



**MAJOR
ENERGY
USERS'
COUNCIL**

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Dear Paul,

RESPONSE to GD17 CONSULTATION DOCUMENT

Thank you for the opportunity to comment on your GD17 Consultation Document and apologies for this somewhat late response. Hopefully it will still be considered as an official response especially as we are in general agreement with the thrust of the document.

The Utility Regulator is to be commended for this piece of work which is both exhaustive and technically challenging. Many of the detailed argument contained within the pages are outside our area of expertise so we will restrict our response to some general comments and points of interest.

WIDER CONSULTATIONS

We are appreciative of the level of consultation in GD17 with consumers, the industry and other stakeholders, certainly a much improved process from GD14. We are also impressed with the use of "double checking" agents in the form of other UK regulators and the benchmarking activities across other GB gas transportation operators. The inclusion of these external experts should add some balance and standardisation to the final determination.

PRICE REDUCTIONS

We are pleased that your proposals will in effect bring price reductions to all class of customers. It would have been more encouraging to see some typical reduction ranges quoted for small, medium and large customer based users. We appreciate that GDN's can apportion costs across the customer base in a weighted approach but an indicative impact on business users would still be a useful guide for our members in their annual budgeting activities.

PAIN GAIN LIMITATIONS

We agree with your approach to limit any over and under recovery of the cost of debt to a +/-20% pain or gain cap. This should dilute future price shocks to customers if plans are not realised by the providers.

FORECAST HORIZONS & UNDER-RECOVERY

You mention the possibility of moving the Firmus Energy Forecast Horizon from 2035 to 2045. We agree with this suggestion so that tariff can be smoothed over a longer time period. We do not accept the argument that future customers will be disadvantaged by this move. Environmental and commercial considerations will always take precedent in the plans of consumers and the reducing global linkage between oil and gas commodities we believe will provide the necessary stimulus for good decision making. Of course the issue can always be re-visited in the GD23 price control should this gas/oil linkage strengthen rather than weaken..

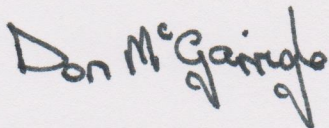
We also welcome the treatment of FE under recoveries and the proposal to reduce the rate of return from 2017.

VOLUME CHANGES

Your volume calculations from 2017 - 2022 suggest a 20% increase over the period. It is unclear whether these figures include the significant gas reduction volumes associated with the closure of JTI and Michelin. The figures indicate a static situation for large users but a reduction in gas volumes will only be apparent in 2017.

Thank you again for the opportunity to comment on this extensive document. We hope our general comments are supportive and encouraging as you move into the final stages of the Consultation.

Yours faithfully



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