



**CHEMICAL INDUSTRIES
ASSOCIATION**

18th March 2003

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Dear Dr Marshall,

Electricity Generation Standard Licence Condition 18

The chemical industry is the largest user of electricity in the manufacturing sector accounting for 20% of industrial electricity usage, which is approximately 6% of total UK supply. The sector uses some 20,000GWh of electricity annually, much of which is purchased from electricity suppliers at a cost close to £450m. We therefore welcome the opportunity to comment on Powergen's request to disapply from the Electricity Generation Standard Licence Condition 18.

The Chemical Industry Association accepts Powergen's argument that SLC 18 has inequitable aspects and we recognise that some change should be made to the Licence. We therefore acknowledge OFGEM's suggestion (as stated in point 2.21 of the consultation) to "accept one of Powergen's disapplication requests" which are established in Options 1 and 2.

Option 1 would result in a complete disapplication of SLC 18 for Powergen, leading to a reduction in regulatory control and equality throughout the generation market. However, we are worried that a complete reduction in such regulatory control could allow large-scale generating companies to exploit the market through limiting availability of output thus endangering security of supply.

Whilst we understand that OFGEM still have power, through the Competition Act 1998, to investigate any anti-competitive behaviour, for example abusing a dominant position by limiting availability and output; as OFGEM states in Point 3.23, "neither the Competition Act 1998 nor the information provision conditions completely replicate generators obligation under SLC18."

We, therefore, believe Option 2 would be the most beneficial to the market as a whole. It would provide Powergen certain equality and freedom within the generating market, whilst maintaining a level of regulatory control allowing OFGEM to continue to monitor the market and thus ensuring security of supply.

I trust these views are helpful and shall be pleased to discuss any aspects in greater detail

Yours sincerely,



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R. A. Siddall

Robert Siddall
Utilities Policy Manager



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