

██████████
Department of Energy and Climate Change
Area 4C
3 Whitehall Place
London, SW1A 2HD

22 November 2010

BY EMAIL

Dear Mr ██████████

Thank you for the opportunity to respond to the "Consultation on the Implementation of the "Citiworks" Ruling".

Tata Steel, as both a large energy consumer and a leader in internationally competitive markets for its products, is a strong supporter of choice in energy markets. We equally strongly support only proportionate and equitable legislative interventions. Therefore we welcome the largely pragmatic and sensible balance struck in the consultation. However, there is considerable potential complexity in the detailed implementation of what is proposed.

Many industrial energy grids in the UK have arisen more out of accidents of industrial evolution (i.e. massive single owner industrial complexes being reshaped and split over multiple ownership) than explicit greenfield design. Heavy handed regulatory intervention in these grids would not, we feel, be proportionate to the circumstances in which they operate – as recognized by the exemption regime today. Indeed, such interventions would undermine the synergies these grids deliver, further undermining the competitiveness of UK industry.

In response to the specific questions posed in the Consultation:

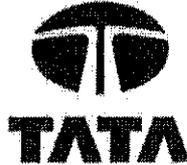
Do you have any views or concerns on how Government intends to apply third party access requirements to licence exempt distribution networks?

The opening of 'choice' is an important principle and one we fully support, providing that the burden of implementing such choice is not imposed on the current provider. In many cases the current incumbent is a default grid operator through whom the collection of assets attached to the grid. The incumbent operator is unlikely to be, or want to be, an energy grid operator and does not have the systems and manpower to perform such a role in a quasi market way. The requirement for half-hourly registration and settlement embedded in 'choice' being triggered requires a complex metering operation, both physically and administratively.

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We therefore welcome the fair proposal that the costs of any change of operator are borne by the customer triggering the change. You rightly pick out metering as an issue, but we would also highlight potential reinforcement issues as well. In addition, the contractual relationship and balance of any liabilities between the network operator and the 3rd party supplier to the embedded customer needs careful consideration.

It is absolutely right that the customer, current operator and new provider work closely together in any new connection work as there will be important safety protocols to be aligned.

The current grid operator should also not incur a significant regulatory and / or administrative burden as a result of the embedded consumer triggering 'choice'. Some of the proposed measures (e.g. the preparation of separate accounts for the operation of the distribution network to calculate use of system charges and the intervention of OFGEM in tariff setting) could be disproportionately onerous and we'd encourage that the generally pragmatic approach apparently favoured by the consultation is maintained into the detail of the implementation.

Do you have any views or concerns on how Government intends to apply these Third Package requirements to licence exempt undertakings?

Retaining licence exemption status is an important reaffirmation and we welcome this in regard to the specific implications of the Citiworks ruling and the broader consideration of the 3rd Package measures. We would reiterate our general observations made above about making requirements as appropriate as possible for incumbent operators who are not generally energy grid specialists. On the specific point of a three-week period to switch suppliers, we would question if such a short period were achievable in practice and would be particularly concerned about the safety implications of making a major change in such a short space of time.

We would of course be please to follow up on any of the above points if you feel that would be helpful.

Yours sincerely

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UK Energy Contracts
Tata Steel Europe