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Dear Tim

Response to UNC Modification Proposal 0224 Facilitating the use of AMR in the Daily Metered Elective Regime

This proposal has been extensively developed and builds on the work previously done as part of UNC 88. It also represents the first significant UNC change proposal that is subject to user pays.

The staged roll out would initially open up the larger NDM sector comprising a relatively small number of supply points, before an anticipated full roll out to the >732,000 kWh market. An initial cap of 25,000 meter points would apply. This should ensure a controlled and transparent approach that allows xoserve to support operationally and against which industry players can plan their own roll out strategy.

The charging structure advocated would seem to fit ideally with the user pays philosophy in that development costs are borne by the relevant market sector and ongoing operational costs are borne by those eligible supply points that choose to take up the service.

We also agree with the Proposer that the UNC 0244 better facilitates the relevant objective *"…the economic and efficient operation of the pipeline system…"* by providing transporters with additional daily read information which should assist in their planning and operations. This would include measuring any turn down response at times of high demand. It would also help to quantify the effectiveness of any cessation during potential supply emergencies, as well as facilitating an audit of individual compliance following an instruction as part of firm load shedding.

We do have some concerns with the degree to which UNC 0224 will introduce other benefits outlined by GDF SUEZ ENERGY UK, particularly with the desire of customers to take up the service.

Demand side response and customer product offerings

Flexible purchase products have been a component of the I&C market for some time and whilst these have been focussed on the DM market, the NDM market has not been excluded. It is true that daily read information allows more accurate purchase versus sales attribution and reduces risk by reducing reconciliation. We note however that this has not lead to a more widespread adoption of the existing elective DM service. We do not believe that the cost of this service has been a major inhibitor as although it remains a monopoly service its associated costs are not material when measured against the value of a typical large I&C supply contract. From the NDM customer's perspective the major downside of both the current DM regime and that proposed under UNC 0224 is the additional risk posed by the ratchet regime.

There has been a reduction in demand due to both increased commodity prices and the general economic downturn. This has occurred across all sectors, DM and NDM. We acknowledge that larger customers adopt sophisticated purchase/trading strategies and that 'sell back' type activities are an important aspect of this. We agree that this can only be properly facilitated by daily read information. However as stated the option to take up this service already exists, albeit at an uncompetitive price.

We are of the belief that aside from the circumstances mentioned above, dynamic demand side response amongst the general large supply point NDM sector will not result as a consequence of UNC 0244. In our experience the customers priority is their own business activities and only where demand side response fits with these activities is it likely to be realised. It is in any event subservient.

Energy efficiency, accurate billing, capacity booking and consumption forecasting

We believe that other initiatives such as suppliers AMR licence mandation and the Carbon Reduction Commitment will drive the installation of AMR more than the implementation of UNC 0224. More accurate customer billing and energy efficiency benefits are not linked to settlement.

In the area of transportation charging, we do agree that the advent of the 95:5 capacity: commodity split brings focus onto the need to manage and where possible reduce booked capacity which is only possible as part of a DM regime.

There seems little doubt that increased daily read information will lead to better consumption forecasting, reduced risk and therefore a decrease in shippers cost base.

Despite our reservations we do believe that the increase in data that will result from the installation of AMR as part of the initiatives mentioned above will ultimately lead to a better understanding and management of energy consumption by customers including the evaluation of risk/reward. Tighter matching of supply and demand will reduce reconciliation and risk to shippers with consequential financial benefits.

E.ON UK supports UNC Proposal 0224.

Yours sincerely

Brian Durber (by email)
Retail Regulation