



**CHEMICAL INDUSTRIES**  
ASSOCIATION

28 February 2006

Robert Hull  
Director Transmission  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Kings Buildings  
Smith Square  
London SW1P 3JJ

Telephone: 020 7834 3399  
Fax: 020 7834 4469

Direct phone: 020 7963 6736

Direct fax: 020 7834 8587

e-mail: leedhams@cia.org.uk

[www.cia.org.uk](http://www.cia.org.uk)

**TPCR CAPITAL EXPENDITURE PROJECTIONS**  
**2007-2012**

Dear Robert

The CIA welcomes the opportunity to respond to this important consultation. We recognise that the findings of this consultation will have significant impacts on the investment undertaken as the UK moves to being increasingly reliant on imported gas and renewable generation, and that the level of investment required because of these changing flows is potentially significant. The CIA is however unable to identify what the correct level of capital expenditure should be for the transmission companies in the TPCR, but would like to make the following observations:

- The CIA is surprised that the transmission companies are proposing to more than double their current level of assets in the next price control period. The CIA recognises that the changing flows of energy in the UK will necessitate an increased level of investment, but would urge Ofgem to ensure that any CAPEX allowances represent economic and efficient investment in the systems. We require more information regarding the transmission companies proposals to more than double their current level of assets in the next price control period.
- The CIA recognises Ofgem's desire to ensure no unnecessary investment is undertaken and no assets become stranded, and would urge Ofgem to adopt a simple and transparent solution to this issue that does not discriminate against those already connected to the systems. We believe that any new connections should financially commit themselves to any new investment required and that this can be achieved through the current Advanced Reservation of Capacity Agreements.
- We do not believe that the case for reforming the offtake arrangements has been made and require evidence that the current arrangements result in undue discrimination and/or stranded assets.
- The CIA would look to Ofgem to ensure that any investment undertaken meets the economic and efficient criteria and also benefits the UK's position in terms of security of supply and transmission system flexibility.

I hope you find these comments useful and if you have any further queries please contact me.

Regards

Stefan Leedham, Business Analyst.



CIA members are committed to Responsible Care