



## CHEMICAL INDUSTRIES ASSOCIATION

**National Grid Transco - Potential Sale of Gas  
Distribution Network Businesses. Final Impact  
Assessment.**

**November 2004. 255/04a**

***Response by the Chemical Industries Association***

### **Gas DN Sales Consultation**

- CIA remains to be convinced that the sale of Transco's gas distribution networks will result in benefits to gas consumers.
- We are unsure how much can be gained from comparative regulation and how this will be passed through to end-users.
- CIA is concerned with the pace at which reform is being progressed, especially with respect to the exit regime. We request that any amended business rules are assessed to ensure that they are robust and non-discriminatory. CIA, like most of the gas industry, believes that exit reform should not be treated as a 'gateway issue', although some changes to the arrangements are inevitable.
- We require assurance from Ofgem that the new DN owners will not compromise service or investment to make savings.
- We would like to see further detail on the compensation which could be offered to consumers if the DN sales failed to produce the anticipated benefits, for instance, the customer safety net.

### **CIA Credentials**

- The CIA is the leading representative and employers' body for the UK chemical industry, with 150 members at over 200 manufacturing sites. Within its membership there are a significant number of energy intensive - alongside smaller business - users of energy.
- The chemical industry in the UK contributes over £5 billion annually to the country's balance of payments from a gross output of over £46 billion. It accounts for 2% of UK GDP; 11% of manufacturing's gross value added; employs some 230,000 highly skilled people directly and supports several hundred thousand jobs throughout the economy nationwide. It also provides a contribution of almost £5 billion to the UK national Government and local authorities and invests some £3.5 billion on R&D.
- The industry is one of the most energy intensive sectors of the economy accounting for 6% of the nation's gas and electric consumption, and is manufacturing's largest consumer of energy at 22%. In addition to its consumption of energy for fuel and power, the industry uses energy as an essential feedstock for the start of many chemical processes, which add value to the basic raw materials. The industry's annual combined energy and feedstock bill amounts to an estimated £2.5 billion.

- The Chemical industry is also heavily reliant on gas for it's own generation requirements. A lot of this generation comes from Combined Heat and Power Plants (CHP).