



**CHEMICAL INDUSTRIES  
ASSOCIATION**

1<sup>st</sup> October 2003

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Dear Mr Thomason,

I am writing in response to the Consultation Document 'Modification Proposal to the Use of System Charging Methodology' issued by NGC on 12 September 2003. Given the chemical industry's position as the largest industrial electricity user, accounting for some 6% of UK supply, and the high degree of load management carried out by chemical companies in response to the Triad incentives, the CIA continues to take a keen interest in these reforms. I have already set out our arguments in my letter to you of 31 July 2003, and do not intend to repeat them here. However, to recap, our position can be summarised briefly as follows:

- CIA supports the idea of reducing the connection charges to the Grid where this can bring competition in supply;
- We are concerned that if TNUoS charges increase, as a result of the above, there remains no obvious process to pass the concomitant reduction in distribution charges back to customers;
- We do not support the proposal that only 90% of TNUoS will be avoidable via Triad Load Management. We continue to believe that such changes will not better the current incentives to manage peak demand. Moreover we strongly believe that the triads remain as one of the few signals that demand-side players can respond to simply and flexibly. We do not support any proposals to weaken this signal, especially at a time when there is a renewed emphasis on demand-side flexibility;
- We question the benefits of altering the charging methodology prior to the introduction of a GB wide electricity market under the BETTA project.

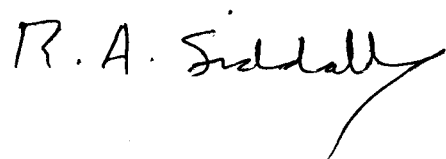
We were disappointed that, despite the balance of respondents not being for the changes, NGC has chosen to pursue them. We acknowledge the effort put into explaining NGC's position, particularly with regard to responding to the concerns raised in the July 2003 initial consultation. However, we do not find the arguments sufficiently



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compelling to be convinced of the necessity of the changes or that they should be carried out at this time.

I trust this input is useful.  
Yours sincerely,

A handwritten signature in black ink that reads "R. A. Siddall". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Robert Siddall  
Utilities Policy Manager



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