



CHEMICAL INDUSTRIES
ASSOCIATION

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Transmission Price Control Review: Initial Proposals

Dear Robert

The CIA welcomes the opportunity to respond to this important consultation. CIA believes that Ofgem has the best information to develop the most appropriate allowances to ensure investment in gas and electricity infrastructure to provide our members with secure energy supplies.

We would like to focus our comments on the Enduring Offtake Working Group, and the proposed amendments to the gas offtake arrangements for Transmission Connected Customers (TCCs).

Industrial loads normally have a relatively flat profile compared to GDNs or power stations. We consider the current regime works well, and would require evidence to justify change, please see comments on the impact assessment below. We are concerned that:

- the current proposals appear to make all sites firm and the subsequent loss of interruption, which is required on the system in stage one of an emergency;
- TCCs are not able to purchase their own exit capacity and should be given this option; and
- we don't believe that the case for change has been made.

Appendix 16: Offtake Revenue Drivers and Baselines for NGG NTS

We have been in discussions with National Grid regarding the transitional baselines both in the North West and South West. We are now informed that all interruptible capacity in the South West can be released as firm and that National Grid may be required to contract with these sites for interruption. We require further information on how this will be managed going forward as this represents a major change to the arrangements.

Appendix 17 - Draft Enduring Offtake Impact Assessment

We have a number of concerns regarding the impact assessment:

- CIA members were unable to provide cost information, as there was insufficient detail on the proposed enduring offtake arrangements, for example, how would the transfer of capacity between shippers be managed;
- little information has been included on the product definition and it is difficult to tell if sites would need to purchase both flat and flexible capacity;
- members are concerned that there may be increased credit cover requirements if a site is required to purchase 2 years of capacity up front in order to maintain their current level of capacity; and
- we have concerns regarding how the enduring offtake arrangements would ultimately promote competition and we still believe that increase complexity of the arrangements is a barrier to entry with negative implications for competition in gas supply.

For the avoidance of doubt, we do not support the work of Ofgem in progressing the enduring offtake regime. There is inadequate information on the business rules to be able to form a cost benefit analysis that could be representative of the enduring regime. We still do not believe that the case for change has been made.



CIA members are committed to Responsible Care

I hope you find these comments useful, and please contact me should you require further clarity on any of the points raised.

Regards

A handwritten signature in black ink that reads "Helen Bray". The signature is written in a cursive style with a large, looped initial 'H' and a stylized 'B'.

Helen Bray