



## **CIA Response to OFGEM Consultation “Gas Security of Supply Significant Code Review- Demand Side Response Tender Consultation”**

The Chemical Industries Association (CIA) is the trade association and employers federation for chemical and pharmaceutical businesses located throughout the UK. The chemical and pharmaceutical industry contributes £20 billion per year to the UK economy, provides direct and indirect employment for over half a million people and is the UK’s number one manufacturing exporter. The chemical and pharmaceutical industry is energy intensive energy users and was the largest consuming industrial sub-sector (at 51TWh) in 2011.

The Chemical Industries Association welcomes the chance to respond to OFGEM’s consultation on ‘Gas Security of Supply Significant Code Review – Demand-Side Reserve’. Please see some general points below regarding CIA’s position:

- As the CIA has previously pointed out at Gas SCR stakeholder workshops our members are not interested in the proposals as they stand. While we do agree that firm customers should be compensated if their supplies are cut off in an emergency, the proposals as they stand are too complicated and our members simply do not have the resources to participate in a complicated auction mechanism to be compensated in a situation that may not even occur.
- Furthermore, many of our companies run large continuous processes and therefore do not have the ability to switch off or down at short notice. The priority for our members is to ensure that their gas supplies are not cut off during an emergency rather than the level of compensation for such an event.
- Although option fees may be attractive to the few members who may be able to participate, there is concern from the majority of members that these option fees will be smeared across the market and add to our members already escalating energy costs.

The feedback from our members is that this process is far too complex for them to even consider participating. Many members have stated that they are prepared to take the risk of not being compensated in a GDE rather than taking part in a complex auction. We would urge OFGEM to reconsider these proposals and revisit the old interruption regime which many of our members felt worked well.

We would also emphasize the importance of security of gas supplies over demand side response. In this respect we support the Government’s interventions to encourage increased supplies from the North Sea and the liberalisation of the EU energy market. We note that global supplies of liquid natural gas (LNG) are projected to increase in 2014/15. And we strongly support the urgent development of the UK’s significant shale gas reserves as this will be a key contributor to our future gas security.