

Dear Chris

Please find below response to the above mentioned consultation from SABIC UK Petrochemicals Limited.

BACKGROUND:

SABIC acquired Petrochemicals manufacturing assets at Teesside and established SABIC UK Petrochemicals Ltd in December 2006.

SABIC (Saudi Basic Industry Corporation) was established in 1976 and is now one of the top 6 petrochemicals companies in the world with total assets over \$79 billion and annual revenue exceeding \$27 billion. SABIC has 33,000 employees world wide and operations in more than 40 countries.

SABIC UK Petrochemicals site at North Tees is connected to CE Electric's NEDL electricity distribution system. The connection was established some 40 years ago. It is a substation supply 132kV/11kV referred to in your consultation as Class B1.

RESPONSE TO CONSULTATION:

We have been informed that if SABIC's North Tees electricity supply was reclassified from EHV to HV then our distribution cost £663K pa would increase to £1,483K pa from 1st April 2011 ie increase of 124%. This would have significant detrimental impact on the cost base and competitiveness of this site. Resolution of this boundary definition issue should allow for a smooth transition to a new tariff regime without price shock.

With our connection we are being fed to site at 11kV from a 132kV fed substation (Class B1). Our supply does not make any use of an HV distribution system and there can be no sense in charging on an HV basis. Resolution of this boundary definition issue should take into consideration whether there is any actual use of an HV distribution system.

In our case we have an 11 kV supply direct from a 132 KV fed substation to site, rather than 22kV or above supply. The 11kV was installed for reasons of cost and access. Care should be taken not to incentivise more costly connection of a new site solely for reasons of accessing lower tariff (eg if simply 11kV was HV tariff and 22kV was EHV tariff). Resolution of this boundary issue should avoid distortion of the technically best lowest cost solution for connection.

If options are taken forward which were to result in this site moving from EHV tariff basis to HV then we would be put in a position of having missed consultation on CDCM which was implemented in April this year. Creating such a situation of missing a consultation process should be avoided..

On a final note I would like to add that I attended the CE Electric EHV Distribution Charging Methodology Workshop on 5th July 2010 which was informative and inspired lively discussion. I was however disappointed that there was no representation from Ofgem to listen and respond to what is an extremely complex and detailed issue with potentially significant impacts on consumers.

Regards  
Keith Butler