

CPI's response to Ofgem's consultation on CUSC Modification Proposal 224

The Confederation of Paper Industries (CPI) welcomes the opportunity to comment on CUSC Modification Proposal 224.

CPI represents the supply chain for paper, comprising recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers and makers of soft tissue papers. CPI represents 70 member companies from an industry with an aggregate turnover of £6.5 billion, 25, 000 direct and more than 100,000 indirect employees.

Paper manufacturing is inherently energy intensive, with energy generally being the highest manufacturing cost behind raw materials. Internationally competitive energy prices are critical to ensure a long term future for energy intensive industries in the UK. Increasing network costs and the impact on total energy costs are of particular concern. Government has clearly accepted the case that energy intensive industries cannot pass higher costs through to customers without risking competitive damage – indeed Government is busy offering compensation payments to many of our Members to offset the cost impact of the Carbon price Floor.

Accordingly projected increases of Transmission Network Use of System (TNUoS) charges by 41% between 2014/15 and 2018/19 is clearly of concern, this made more serious because predicting TRIAD days is becoming increasingly difficult.

While the proposals cap the amount paid by Generators, no such cap is proposed for electricity **Users**.

We note demand tariffs have more than doubled since 2000 and that if CMP224 is implemented the charges will quadruple between 2000 and 2018/19 – such changes are unreasonable. While the overall effect should be cost neutral, we note there is no guarantee that Generators will pass savings through to customers. Additionally the impact on consumers may not be evenly distributed nor is the actual cost impact of these proposals clear.

Accordingly we urge that CMP224 should not be implemented, certainly at this stage and not before the ACER opinion paper on the applicability of the upper limit for Generators is published and properly considered.



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CPI