



CHEMICAL INDUSTRIES
ASSOCIATION

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RESPONSE TO ARODG REPORT

Mark

The CIA welcomes the opportunity to respond to this important consultation, as we recognise the ability for new and existing generators to connect to the transmission system will have a direct impact on the charges our members pay. The CIA recognises that the current situation of having a large volume of applications for transmission capacity is having a negative impact on generators who wish to connect to the system by producing long lead times and volatile Final Sums Liabilities (FSLs). The CIA further believes that all risks should be borne by those who are best placed to manage them, who in this instance will be the generators and transmission companies. However the CIA does not believe that the Access Reform Options Development Group (ARODG) report addresses the root cause of these problems (the large volume of applicants applying for transmission capacity) and not all of the proposals ensure that the risks are borne by those best placed to manage them. In particular the CIA believes that:

- The current initial application for transmission capacity is a relatively costless exercise for generators resulting in a large volume of potential generators applying for capacity on a tentative basis. It is this issue that has resulted in the large backlogs and volatile FSL, and the ARODG report does not appear to address this. The CIA therefore believes that a system should be put in place that attaches a cost to the initial application for FSL. This could take the form of an upfront fee, set at such a level to remove the tentative applications, whilst not acting as a barrier to entry for potential generators. This would ensure that the risk that the potential generator did not require a connection would be borne by those best placed to manage this risk: the generators.
- The current volatility associated with the FSL is also acting as a barrier to entry, and moving to a “date stamped FSL” would address this. This would also ensure that the risk that access was not required would be borne by the potential generator, whilst placing the risk that the outturn costs are greater than envisaged with the transmission company. The CIA believes that these parties are best placed to manage these risks.
- The transmission companies are best placed to manage the risk that access is not delivered on time. However the CIA notes that due to the differing investment requirements placing an obligatory timetable for delivery on the transmission companies would merely create costs for the transmission companies and thereby consumers. The CIA therefore believes that transmission companies should be required to deliver access

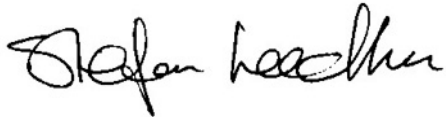


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within a period agreed by the transmission companies and generators, dependant on the investment requirements. I.e. “delivery in no more than X years”, but X should be dependant on the investment requirements, and not a set period.

I hope these comments are constructive and useful and would be pleased to discuss them in greater detail if required.

Regards

A handwritten signature in black ink, appearing to read "Stefan Leedham". The signature is written in a cursive, slightly slanted style.

Stefan Leedham
Business Analyst