
London.
SW1P 3GE
By e mail to adam.higginson@ofgem.gov.uk

17th September 2004

Dear Mr. Hanks,

**Connection and Use of System Code Proposed Amendment CAP047:
“Introduction of a competitive process for the provision of mandatory
frequency response”**

Anglesey Aluminium is pleased to be able to comment briefly on Ofgem’s impact assessment on this important CUSC amendment proposal. We are one of the largest Aluminium production plants in the United Kingdom and as such are one of the largest users of electricity in the country. The cost of electricity is one of our main production expenses and, being a continuous process industry that would suffer catastrophic damage to our plant should there be a prolonged interruption to supplies, security of supply is also of paramount importance to us.

Although security of supply is important to us we do have the potential to contribute significantly to providing a stable frequency by tripping a proportion of our demand for a limited period in response to a fall in system frequency.

We thus agree with Ofgem that it is misleading for NGC to analyse the frequency response market by reference purely to those players that have a mandatory obligation to provide the service. There is significant potential for substantial provision by other parties who are under no obligation to provide the service. We, therefore, agree that there is more competition than what would be suggested by considering only those generators who are obliged to provide the service. In addition we agree that, in both the short and the long term, free market prices, determined by competitive forces, will promote market entry and ensure a sufficiency of the service and hence security of supply better than relying on mandatory provision. Mandatory providers can get derogations from providing the service and, if they do not feel that they are being suitably rewarded for providing it, will have little incentive to fix the problem.

We therefore strongly support the line that Ofgem has taken to move towards a free market in the provision of frequency response and thus support the approval of Alternative Amendment A. We agree that this proposal will best fulfil the applicable CUSC Objective of facilitating effective competition in the generation and supply of electricity, as well as promoting better security of supply at prices that competition should ensure are fair to both service providers and customers.

Please let me know if you would like to discuss this with me further.

Yours sincerely,

Ron Douglas
Managing Director