



**CHEMICAL INDUSTRIES**  
ASSOCIATION

**GB Transmission Charging:  
Use of System Charging Methodology Revised Proposals  
Consultation**

***Response by the Chemical Industries Association***

The CIA is welcomes the opportunity to respond to the latest version of National Grid's proposed GB Transmission Charging consultation. Our members are large electricity customers and we would like to ensure that the system operator provides a good quality and reliable service. The CIA would like Ofgem and National Grid to consider that BETTA will result in higher TNUoS and BSUoS charges on top of higher fuel prices, which has an adverse impact on our member's competitiveness and does not benefit the customer. CIA does not support the increase in demand tariffs, and would like to raise the following points:

- NGC's SO incentives have not yet been approved so the target cost for balancing the system are unknown, therefore, we are unsure of the exact level of Balancing Services Use of System (BSUoS) charges. However, we fear that the charges levied will rise due to the constraint of the Cheviot Boundary where the System Operator has stated that more balancing actions will be taken to ensure the safe operation of the system;
- CIA notes that all HH Zonal Tariffs will rise due to the methodology proposed by National Grid from between 1.96 to 3.16 £/kW. As the England and Wales methodology was changed to a shallow connection methodology we require further information on why there are such large increases for 2005/06. We note that National Grid seeks to recoup £1.07 billion from TNUoS and we ask that more information on the projects to invest in the Transmission System are published to the industry;
- we welcome the move away from a proposed generation/demand split of 10% and 90%, respectively. National Grid has chosen to maintain the current generation demand split of 27% / 73%. We hope that in future such radical changes will not be proposed and that discussions with electricity users will be carried out before consultation on any amendments to the generation/demand split. For the CIA, the biggest reason for the change would be that generators need to have a clear signal of where to build new capacity. The signal is diluted if the generators don't pay their share;
- we are very concerned over the timescales for the implementation of GB Transmission Charges and our members find the accelerated implementation unacceptable..

If you wish to discuss any of the above matters, please contact myself on 020 7963 6718.

Kind regards,

Helen Bray  
Utilities Policy Manager  
Chemical Industries Association

## **CIA Credentials**

The CIA is the leading representative and employers' body for the UK chemical industry, with 150 members at over 200 manufacturing sites. Within its membership there are a significant number of energy intensive - alongside smaller business - users of energy.

The chemical industry in the UK contributes over £5 billion annually to the country's balance of payments from a gross output of over £46 billion. It accounts for 2% of UK GDP; 11% of manufacturing's gross value added; employs some 230,000 highly skilled people directly and supports several hundred thousand jobs throughout the economy nationwide. It also provides a contribution of almost £5 billion to the UK national Government and local authorities and invests some £3.5 billion on R&D.

The industry is one of the most energy intensive sectors of the economy accounting for 6% of the nation's gas and electric consumption, and is manufacturing's largest consumer of energy at 22%. In addition to its consumption of energy for fuel and power, the industry uses energy as an essential feedstock for the start of many chemical processes, which add value to the basic raw materials. The industry's annual combined energy and feedstock bill amounts to an estimated £2.5 billion.

The Chemical industry is also heavily reliant on gas for its own generation requirements. A lot of this generation comes from Combined Heat and Power Plants (CHP). The industry now generates around 30% of its own electricity requirements, most of which is from CHP, and these plants have helped to contribute to the industry's continuing energy efficiency improvements.