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Extension of DM service to enable Consumer Demand Side Management
Modification Reference Number 0088

Dear Julian,

On behalf of RWE npower, I would like to thank you for the opportunity to respond on Modification Proposal 88.

This proposal has potentially far reaching implications for the future development of how the market operates and the roles of the participants within that market. We have participated in the development when possible, as we support all opportunities to introduce innovative technology. Whilst we support the principal behind this proposal it is with regret that we have to qualify our support.

Our principal concern is that it is not clear if the potential benefits to some users will out weigh the costs of developing the systems and processes. This proposal will undoubtedly bring benefits to a relatively small section of the market. We endorse the view of the report that a cost benefit analysis should be undertaken and that this may be best conducted by Ofgem in the form of a Regulatory Impact Assessment. It is only when we have robust figures for costs and likely benefits that a more soundly based decision can be made as to support or not the introduction of this development. It is unfortunate that the figures provided by xoserve have a large uncertainty factor; however, they do give Users a ball park level of costs. Analysis by the proposer of the scale of savings that might have been made over the last winter would have been helpful to us in our deliberations.

There are other matters relating to AMR equipment, which whilst not strictly related to this mod but nevertheless will affect the proper change of supplier process that need clarification. These are:

- Will the Remote Metering Reading Equipment be subject to minimum specifications and standards?
- As comms equipment will be part of the meter equipment what implications will there be for the change of Supplier process?
- How will the incoming Supplier be able to manage the transfer of the Telecommunications equipment, will this be an integral part of the Change of

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Supplier Process or a separate arrangement? This process needs to open and transparent otherwise it will inhibit competition.

- What should be the governance arrangements for the treatment of Mobile comms? Should they be within the UNC or SPAA ?

We have a few concerns about some of the detail within the report and for ease of identification I have, where appropriate, include the report text (in italics).

3.0 Submission of Meter Readings

3.2. As the majority of these sites are currently monthly read NDM sites it seems appropriate that Shippers are required to submit two consecutive reads at least once every 4 calendar months, and must submit at least two consecutive reads every calendar month for at least 90% of the DM(AMR) meters for which it is responsible. (This is identical to the current must read rules for such sites who are monthly read sites).

One of the advantages of AMR is that reads can be obtained more easily and more frequently. If MPRNs are to be daily profiled the RbD sector should not have to wait that long to have these sites reconciled. Also submitting reads this long after the event is unlikely to improve Transporter ability to manage the system. If AMR technology is that reliable then the timescales ought to be much shorter, such that Shippers have to submit two consecutive reads at least once every 2 calendar months.

3.5. If a User fails to satisfy these requirements then the Transporter will procure a meter reading and the User will pay the costs incurred for procuring that read.

Under such circumstances we believe that the Supply Point should have its energy allocated to it according to its profile as if it were an ordinary Larger Supply Point.

3.9. A site will have its AQ derived from two meter readings 12 calendar months separate. If no meter reading is available for the applicable days, then the Transporter's agent may use any two meter readings no more than 13 and no less then 11 months separate. If still no suitable meter reading are available the previous AQ will be used.

An alternative could be that once the Supply Point has been a DM(AMR) site for a full year then use meter reads that are 365 days apart to determine its AQ.

5.0 Reconciliation Process

5.3. When a Shipper submits a read to xoserve that can be verified as a Meter Reading derived from visual inspection and the variance between this meter reading and the system meter reading exceeds 50,000 kWh then a resynchronization reconciliation will be undertaken.

We believe that the variance is too great. The proposal is to allow any Large Supply Point to elect to become a DM(AMR) site. As this category starts at the 73,201 KWh threshold, a 50,000KWh variance for a site at the lower end of the scale is too great. We believe that a more appropriate method is that the variance should be based on a percentage of the AQ. This tolerance could be linked to accuracy of meter concerned and once the tolerance is exceeded then this could be the trigger point to initiate a resynchronisation.

5.6. A resynchronization reconciliation will cover the period between the date of the new meter reading submission and the date of the last resynchronization reconciliation, or if this is unavailable the date of the submission of the opening meter read.

We are concerned that if the Remote Metering Reading Equipment is shown to have a history [possibly 2, but at the most 3, consecutive visual reads] of requiring resynchronisations then the equipment should either be replaced or resynchronisations should take place every 6 months.

It is not clear where the governance of these advanced metering systems should lie. The traditional arrangements for metering through SPAA might need to be reviewed to encompass telecomm equipment. The alternative scenario of controlling the process for the meters but not for the comms equipment could lead to the breakdown in the orderly Change of Supplier process. An advantage of this mod could be to encourage I & C Shippers to sign up to the SPAA. If this were to happen then SCOGES would become more embracing.

Much was made of the improvement to Shippers ability to manage their client's consumption during periods of system price stress. This is undoubtedly true, but this innovation might benefit a very small sector of the market. I believe that changing the environment to allow all shippers to take advantage of the advances in technology will in itself prove beneficial to energy efficiency and system management. This debate needs to be fully informed about the costs hence my earlier request that Ofgem conduct a full Regulatory Impact Assessment.

For the reasons given above RWE Npower is only able to give qualified support to this proposal as it stands. However we would reconsider our support if a cost benefit analysis demonstrates that there would be no significant financial disadvantage from implementing the proposal. Should you like to discuss any of the issues raised above please do not hesitate to contact me.

Yours sincerely,

Simon Howe.
Gas Network Codes Manager