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Transmission Price Control Review

CIA welcomes the opportunity to review the updated proposals for the Transmission Price Control Review. Security of supply is of vital importance to the chemical industry and we ask Ofgem to ensure that the appropriate allowances are implemented. We welcome the fact that Ofgem is considering measures to safeguard consumers in the event that companies investments fall significantly below their allowances.

We await further developments on the capex allowances to connect wind farms, however, consumers are concerned that they are paying for the costs of renewables both through the renewables obligation and for its connection to the system through their transmission charges.

We discussed the baseline at the Teesside Hydrogen offtake point with Ofgem and National Grid before the publication of this document; please can this baseline be updated to the agreed amount.

Please find attached our comments in relation to specific questions below. If you have any questions, please contact me.

Kind regards,

Helen Bray

Question 7.2: What do you think about our proposals to address significant capex under spend?

Should the transmission companies spend far below allowances we believe that there should be the option of adjustments being made to allowances. We welcome the fact that any review would consider whether the significant reduction in expenditure was potentially damaging to the short or long term integrity of the network. We would not want to set an automatic trigger, and believe that it should apply to load and non-load related capex.

Question 8.1: Do you agree with the conclusions of the Smithers & Co cost of capital study, in particular the real cost of debt and equity?

We note that there are many discussions regarding the cost of capital and that it varies between sectors, from gas to electricity to water, dependent on risk. We ask Ofgem to assess the risks to the transmission companies, and therefore set the appropriate cost of capital.

Question 9.4: What are your views on the appropriate method of providing connections to the Scottish Islands?

We are concerned that extra costs could be passed through to consumers through very large extensions to the transmission network to connect Shetland, Orkney or the Western Isles.



CIA members are committed to Responsible Care

Question 10.1: Do you agree with our proposals for the treatment of entry and offtake capacity release obligations, and capacity substitution?

CIA supports the fact that baseline capacity release mechanisms should enable baseline capacity to be allocated. We note that the proportion of capacity held back will only be 10%, but that short-term mechanisms for releasing capacity should be enhanced. The mechanisms for capacity substitution appear appropriate but we would like to see more detail before being able to offer support.

Question 10.4: Is it appropriate to propose an incentive on NGG NTS to release additional incremental flexibility over and above the flexibility baseline?

CIA believes it is appropriate to ensure that the system is operated in the most efficient manner, and that NG should offer flexibility above its baseline.