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CIA | Chemical
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Working for chemical and
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Dear Frances

Charging arrangements for embedded generation

I write in response to your open letter of 29th July on charging arrangements for embedded generation.

The Chemical Industries Association (CIA) is the trade association for UK chemical and pharmaceutical businesses. The sector is the UK's number one manufacturing export earner and also the largest energy consuming industrial sub-sector - so energy related costs are critical to our international competitiveness.

Our members source one third of their electricity needs from combined heat and power generators (CHP). So we are concerned that Ofgem intends to accept energy industry proposals to remove the embedded benefit. This could significantly increase energy costs for some – by up to 19% - and risk the economics of not just of their CHP assets but also their sites.

The complete removal of this long standing incentive would therefore be extremely regrettable - particularly when these proposals are being made through the Connection and Use of System Code (CUSC) industry process in which most industrial manufacturers are not represented. It could also reduce the confidence with which companies can make business decisions in relation to the regulatory framework when – post Brexit – predictability will be more important than ever.

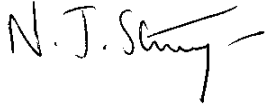
At the same time, many CIA members rely on conventional grid supplies for their electricity and we have for some time naturally been concerned about the increase in overall TNUoS charges.

We therefore believe Ofgem should accept the need for a more considered, comprehensive and formal review of transmission charging arrangements, so that the full range of potential impacts on



industrial co-generators and other stakeholders can be properly analysed and taken into account in the development of any subsequent reform proposals.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N. J. Sturgeon' with a long horizontal flourish extending to the right.

Nick Sturgeon
Energy and Competitiveness Director