

## **Progress of DTI's Gas Market Consultation**

We are writing to express our dismay at the apparent lack of progress in response to the DTI's consultation into gas prices possible improvements to market efficiency.

EIUG brought its concerns about the gas market to DTI's attention in the summer of 2000 as wholesale prices began to rise. We pointed out that the step change in gas prices that had occurred would increase production costs for energy-intensive industries by around £500m pa, and estimated the impact on other manufacturers and the public sector would be of a similar order of magnitude. We received a sympathetic hearing at a meeting with your predecessor early in 2001, attended by Jonathan Shaw MP, and were assured that government action would shortly follow.

We therefore welcomed the subsequent announcement of a European Commission investigation into the operation of the interconnector, but were disappointed that the outcome appeared inconclusive (so far as it could be discerned from the brief press statements released a year later). We also welcomed the DTI consultation announced last November, arguing in our response for an OFT investigation into the state of competition in the wholesale market. But nearly a year later, and seven months after the consultation period, we have yet to hear any official announcement as to the outcome.

Concerns about progress of the consultation were raised at a meeting on 22 July between yourself, Dr Ashok Kumar MP and representatives of Terra Nitrogen. We understand that assurances were given that DTI would be getting on top of the situation as a matter of urgency. We were therefore astonished to learn at a meeting with John Havard and other DTI officials on 25 September that actions identified at the 22 July meeting have not been carried out, and that no assurance could be given as to when the process was likely to conclude.

In the light of this, it is difficult to resist the conclusion that the consultation has merely been the latest in string of initiatives designed to 'kick the ball into the long grass', as one steel-maker put it, whilst fundamental problems remain unaddressed.

I would dearly like to be able to inform our members that DTI has addressed their concerns – that problems in the gas market have been identified and remedies are being implemented (or indeed that, after appropriate investigation, the gas market has been given a clean bill of health). You will appreciate that in the absence of a clear conclusion or plan of action, it is impossible for me to give such an assurance.

When can we expect to hear an announcement on this matter?