TATA STEEL

TATA

29th November 2010

Demand Side Response Workshop – a consumer perspective

OFGEM DSR Workshop – a consumer perspective
Firstly, a message from my sponsor…

TATA

Who we are

– The world's 10th largest steel producer with annual turnover in 2009-10 of $23 billion
– Second largest steel producer in Europe
– Crude steel capacity of 18 mtpa
– Approximately 35,000 employees worldwide
– Major manufacturing sites in the UK, the Netherlands, Germany, France and Belgium
– One of the largest energy end consumers in UK
– Committed to combating climate change
– Proud members of the global Tata family

Power & energy product offering

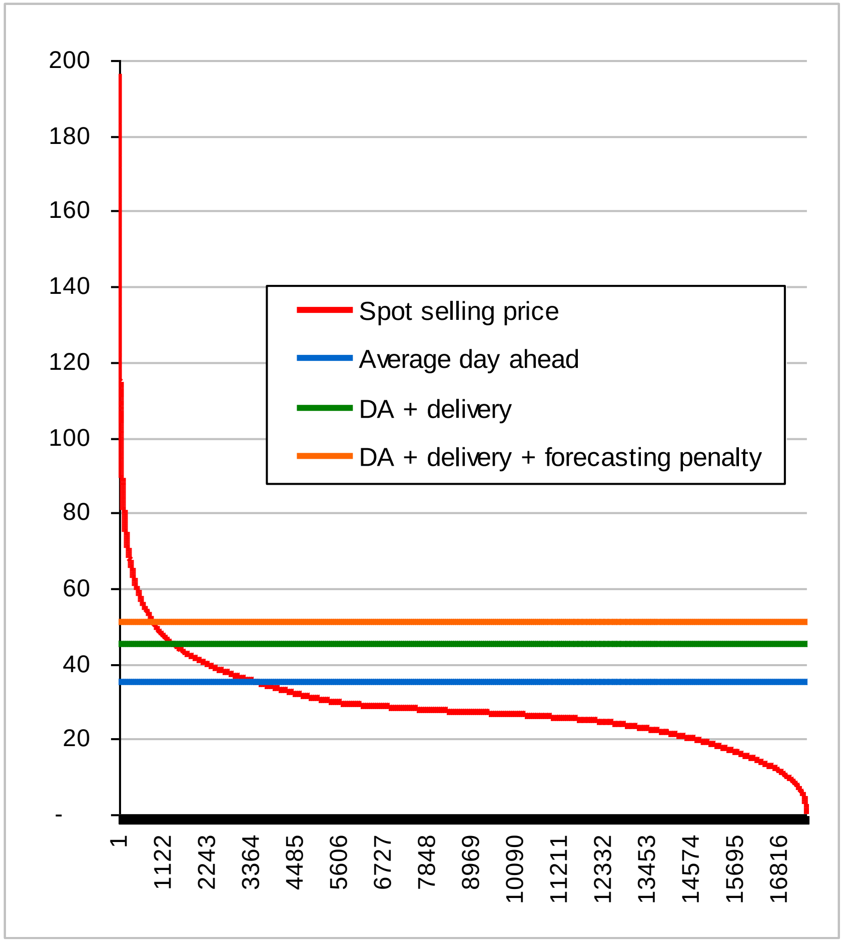
– A world leader in the most demanding pipe and tube products for the energy sector
– Global presence in electrical steels
– Offshore/onshore wind turbines – both steel and fabrication
– Photovoltaic coatings directly on steel
– High strength & special steels for conventional and nuclear power generation.

OFGEM DSR Workshop – a consumer perspective
The physical reality

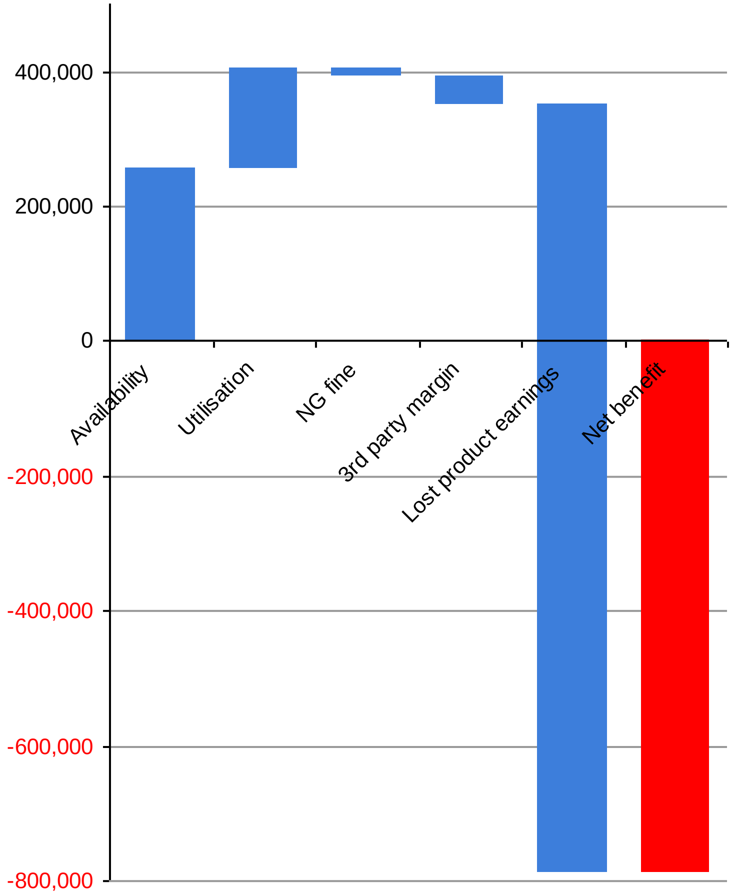
Making DSR happen in a steel making context

OFGEM DSR Workshop – a consumer perspective
The financial challenges

‘Actual’ prices vs system prices 09/10
£/MWh



STOR type example
£, 30MW, 138 days, every other call loses production*



* Assumes 2 calls every three weeks for 1 hour each, plus ramp time. Benefits are accepted tenders April – August 2010 less 10%
Sources: Elexon, Reuters, National Grid, Tata Steel

OFGEM DSR Workshop – a consumer perspective
What to do? Vague suggestions from a narrow perspective

- The I&C sector is not homogeneous and DSR capacity shifts over time
- Have we already got most of the I&C DSR we're going to get within current arrangements?
- You're going to need to aggregate a lot of offices / warehouses / fridges to replace a steel plant / aluminium smelter

- Longer lead time DSR products e.g. day ahead or 6 hours ahead
- Build a demand side 'layer cake' of response
- More flexibility on response times, reference periods and metering
- Simpler T&Cs
- License conditions on suppliers to facilitate or at least not penalise DSR
- Redirect the outer edges of renewables subsidies
- What about natural gas?