

## 1. General Remarks

- 1.1 The availability of secure and competitively priced gas and electricity supplies is absolutely essential to the success and sustainability of energy intensive manufacturing operations. Without these we cannot expect such industries to thrive in the UK.
- 1.2 OFGEM have clearly highlighted the (very significant) level of investment needed to meet the future energy requirements of the UK – along with the risks that that this is not delivered – and the impact of this on the competitiveness of industry and business. We share these concerns.
- 1.3 We are also concerned about the cumulative impact (on prices) of the various energy policies – a view shared by other major energy consumers.
- 1.4 Recent history gives clear evidence that these concerns are very real. While there has undoubtedly been investment in new infrastructure (for example LNG import terminals) other key infrastructure projects have not developed quickly enough – in particular gas storage remains at low levels with only a limited number of projects actually being constructed. We would highlight that over the winter just past, gas stocks were nearly fully depleted. Had it not been for strong LNG imports (likely a result of the global recession) then prices and security of supply may have been quite different.

## 2. Comments on specific questions

We have made some further comments in response to the questions posed.

### **Question 1: Do you agree with our assessment of the current arrangements?**

We generally agree with your assessment and believe there is already evidence to support it. We observe for example the lack of:-

- (i) liquidity particularly in the UK electricity market;
- (ii) gas storage and other key infrastructure development and
- (iii) product differentiation in nominally competitive energy markets.

### **Question 2: Are there other aspects of the current arrangements, which could have a negative impact on secure and sustainable energy supplies, or costs to customers?**

We would highlight:-

- (i) Planning – while there has been reform to the planning regime, it is still not clear how effective these changes will be and
- (ii) Large Combustion Plant Directive – without further extension to plant operations then there will almost certainly be additional CCGT build – decisions that will have an impact in the supply mix for the next 25 to 30 years.

### **Question 3: Do you agree that the five issues we have highlighted are the most important?**

We broadly agree.

### **Question 4: Do you have any comments on our description of what might happen if no changes are made to the current arrangements?**

Our key concern is the likelihood that the UK will become even more dependent on natural gas as the primary fuel supply.

### **Question 5: Do you believe that our policy packages cover a sufficient range of possible policy measures?**

We think these are sufficient. In our view, it is important that any changes lead to increased market simplicity.

We have no further comment.