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6th January 2011

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Re: UNC Modification Proposals 0345 (“Removal of Daily Metered Voluntary regime”)

Dear Bob,

Thank you for the opportunity to comment upon this Modification Proposal. As the Proposer, Wales & West Utilities Ltd (WWU) are **fully supportive** of the implementation of this Modification Proposal.

The Modification Proposal sets out the nature of the proposed changes and the justification for doing so. We have added some further comments below based on the various section headings within the Draft Modification Report.

Why change?

We have nothing further to add to the detail provided within the Modification Proposal.

Solution

The proposed solution for this Modification Proposal has been developed following discussions on ‘DM Unbundling’ and, in our view, is seen as a forerunner to further Modification Proposals. Industry discussions have generally been rather favourable on full DM unbundling (i.e. DM Mandatory sites also having Daily Read Equipment provided by Users) and, although there can be no guarantees, we hope that industry continues to participate in these discussions with the aim of developing suitable future Modification Proposals.

There is a risk that full DM unbundling is never achieved, or is sufficiently delayed, resulting in the Transporters retaining the legacy obligations for providing DRE for a relative small number of sites (DMM). This would obviously have knock-on consequences to the cost of

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

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providing the Daily Metered service which are subject to tariff caps (detailed within Special Condition E19 of the gas transporter licence (GDNs only). The basis for the tariff caps were established prior to network sales and it would be therefore sensible to review these as we do not believe they are reflective of actual costs, with or without implementation of this Modification Proposal, and we hope that Ofgem recognise this and are happy to enter in to discussions on this matter.

We have also been made aware that there is a slight typographical error within the main body of the Modification Proposal; this appears on Page 6 of the Draft Modification Report (DMR) within the 3rd paragraph of the “Solution” section. The first sentence states “*All Supply Points that are still DMV, and eligible to participate in the DME regime but have done so, at the end of each transition period will have to become Non-Daily Metered (NDM).*” It should read “... but have not done so...” We do not believe this ‘typo’ will have misled anyone and the statement is correct within the summary section of the DMR. We would be happy to discuss this further at the Modification Panel on 20th January 2011.

Legal Text

Draft suggested legal text has been provided separately for this Modification Proposal. We would welcome comments on the suggested text as part of the consultation process or separately if preferred (directly or via the Joint Office).

Impacts and Costs

As mentioned above, this Modification Proposal is seen as a forerunner to full DM unbundling. If full DM unbundling is delayed, or does not happen, the Transporters may be exposed to increased costs in providing the legacy DM service but unable to reflect this in the service charge to Users (due to existing tariff caps).

Implementation

As detailed in the Draft Modification Report, this Modification Proposal could be implemented shortly following a direction from the Authority. This proposal was raised prior to the implementation of Modification Proposal 0224 (DM Elective regime) and the transition arrangements proposed within it are to reflect the phasing of the introduction of the DME regime.

It has been disappointing that, to date, there have been no sites confirmed as DME. This is not what we had expected as the demand information provided as part of the DME development work suggested otherwise. Implementation of this Proposal, or a direction to implement it, may well be the catalyst required to promote use of the DME regime. However, we would recommend that the industry considers the apparent delay in take-up

of the DME regime prior to implementation of this Modification Proposal. To be clear, we are not suggesting that this Modification Proposal should not be implemented we just believe that we need to be consider the transition for sites wishing to participate in the DM regime.

There have been discussions at the UK Link committee meetings in relation to a minor issue with the transfer process when a DME site switches and becomes NDM. These discussions have been of a fairly technical nature but are not responsible for the lack of take-up within the DME regime. This issue would only impact on non-participating Shippers that took on a DME site and confirmed the site as NDM. This does not prevent any Shipper from entering the DME regime and is, in our view, a minor issue for the DME to NDM transfer process.

Subject to take-up of the DME regime over the coming weeks, and based upon the Authority directing implementation of this Modification Proposal, it may be beneficial for further discussions on this matter prior to a decision being taken by the Transporters on an implementation date.

This Modification Proposal was raised at the same time as Modification Proposal 0344 (*"Removal of the D+1 11am meter read liabilities regime for DM voluntary (DMV) Supply Points"*). For clarity, the two Modification Proposals are **not** mutually exclusive as either, or both, could be implemented.

The Case for Change

We have nothing further to add to the justification for change provided in the Modification Proposal.

Recommendation

Based on the information provided within the Draft Modification Report, and despite the comments made above in relation to the DME regime, we are supportive of this Modification Proposal being made.

Hopefully these comments are helpful to the Modification Panel and to the Authority; please do not hesitate to contact me should you have any questions relating to this matter.

Yours sincerely

{By email}

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