



John Bradley
UNC Panel Secretary
Joint Office of Gas Transporters
31 Homer Road
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Dear John,

GDF SUEZ ENERGY UK Response to UNC 0224 "Facilitating the use of AMR in the Daily Metered Elective Regime".

Thank you for the opportunity to comment on the above modification proposal. GDF SUEZ ENERGY UK supports the implementation of UNC 0224; please find our comments and supporting points below.

Introduction

UNC 0224 seeks to introduce a Daily Metered Elective (DME) regime by which eligible (>732MWh) Large Supply Points fitted with AMR devices can operate in a pseudo Daily Metered environment. The regime will be voluntary and those who choose to participate can opt out of the Non-Daily Metered profiling process by submitting daily meter reads from their AMR equipment for settlement.

The proposal has a staged approach to rollout across three phases to enable an orderly and deliberate resolution of issues for a smaller meter point population initially (EUC 6-8) before progressing to higher numbers of meter points (EUC bands 5 and 4 respectively). Rollout is phased over a period of 18 months to allow for a steady projected uptake across the population. It is anticipated that as the mandated rollout of AMR devices for this market segment develops take-up of the regime will improve over time. Due to concerns over the number of DME meter points that could be handled operationally by Xoserve, the cap on participation has been limited to 25,000 meter points initially, this may be increased subsequently.

The stringent development of this modification proposal within UNC 0224 workgroup and at the UNC Distribution Workstream has enabled the appropriate business rules and system requirements to be identified and drafted; these capture the end to end life of the proposed regime. The engagement of all parties in this development process has resulted in a well thought through set of processes. Shippers (LSP and SSP), Transporters, Xoserve and other interested parties have contributed fully in the process.

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User Pays

This modification proposal is one of the first significant industry changes to be subject to the new user pays arrangements. The charges related to this code service will be defined under the Agency Charging Statement and comprise of fixed charges, operational charges and transaction charges.

It is proposed that fixed charges will apply to all meter points which are eligible to participate in the DME regime. These charges will be applied at the time of implementation of the proposal to recover the costs of central system change. This approach was deemed the preferred option across all participants at two separate workstream meetings where four charging options were presented. This "option fee" approach was voted to be the best, targeted at eligible LSPs only, with prices sculptured in such a way to reflect the phased rollout approach. Once these fixed charges are paid on a one-off basis any eligible meter point can participate either immediately or subsequently should they choose to participate at a later stage.

All other charges will be paid only by scheme participants to recover the costs of Xoserve's operational processes. GDF SUEZ ENERGY UK is in general agreement with the pricing methodology adopted by Xoserve as presented at the 28 May Distribution Workstream. We do consider that it would be helpful for Xoserve to include a shipper testing phase within the pre-implementation programme to help guard against avoidable problems which may generate reconciliation investigations and consumption adjustments. This testing programme should be made available to all shippers considering participation.

The regime also incorporates an incentive related charge which applies where reads are not submitted in the prescribed manner and this gives a level of protection to the RBD community and also other shippers participating in the DME regime.

Relevant objectives

UNC 0224 better facilitates the following relevant code objectives:

Firstly, SSC A11.1(a) "the economic and efficient operation of the pipeline system" in respect of the following points:

- i) UNC 0224 increases the level of information available to transporters relating to locational daily gas flows on their network. Submitting daily reads into Xoserve improves the ability for transporters to use this information for load forecasting, this is particularly true in respect of improved granularity of information.
- ii) UNC 0224 increases the likelihood of available demand side response. Currently there is very little demand side response from NDM loads, within a DME regime a wider range of customers can now choose to participate because their downturn can be measured daily and customers are likely to be price responsive.
- iii) UNC 0224 enables a mechanism by which transporters can validate that cessation of flows has been enacted in an emergency for DME Large Firm Supply Points.

Secondly, SSC A11.1(c) "the efficient discharge of the licensee's obligations". UNC 0224 reduces the number and volumes of NDM reconciliations enabling transporters to bill in a more timely and accurate fashion.

