

Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3QJ

22 December, 2006

Dear Julian

Re: Modification Proposal 0088

Corona Energy ("Corona") wishes to submit the following in response to the above modification proposal.

Introduction

Corona supports the implementation of this Modification Proposal as we believe that it better fulfills the relevant objectives. Changes to the UNC that improve the efficiency of the gas supply chain by encouraging best use of data flows to manage the network should be encouraged. This modification recognised the role that AMR is likely to play in the market going forward and allows transporters, shippers, suppliers and customers to capture these benefits to the benefit of all.

Modification Report Sections

The draft final modification report does not fully capture the benefits that AMR technology will bring to end consumers. Both Ofgem and DTI are keen to encourage the uptake of smart metering technology as it provides customers with consumption information that allows improvements in energy efficiency measures, an important contribution to meeting the UK's carbon reduction targets. Any measures that improve the efficiency of energy use as well as supply should be seen as meeting the intent of the relevant objectives, i.e. to meet the needs of UK gas customers.

In light of recent concerns about system security, we believe that the modification will provide information to all parties that would make management of the system in times of system stress more efficient. AMR equipment will make it easier for customers to participate in demand side management and would allow additional products to be developed by both shippers and transporters to encourage further customer participation.

Sites are more likely to undertake load management on days of system stress when the information is available to allow well-targeted reward.

Better Facilitation of the Relevant Objectives

A11 (a) the efficient and economic operation of the pipe-line system

The efficient and economic operation of the system will be enhanced by the system operator having access to better demand forecasts. Shippers will also improve the efficiency of their own balancing by being encouraged to use AMR equipment. Finally, customers who have AMR equipment installed may be able to reduce their energy bills by not only by managing their demand on a daily basis, but also through using the information gained from AMR to instigate energy saving measures on their

sites.

A11 (c) the efficient discharge of the licensee's obligations

The transporters will be able to discharge their responsibilities more efficiently with increased information on daily gas flows, both in terms of system balancing and by better understanding of daily gas flows that will feed into investment and charging decisions.

Corona also agrees that the increased information will mean the demand forecasts produced by the transporters are likely to improve, which will further improve the overall efficiency of the system operation for all players.

A11 (d) the securing of effective competition between suppliers and shippers

Better information on customer load profiles will allow shippers to develop different types of contracts enhancing competition in the supply of gas. As noted above services to different customer groups should also be developed by the transporters.

A11 (f) efficient implementation and administration on the UNC

While we recognise that there are costs associated with the implementation of the modification, we believe these costs will be more than outweighed by the benefits from improved information for all parties. Corona also believes that the ability of transporters to correctly set and bill transportation and energy balancing costs will be an improvement in the operation of the UNC. Furthermore shippers will also be able to correctly bill customers with increased uptake of AMR technologies, which the UNC is designed to support.

In the longer term, Corona believes that to further improve the administration of the UNC the transporters may need to invest in new systems to allow for greater numbers of read submissions. This should be considered in light of market developments to make sure that the benefits offered by the modification are not limited by the systems that underlie the UNC.

Advantages of the Modification Proposal

The modification will improve the efficiency of the market to the benefit of all parties, notably end consumers.

Disadvantages of the Modification Proposal

We can see no disadvantages from the implementation of the modification. The indicative costs given by xoserve look minimal compared to the potential benefits that the modification offers.

Yours sincerely

James Crosland
Industry Analyst