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Dear Julian

Representation in response to Modification Proposal 0088: 'Extension of DM service to enable Consumer Demand Side Management'

Thank you for the opportunity to respond to this Draft Modification Report (DMR).

Whilst being generally supportive in relation to the aims of this Proposal, National Grid NTS does not believe that the benefits of this Proposal have yet been proven and therefore is neutral as to whether or not the Proposal should be implemented.

National Grid NTS offers the following comments:

- We are concerned that the proposer has provided little information about the likelihood or magnitude of utilisation of the proposed new regime. Therefore the benefits and the level of additional demand side response that could be seen under the proposed arrangements are as yet, unknown. This obviously makes it difficult for us when weighing up the potential benefits versus the costs of implementation which we understand could be in excess of £500,000. In addition, if there is 'extensive' participation in the new regime, should the Modification Proposal be implemented, further systems costs of unknown magnitude could also be incurred.
- National Grid NTS is supportive of initiatives which seek to encourage wider consumer participation in the efficient and economic operation of the gas regime. However, we are disappointed that the Modification Proposal specifically excludes some arrangements that are currently required for Daily Metered sites which allow consistent real-time monitoring of these sites during a Gas Deficit Emergency by the relevant Transporter and the NEC.

As stated in National Grid's Safety Case, sites can be classified as 'protected by monitor' or 'protected by isolation' for the purposes of calculating the GSMR Safety Monitor. For sites to be classified as 'protected by isolation', they must have within day monitoring capability. National Grid NTS believes that to achieve maximum benefit from this Proposal, the business rules should have included the requirement to provide the same level of operational information as that

provided by the current Daily Read Equipment. Utilising the equipment in this way would enable reclassification of these new Automated Meter Reading (AMR) sites as 'protected by isolation' thereby reducing the GSMR Safety Monitor levels and decreasing the probability of a GSMR Monitor Breach Emergency.

However, whilst these new AMR sites may not actually take gas in the event of an emergency and hence benefit under the new arrangements provided for by this Modification Proposal, there are no requirements for them to "report" their flow or demand information within day and therefore the sites would remain classified as 'protected by monitor'.

- National Grid NTS has concerns that the business rules do not include any obligations, or indeed incentives, to ensure that reads for these new sites are submitted on a daily basis. On days where fewer reads are submitted, the NDM demand forecast has the potential to vary significantly from actual demand on the day. National Grid NTS has recently been incentivised to improve the accuracy of national demand forecasts and we are concerned that this Proposal has the potential to affect the ability of DN's to forecast their outturn daily demand figure and for this in turn to effect the NTS end of day offtake. This in turn may adversely affect our demand forecasts and cause us to incur liabilities in this area which are beyond our control.
- National Grid NTS recognises that AMR and other smart metering technologies are becoming increasingly popular amongst suppliers and consumers. In order to make best use of this new equipment for the benefit of the industry as a whole, National Grid NTS believes that there would be value in Ofgem completing a comprehensive Regulatory Impact Assessment (RIA). The conclusions of the RIA could underpin further developments in this area. In this way, a more holistic view could be taken of the opportunities and benefits that this new technology has to offer, rather than addressing individual issues in a piecemeal fashion.

In summary National Grid NTS supports the development of smart metering technologies but would not like to see the potential benefits of such technologies being limited. We would also be concerned if the industry were to commit to building IS systems capable of facilitating the expansion of these services only to find that the take up of these services is minimal. Establishing some basic minimum industry agreed service / information provision requirements from AMR sites may go some way to reducing the IS costs involved in providing the flexibility to opt in and out of providing this information.

Please let me know if you require any further information to assist in the preparation of the Final Modification Report.

Yours sincerely

Ritchard Hewitt