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Modification Panel Secretary  
Joint Office of Gas Transporters  
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Dear Julian,

**Modification Proposal: Mod 0088: Extension of DM service to enable Consumer Demand Side Management.**

Thank you for providing SGN with the opportunity to comment on the above Modification Proposal. SGN does not support this proposal at this point in time.

The Modification Proposal seeks to introduce a new class of daily meter read facility, recognising the benefits of AMR Services. SGN is supportive of such initiatives, we believe they have potential to provide timely and accurate meter readings and facilitate customer energy management services. One of the main benefits referred to in the report takes this a step further and suggests customers may actively manage consumption in response to wider market signals, particularly at times of system stress.

Unfortunately at this point in time, SGN is concerned that the solution proposed is extremely complex and still requires further development, based on detail currently available it is understood that it will require significant changes for Shippers, Transporters and xoserve processes and systems. As such we have concerns that full potential may not be realised or that benefits may be outweighed by implementation and ongoing costs.

We believe there is currently insufficient detail to be able to make a detailed assessment or implement proposals. We believe Business Rules require further clarification and development and some aspects are still open to interpretation.

We are not clear at this stage what the anticipated take-up of this service is likely to be or whether it will have significant benefit in terms of the relevant objectives. As such we can not say that benefits associated with the proposal will outweigh any cost. As stated in the Work group report, detailed impact assessment is required, but this can only be achieved once detailed business processes and rules are available. As such SGN would support further development but not implementation at this stage.

**Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

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

The Proposer suggests that this proposal would facilitate an increase in the number of meter reads of daily metered sites. However we are not clear that this would provide significant benefit in terms of system planning. Transporters are required to develop their systems to ensure all firm sites are supplied except where demand is greater than that expected 1 year in 20. The methodology used to forecast demand looks at historical weather and demand over

a considerable period of time. As modelling uses extreme value distributions there will be no material impact on the 1 in 20 value

The Proposer believes this proposal would allow Users to manage their gas consumption in response to market signals, particularly in times of system stress. Whilst SGN agrees that in principle there may be some benefit from the customer perspective, it is not clear at this stage that there is likely to be a significant benefit in terms of efficient and economic operation of the pipe-line system. Whilst in principle this could lead to a reduced role for the residual balancer, there is little historical evidence that end users are willing or capable of responding in the volume or the timescales required to bring significant benefit in terms of efficient and economic operation of the system.

**A11(d) the securing of effective competition;**

Whilst in principle SGN agrees implementation of this proposal may benefit users and help secure effective competition, we are concerned that this would be restricted to those sites electing to become DM(AMR) sites. Increasing the number of daily read sites would naturally lead to a reduction in the number of NDM sites available to be sampled; this could subsequently reduce the quality and accuracy of profiling. The impact of reduced accuracy for the attribution process would be misallocation between SSP and LSP markets, potentially driving increased reconciliation and increased volume through the RbD process. This places high risk on SSP Shippers due to delay in completing reconciliation with no commensurate increase in likelihood of LSP Shippers dealing with reconciliation filter failures in a timely manner.

**A11(f) so far as is consistent with sub-paragraph (a) to (e), the promotion of efficiency in the implementation and administration of the UNC;**

The high level impact assessment undertaken by xoserve has identified significant system developments costs in the range of £240,000 - £400,000. This is an estimate for external costs only. We note that there are likely to be addition internal costs associated with changes to systems and processes operated by xoserve, cost of adapting UKLink to cope with extra volumes of reads flowing, Shipper costs on file format changes whether they take advantage of DM(AMR) or not and there may also be support costs to manage the increased number of filter failures that could be anticipated. xoserve has indicated that this is an initial assessment only. More detailed information, particularly in relation to Business Rules, is required to allow accurate system impact assessment to be undertaken. We also understand that it is unlikely that changes could be implemented until 2008.

In summary, SGN has concerns regarding the cost effectiveness of this particular proposal. We recognise the benefits associated with AMR Services but are concerned that costs associated with this particular proposal are likely to outweigh any potential benefit.

We hope you find these comments helpful.

Yours sincerely

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