

1 Introduction

The Chemical Industries Association welcomes the chance to respond to Ofgem's consultation on CMP224 Consultation on CUSC Modification proposal 224. CIA has ongoing concerns about increasing network costs and the impact these increases have on our members. We would underline the importance of minimising the impacts of increased charges on energy intensive industries that are unable to pass on costs because they are exposed to international competition.

At a high level, we are concerned with the following:

- Transmission network Use of System (TNUoS) charges are projected to increase 41% between 2014/15 and 2018/19 – this dramatic increase will have a detrimental effect on energy intensive industries whose TNUoS charges are recovered via the TRIAD system.
- It is becoming more difficult to predict TRIAD days and this unpredictability means energy intensive users are even more vulnerable to increased TNUoS charges. This increased unpredictability is neither beneficial for the consumer nor National Grid who are trying to balance the system.
- The current proposed modifications are concerned with limiting the amount the generator pays but there is no inclination to put a cap on the amount the demand element pays. Between 2000 and 2014/15, demand tariffs have more than doubled. If CMP224 is implemented the charges will have quadrupled between 2000 and 2018/19. At a national and EU level, there does not seem to be any concern for the rapidly escalating costs for the demand side.
- Although it is argued that the change in the split will be cost neutral, we are very concerned that the saving from the generator will not be passed onto consumers.
- There are currently three modifications concerned with transmission charges; however there is very little information available on how these interact and their impacts on half-hourly demand tariffs. It is important that demand users are aware of proposed changes and what impact these have on tariffs.

CMP224

CIA has some more specific concerns about the implementation of CMP224. We would urge Ofgem to not implement this proposal for the following reasons:

- The proposal is being driven by EU regulation 838/2010 which restricts the average transmission costs for generators. We would suggest Ofgem wait until ACER's opinion paper on the applicability of the upper limit for generators has been published before implementing CMP224.

- Ofgem are currently considering four proposals under CMP224. However, National Grid's Forecast of Network Use of System (TNUoS) tariffs from 2014-15 to 2018-19 only models the impact of the 'original proposal' for half hourly demand tariffs. This shows an overall increase of 62.05% (including impact of CMP213) between 14/15 and 18/19. This is a significant increase for demand users. It is not clear what the impact of the other three proposals (WACM1, WACM2 and WACM3) would be on tariffs and therefore it is difficult to meaningfully comment on these options.
- It is not clear what the impact of a shorter or longer lead time would have on HH demand tariffs so again it is difficult to comment on this question.
- It would appear that the interpretation of the legal text in the regulation 838/2010 has a significant impact on the cumulative transfer of costs from generation to demand. Based on the strict interpretation of the text, the transfer of costs ranges from £1306m to £1582m; however the broad interpretation of the text has a significantly smaller cost transfer from £20m to £107m. Therefore, if Ofgem are planning to implement these proposals, we would ask further clarity is provided on the cost impact to HH demand users.

Based in the uncertainties and lack of information for demand users, we would suggest that Ofgem not implement CMP224.