

Frances Warburton
Ofgem
9 Millbank
London SW1P 3GE

23 September 2016

Dear Ms Warburton

Ofgem Review of Transmission Charges for Embedded Generation

We write in response to your Open Letter of 29th July on charging arrangements for embedded generation.

Tata Steel UK sits within the heart of UK industry. Its strategic importance and value to UK manufacturing supply chains cannot be underestimated. Our requirement for cost competitiveness is overriding and the effectiveness of our long-term planning depends significantly in this context on fair and clear energy market conditions.

Tata Steel UK is a significant demand responder and auto-generator with occasional spill onto the local power network.

Although it is not a central aspect of the Open Letter, we have significant concerns regarding the trajectory of transmission costs and the value-at-risk posed by their method of collection. The current regime not only imposes multi-million pound risk on our business but also constitutes an increasingly inefficient use of our significant but inherently limited responsiveness.

It is clear to us that the subject of transmission costs requires wider consideration than presented. We cannot support piece-meal review via the CUSC route. That route is inherently narrow in its scope and subject to the dominance of the significant resources of large market participants. We would therefore advocate a Significant Code Review. We make this recommendation in full knowledge of the scale of work that it would entail but believe strongly that it is the only means of providing an appropriate forum for a transparent and holistic review of the relevant issues.

Within the context of the level playing field to which you refer in the Open Letter it is important to consider the fact that our most energy intensive competitors in mainland Europe are exempt from those same network costs under scrutiny here. It should also be considered that Licensed Generators benefit from significant relief by virtue of European regulatory cap of Euro 2.50/MWh whereas industry relief from UK policy costs is capped at 85% of an increasing cost.

Alison Meldrum, Manager, Energy Supplies

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In summary, through a wider review of the transmission charging arrangements we require a regulatory framework which rewards the significant flexibility deployed by us and ensures that policy driven costs are set at levels that allow steelmakers to compete internationally.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Meldrum', with a stylized, flowing script.

Alison Meldrum