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19 December 2006

Dear Julian

**Re: Modification Proposal UNC 088 “Extension of DM service to enable Consumer Demand Side Management”**

energywatch welcomes the opportunity to respond to the issues raised in the Development Workgroup Report for this modification proposal. This response is non-confidential and we are happy for it to be published on the Joint Office website.

In general we are very supportive of any encouragement which may be provided to the wider use of smart metering. We believe that smart metering can have multiple benefits for consumers, in this case business consumers, and their suppliers. In particular, it allows suppliers to produce timely and accurate bills for consumers' gas usage, improvements can be made by consumers themselves to their energy efficiency and energy management processes with the wider benefits to the environment that could result, and there are, consequentially, potentially significant cost savings for both consumers and suppliers.

An additional benefit in the case of Directly Metered (DM) non-domestic gas consumers may be that, because of the size of consumer involved, they will be able to offer demand-side response to the market on tight supply/demand days. As uncertainty remains around security of supply and availability of gas when the system may be under stress, we believe that smart metering has a beneficial role to play.

In the context of this particular modification proposal, we believe that it creates the basis for more non-domestic gas consumers connected at Large Supply Points to take advantage of the use of smart metering. Allowing DM sites to employ Automated Meter Reading (AMR) technology will, over time, provide the benefits outlined above. We recognise that there are issues around accommodating DM (AMR) within the UNC, and that system and process changes may be

necessary to ensure that the benefits of this approach are realised and optimised. However, we do not agree with the views of the Transporters as expressed in the Report that, because there may be some initial problems arising from the speed of take-up of DM (AMR), this should effectively rule out the solution proposed by UNC 088.

We are in favour of a much wider enquiry into the development of the DM (AMR) approach and would endorse the view of the Development Workgroup that an Ofgem Regulatory Impact Assessment (RIA) would assist in drawing out the costs and benefits. However, we have a real concern that the need to confine solutions within the current structures of the UNC may limit the possibility of a wider roll-out and use of AMR at DM sites. Any Ofgem RIA should also examine whether there are ways in which the UNC systems and processes can be streamlined in a cost effective way to remove some of the potential obstacles to the development of a solution along the lines suggested in UNC 088. A holistic solution is much preferred.

We would hope that the use of remote read technology may remove some of the issues around obtaining timely and accurate meter reads which would then find their way into the settlement process. We recognise that there are wider impacts from the use of DM (AMR), for instance how it dovetails with xoserve's current service provision and the future proposed changes to these. All these areas need to be kept in mind as part of a wider enquiry into costs and benefits.

However, we would urge that UNC 088 is not 'parked' for a lengthy period of time until the full cost/benefit picture is fathomed out. We believe that if some initial incremental benefit can be derived from implementation of UNC088 within the existing UNC processes, this should be explored. We note the potential for a lengthy implementation phase before UNC 088 may go live (in April 2008) but would hope that this can be reduced to allow early realisation of potential benefits.

In conclusion, while supporting UNC 088, we agree that a wider enquiry into costs and benefits of using AMR at DM gas sites would be useful. We do feel that the initial estimates which have been provided by xoserve tend to provide a one-sided picture in that respondents may only see the possible bill attached to system and process changes. Until a wider enquiry provides a rounded picture of qualitative and quantitative costs and benefits, we do not think that these estimates should have excessive significance placed upon them. We hope that an Ofgem RIA would provide a more balanced assessment of the potential impact of UNC 088.

If you wish to discuss our response further please do not hesitate to contact me on 0191 2212072.

Yours sincerely

Carole Pitkeathley  
Head of Regulatory Affairs