

BOC GASES (BOC) RESPONSE TO NGC CONSULTATION ON CCM-M-07, “PLUGS”

1. INTRODUCTION

BOC has owned and operated industrial gas producing plants in England and Wales for many years and presently operates six very large complexes with an annual consumption approaching 2TWh making BOC amongst the very largest industrial electricity customers in Britain.

The production of industrial gases by air separation is a very energy intensive and the electricity required to drive the process can be considered our raw material. The level of electricity prices is thus of the utmost concern to BOC and its customers many of whom such as those in the steel and chemical industries are battling to survive in tough global markets. Therefore access to internationally competitive electricity prices are vital.

BOC does not have objections to the broad principle of Plugs provided 1) OFGEM agrees with NGC that the new methodology more nearly achieves the objectives set out for it namely: -

- Simplicity
- Transparency
- Long term robustness
- Improved visibility of contestability
- Consistency with regulatory vision;

And 2) BOC is not disadvantaged by way of higher costs.

1. SPECIFIC COMMENTS (USING NGC PARAGRAPH NUMBERING)

4.1.2 Generation Only Spurs

BOC does not agree that the generation only spurs should be transferred to infrastructure. These spurs are used by specific generators then they should be paid for by them, this is cost reflective. New generators have choices to where they locate and can as part of their planning inform themselves of the situation relating to any spurs. BOC supports leaving the present charging methodology unchanged.

5.1.2 Reduction in Distribution Network Operator (DNO) cost pass through concern

NGC mentions it recognised the concerns expressed by users that there did not appear to be a mechanism by which DNO's would be required to pass through the benefits of lower connection charges to their customers through DUoS charges. NGC stated that such issues were ultra vires.

BOC was one of the respondents raising this point and we now understand from OFGEM that it is a licence condition that DNO should pass through changes in NGC connection charges into DUoS charges. BOC's concern is therefore now primarily focused on the treatment of the particular rather than DUoS charges in aggregate. BOC's particular concern is the effect on EHV charges at its large power consuming plants and we would not wish to have the net sum of our TNUoS and DUoS charges increased as a result of the Plugs modification.

Also EHV charges are outside the DNO regulatory cap and BOC's option for redress of any perceived unfair charges or application of charges is via an OFGEM determination which can be a lengthy process.

BOC has discussed with some DNOs (via its suppliers or directly) the predicted effect of lower Connection charges on BOC's DUoS charges. There remains a degree of uncertainty in how these would pass through and no firm figures are available. BOC believes that the DNOs in question have been as helpful as possible. From a BOC viewpoint the indicated increased NGC demand tariff is much clearer than any reductions via DUoS charges which may or may not balance out.

BOC wishes OFGEM to bear this in mind when considering its right to veto the modification.

Hugh Mortimer, 9 October 2003