



Mr J. Majdanski
Secretary, Modification Panel
Joint Office
National Grid Gas

Centrica Energy

Millstream East
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Tel. (01753) 431059
Fax (01753) 431150
Our Ref.
Your Ref.

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Dear Julian,

RE: MODIFICATION PROPOSAL 0088 – “Extension of DM service to enable extension of consumer demand side management”

Thank you for the opportunity to comment on the above modification proposal.

British Gas Trading (BGT) offers qualified support for this proposal.

In the context of the immediate market climate of mild weather conditions, and timely and apparently reliable delivery of new gas supplies, the pressure on demand side response has eased in the very short term. However, we believe that it will continue to be an important tool for system balancing and supply security in the longer term.

We believe that this proposal is based upon a sound underlying concept, that being to extend the opportunity to take part in the interruptible market to a much larger group of end users than is currently the case. Further, this opportunity will be offered without the need for extensive or costly investment on the part of consumers.

Not only will this facilitate an increase in the overall population of consumers able to participate in demand side response, but it should also lead to an easing of the interruption risk particularly faced by very large daily metered users, who may require a much higher price for interruption than some other users.

The qualification for our support, however, results from two main aspect of this proposal. First, during the development of this proposal, concerns were raised about the costs of implementing a workable system. To date, no robust figures are available to facilitate any kind of assessment of the likely cost vs benefits resulting from this proposal.

Second, we have concerns around the treatment of any variance uncovered between an automated and an actual meter reading. In particular, the proposed threshold of 50,000kWh before resynchronisation is required could, in the event of large scale take up

of this proposal, involve significant quantities of gas. This may be detrimental to the industry as a whole.

To a lesser extent, we also believe that there are certain aspects of this proposal that require further clarification, for example certainty around the change of supplier process where AMR equipment is installed.

To the extent that the above benefits – an increase in the volume and flexibility of demand side response – reduce interventions by the residual balancer, we would consider such an outcome to further the relevant objective under A11(a), the efficient and economic operation of the pipeline system.

As an aside, we believe that there is also a broader principle at stake – that being a willingness on the part of the industry to embrace developments in new technology, in this instance AMR, where these can be proven to be beneficial to the industry and ultimately to customers. Whilst this particular development may not be directly relevant to the domestic market, it could nevertheless serve as a proving ground, and set an important precedent, for the ongoing moves within that market towards AMR and smart metering in general.

Please don't hesitate to contact me if you have any queries about this response.

Yours sincerely

Chris Wright
Contracts Manager