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Email to: Ofgem (fwp@ofgem.gov.uk)
From: British Ceramic Confederation

BCC RESPONSE TO OFGEM CONSULTATION ON FORWARD WORK PROGRAMME 2018-19

About the British Ceramic Confederation

The British Ceramic Confederation (BCC) is the trade association for the UK ceramic manufacturing industry, representing the collective interests of all ceramic sectors. Our 90-plus member companies cover the full spectrum of ceramic products and over 90% of the UK industry's manufacturing capacity. Membership of BCC is diverse including manufacturers of:

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|----------------------|------------------------|----------------------|
| ▪ Bricks | ▪ Clay Roof Tiles | ▪ Clay Pipes |
| ▪ Gift and Tableware | ▪ Floor and Wall Tiles | ▪ Sanitaryware |
| ▪ Refractories | ▪ Industrial Ceramics | ▪ Material Suppliers |

The UK sector (including suppliers to the industry) employs over 20,000 direct full-time employees, generates £2bn in annual sales and is an active exporter (around 25% of sales). Our membership comprises a range of mostly SMEs operating single manufacturing sites (~75%), through to larger UK-based and multi-national organisations operating multiple manufacturing sites.

The industry is energy-intensive (but not energy-inefficient) with energy costs making up to 30-35% of total production costs¹. Many of our members' production processes are based on high temperature and continuous production processes; and by virtue of the significance of energy to their overall costs, our members (and energy-intensive industries, EIs, in general) have already been driven to invest in, and maximise the efficiency of, their operations over several decades.

Consultation Response

As the regulator of gas and electricity markets, Ofgem's decisions affect the energy security and costs of businesses (and individuals) across Great Britain, both in the short and long-term. Therefore, it is vital that Ofgem take decisions that are proportionate and necessary, affordable, and are made on a fully informed basis which reflects best evidence available.

All UK ceramic businesses compete in fiercely competitive global markets and are at high risk of carbon, job and investment leakage. Therefore access to secure industrial energy supplies at internationally competitive prices are issues of critical importance to our members. One of Ofgem's primary aims is to protect the interests of Britain's gas and electricity consumers, thus while it may not be within Ofgem's direct remit, we strongly believe there must be an understanding and recognition of the impacts that Ofgem's decisions have on the international competitiveness of industrial energy consumers.

We note the two most relevant priorities to the ceramics industry in Ofgem's Forward Work Programme are "*Facilitating change in the energy system*" and "*Ensuring network companies deliver for consumers in a changing system*". For industrial users, matters relating to cost, security of supply, increasing / decreasing energy supply to sites, demand side response initiatives and decarbonisation of supplies are the issues of greatest interest. In the proposed programme, issues such as the RIIO framework, targeted and gas charging reviews are particularly relevant. In order to ensure that industrial energy consumers can fully engage with the review consultation processes, BCC would like to highlight the following.

¹ Composition and drivers of energy prices and costs: case studies in selected energy-intensive industries.
https://ec.europa.eu/growth/content/composition-and-drivers-energy-prices-and-costs-case-studies-selected-energy-intensive-0_en

Readily comprehensible communications

We welcome the improved format of the Forward Work Programme and the associated consultation, which is clear and well laid out. It is essential that this format continues to further develop for public consultations as it is essential that they can be sufficiently understood by a wide variety of audiences, from practitioners in the subject through to members of the public. In addition, the use of infographics and charts on Ofgem's website, with links to the supporting technical evidence, are useful. Ofgem should ensure that improvements continue through to more-technical consultations. We appreciate the difficulties of translating complex and technical issues to a wider audience; however it is vital, to ensure implications for our members (and other energy-intensive industries) are explicit and presented in a form that can be clearly understood.

Although energy is an essential commodity for business operations, manufacturing is our members' core day-to-day business. The feedback we receive from our members indicates that, for many, the relevance of current Ofgem communications is not immediately apparent and some are almost impenetrable, leaving end users struggling to understand their ramifications. Thus improvements are needed to make the communications more understandable to industrial end users.

As an SME-led manufacturing sector, it is more difficult, than for companies within the energy market, to: i) understand the consequences of Ofgem decisions, ii) to devote the resources required to monitor regulatory developments and iii) engage in the increasing volume of consultations. Nevertheless, these are vital as businesses and individuals are impacted by Ofgem's decisions and will be particularly important if substantial changes are made to energy networks in the future.

It is encouraging to see Ofgem intentions to "*continuing efforts to make our stakeholder engagement accessible, less burdensome and more representative.*" We hope that improvement of technical consultation documents includes succinct plain English summaries (setting out the key points of the proposals) which clearly indicate which stakeholders are likely to be impacted and how, and explicitly set out the (potential) implications. Reference to industry codes and other detailed and complex technical information should be minimised as many industrial end users are unfamiliar with their specific details.

Additional engagement with industrial end users

In addition to communication improvements, we believe that Ofgem should target consultations and communications towards those most likely to be affected and thus interested in shaping and developing policy. To help facilitate this, we believe that Ofgem should continue to foster increasing stakeholder engagement with industrial end users and their representatives (e.g. through the Energy Intensive Users Group (EIUG) and sector-specific trade associations).

In autumn 2017, Ofgem officials attended a range of ceramic manufacturing site visits in Stoke-on-Trent. These visits provide an opportunity to visit ceramic manufacturing sites and discuss the issues and their implications at first hand. We would welcome the attendance of additional officials at future visits, as well as further constructive dialogue.

Furthermore, we believe that Ofgem's existing Large Users Group (LUG) should enhance Ofgem's ability to give early alerts of emerging thinking on issues, as well as allowing industrial end users to gain a better understanding of the relative priority on the various areas of work within Ofgem's responsibility. Similarly, resurrecting the Small and Medium Users Group (SMUG) would allow engagement with a broader range of industrial stakeholders.

We think that continuing to improve the efficiency of communication and widening stakeholder engagement would improve the quality and quantity of feedback that Ofgem receives from industrial consumers into the policy development process. We trust that Ofgem will take these suggestions into consideration during the implementation of the Forward Work Programme in 2018-19. Please feel free to contact us if you require any more information.

Yours faithfully,

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