

# Energy Intensive Users Group

British Ceramic Confederation  
Chemical Industries Association  
British Cement Association  
Major Energy Users Council  
UK Steel

British Glass Manufacturers Confederation  
John Hall Associates; Utiylx  
Confederation of Paper Industries  
Alcan; Anglesey Aluminium  
BOC; Air Products

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25 August 2010

Dear Rachel

## **Ofgem - Consultation on revised submission and implementation dates for the EHV Distribution Charging Methodology**

### ***Response from Energy Intensive Users Group***

EIUG<sup>1</sup> welcomes the proposal by Ofgem to revise the submission and implementation dates for the EHV distribution charging methodology.

EHV users need a stable pricing system that will enable them to plan ahead and give them the opportunity to respond to the cost signals resulting from the costing model. In the light of these needs, we requested the following in our response to the Energy Networks Association:

1. Timescales should be revised to ensure that what is implemented is a cost reflective system, on which users have been fully consulted, and which will be workable for them.
2. Substantial cost increases, if justified, should be phased in over a five-year period to enable businesses to implement the requisite projects and to respond appropriately to the signals being given by the model.

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<sup>1</sup> The Energy Intensive Users Group (EIUG) is an umbrella organisation that represents the interests of intensive industrial energy consumers and campaigns for secure, internationally competitive energy supplies. The intensive manufacturing sector has a critical role to play in a rebalanced UK economy; intensive industries in the UK directly employ 225,000 workers and contribute over £15 billion to UK GDP. To provide a strong foundation on which to rebuild our economy, it is vital that the UK remains a good place for intensive manufacturing to do business. Unfortunately, the EDCM charging structure has the potential to undermine the competitive position of a substantial number of UK intensive manufacturing businesses both in the short and longer term.

3. EIUG should have the opportunity to participate in this process going forward and represent the interests of its members.
4. As a consequence of the increasing localisation of the costs, coupled with the small number of EHV users, EHV customers have no idea of the volatility inherent in their cost prices and as a business cannot therefore plan or manage for these costs. Consideration should be given to fixing prices for a five-year period to give stability and certainty to users. Both DNOs and EHV users plan their infrastructure investment over the long term. In the light of this, it should be possible to create a stable cost price system that can achieve this objective.
5. A minimum of 120 days notice, rather than 40, should be provided for future pricing changes to enable businesses to budget properly.

Given the magnitude of the impact on EIUG members, we welcome Ofgem's move to provide more time in reviewing the EDCM pricing proposals. Our members look forward to helping to create a properly functioning system that does not have the potential to fatally damage industries using the EHV network.

We hope the increased timescales and greater engagement with consumers will help create a workable methodology going forward.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Elliott', written in a cursive style.

**Steve Elliott**  
**Chairman of the Energy Intensive Users Group**  
**Chief Executive, Chemical Industries Association**