

Ofgem Forward Work Programme 2018-19

Comments from the Energy Intensive Users Group

The Energy Intensive Users Group (EIUG) represents the UK's energy intensive industries (EIIs) including manufacturers of steel, chemicals, fertilisers, paper, cement, lime, glass, ceramics, gypsum, aluminium and industrial gases. These industries depend on access to secure, internationally competitive energy supplies to remain in business.

EIUG welcomes the focus in Ofgem's Forward Work Plan (FWP) on activities aimed at delivering enhanced system security and lower system and network costs, all which are of critical importance to industrial energy users.

As Ofgem is already aware, EIUG members are especially concerned about network costs, which are significantly out of line with those paid by EIIs elsewhere in Europe and set to become even more so, especially for industrial load managers and CHP operators. The causes are complex and relate both to the level of overall network costs and their allocation, to be addressed through the RIIO2 and TCR processes respectively. Ofgem is right therefore to prioritise these processes and ensure adequate time is allocated to related activities, including stakeholder consultation, during 2018-19. EIUG would strongly recommend that the latter should include allowance for liaison with BEIS, noting the need for the RIIO2 and TCR processes to deliver outcomes that are appropriately aligned with the government's industrial policy objectives.

EIUG recognises that major network and interconnector investment will be necessary to deliver environmental objectives and ensure future security of supply, but it is only right that this is achieved at least cost to consumers. We therefore welcome Ofgem's commitment in the FWP to develop alternative competition models for transmission networks, and to review the cap and floor interconnector regime to see if further rounds are desirable.

EIUG has been encouraged by the work Ofgem, BEIS and the energy industry have carried out ahead of Brexit, including contingency preparations to ensure continuity in energy trading in the event this takes place without a reciprocal deal. We are reassured to see that the FWP identifies Brexit preparedness as a key activity for 2018-19. We trust Ofgem is ready to devote whatever resources are necessary to address this matter as circumstances develop ahead of the Brexit date.

Finally, EIUG welcomed the publication of Ofgem's first State of the Market Report last year and the useful information it contained on competition and security of supply. We are pleased therefore to see State of the Market Report for 2018-19 highlighted as a key activity in this FWP.