Thirdly, SSC A11.1(d) “ facilitates competition between shippers and suppliers” in respect of the following points:

i) Low impact on Parties

UNC 0224 is an optional regime which is driven by the current nomination processes; there is no obligation for shippers to participate and every effort has been made to ensure a minimal impact for all shippers whether they choose to participate or not. For example, the shipper transfer process around change of supplier clearly allows the incoming shipper to be alerted that the site is currently DME and allows for re-nomination as NDM using existing flows and without a delay to timescales. Minimal disruption to those shippers who choose not to participate is maintained throughout.

Equally, the regime has been moulded as a tactical solution ahead of any potential enduring developments as part of project Nexus. Therefore the processes and flows in DME mirror the current Daily Metered processes so that transition is as smooth as possible for participating shippers and their internal costs of implementation are minimized.

ii) Brings forward the benefits of AMR

The introduction of UNC 0224 creates an economic incentive which should encourage the early installation of such equipment and therefore bring forward the tangible and intangible benefits of AMR as outlined in legislation, for example EU Energy Services Directive. Studies supporting the ESD by the Carbon Trust have estimated potential of 9% annual carbon savings attributable to changed behavioural patterns amongst business customers.

iii) Better Information to customers

Implementation of UNC 0224 will improve the granularity of information available to end users and thus provide them with the ability to make informed choices in relation to product offerings from suppliers. Being a part of DM settlement will also allow end users and suppliers to effectively use this data, by making efficiencies in capacity booking and daily consumption forecasts.

iii) Reduces reconciliation risk for shippers

UNC 0224 reduces the reconciliation risk for shippers by enabling shippers to opt out of NDM profiling and reconciliation and follow a DM like process to forecast their own volumes. This improves competition by enabling shippers to manage their own risks in respect of volume and price risk.

iv) Better for customer product offerings

In today’s market, flexible product offerings are now commonplace, taking advantage of the day-ahead market price to make significant savings for end consumers. However, the NDM settlement regime does not lend itself to these dynamic products, forcing shippers to purchase energy based on predetermined EUC profiles, and being reconciled for discrepancies between actual and estimated consumption at system average prices. UNC 0224 will allow suppliers to make purchases in line with actual daily consumptions thus enabling them to offer these flexible products to a greater number of their customers, without significant risk of reconciliation variance.

v) Energy efficiency assistance

This regime will encourage the installation of AMR equipment helping businesses to monitor their energy usage on an ongoing basis. More accurate and regular consumption data gives businesses a clear picture of when and where energy is being used helping them to implement energy efficiency strategies which may lead to more generic carbon reduction benefits

Finally, SSC A11.1(e) "Efficient administration of the code"

i) Strategic fit with legislation

The proposed regime aligns with the mandated rollout of AMR as enacted by the recent licence condition on suppliers to install AMR on meter replacement and across all sites above 732MWh by 2014. This aligns the UNC and statutory legislation and provides a vehicle for high level government objectives to be realized operationally. UNC 0224 provides an industry process under which AMR can operate and offers a forerunner for the rollout of smart metering more generally.

Other Points

NDM Profiling

It has been observed during workstream meetings that the sample size for NDM profiling may be affected as a result of DME. This was a point recognized in Ofgem's decision letter on UNC 088 "We would expect existing profiles to be updated to reflect new circumstances and more accurate information. The profiles are there to serve the settlement system and must evolve to meet customer needs. So we do not attach much weight to these concerns". GDF SUEZ ENERGY UK agrees with Ofgem in this respect that these concerns are secondary to evolution of the market in respect of the development of the AMR products and services such as DME.

Further to the above, it is our view that it is achievable to retain and use DME data if required to actually assist with better profiling for the remaining NDM sites. Improved data submission under UNC 0224 could benefit NDM profiles in this respect; we do not foresee any data ownership issues due to using submitted AMR data for this purpose.

I trust this information is helpful and if you have any questions or would like to discuss further, please do not hesitate to contact me on 0113 306 2104 or mobile 07733 322460.

Yours Sincerely,



Phil Broom
Regulatory Affairs Manager
GDF SUEZ ENERGY UK