

**BEIS Consultation: Energy Intensive Industries –
Exemption from the indirect costs of Contracts for Difference**

Response from the **Energy Intensive Users Group**

Question 1. Do you agree with our proposed definition of a new business? If not, what alternatives should we be considering?

EIUG agrees with the proposed definition of a new business.

Question 2. Do you agree with our proposed requirement that EIs notify us of changes that would affect their eligibility or the proportion of electricity they use that is eligible for the CfD exemption?

EIUG agrees with the principle that EIs should notify changes in eligibility or relevant changes electricity use. However, a four week threshold for notifying a suspension in activities would cover periodic major maintenance shutdowns on larger plant – and given that reconciliation will still be necessary at the end of each year, this would result in an additional administrative burden for no net benefit. We believe that the regulations should seek to differentiate between maintenance shutdowns and those occurring as a result of mothballing or partial cessation of a business. We therefore suggest a longer threshold would be more appropriate, probably within the range eight to twelve weeks.

We note that there are provisions for notification of over-exemption but not for under-exemption, although both of these outcomes are possible (e.g. in the event of structural changes). We therefore suggest there should be reimbursement provisions for under-exemption as well as recovery provisions for over-exemption.

Question 3. Do you agree with our proposed amendments to the issuing and expiry of EI certificates? If not, what alternatives should we be considering?

No comments.

Question 4. Do you have any comments on our proposed changes to the additional amendments to the regulations outlined above?

No comments.

Question 5. Which of the two options for recovering and redistributing over exemption do you prefer? Please set out your reasons. We welcome comment on how your preferred option could be improved.

EIUG believes that Option 2 (where EIs are directly required to repay any over-exemption) is likely to be more transparent, simpler to administer, and likely to be preferable overall. EIUG agrees that Option 1 (where suppliers are responsible for the relationship with EIs to receive exemptions) would expose suppliers to a credit risk for liability in the event that an over-exempted EI cannot recover

funds that could be reflected in higher supply costs and/or reluctance to offer supply contracts to EIs, and would be more problematic if also applied to the RO scheme.

Question 6. In paragraph 82 we propose three options for how we could calculate the over-exempted sum to be repaid. Which option do you prefer and why? What alternative approaches could we take? How do you believe the forecast or actual policy costs should be derived for options 'a' and 'b'?

EIUG believes option a. (using forecast policy costs) might be most appropriate where EIs are contracted to suppliers at pre-determined tariffs, but would be less so for others. EIUG believes option b. (using actual policy costs) is preferable provided it is deemed to be practical – it is likely to be the most cost reflective option, although we recognise that estimates may not be available for months after the end of an obligation year. EIUG agrees that option c. (using information from an EI's supplier) might be intrusive and burdensome for suppliers and difficult to audit in practice.