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Modification Panel Secretary  
Joint Office of Gas Transporters,  
First floor South,  
31 Homer Road,  
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10 January 2011

Dear Bob,

**Re: Modification Proposal 0345 : Removal of the Daily Metered Voluntary Regime.**

Thank you for providing Scotland Gas Networks & Southern Gas Networks with the opportunity to comment on the above Modification Proposal. SGN supports implementation of Modification Proposal 0345.

This Modification Proposal has been raised by Wales & West Utilities Ltd. and proposes to remove the provision of the Daily Metered Supply Point service for Supply Points with an AQ less than 58,600,000 kWh which is currently provided as a bundled obligation by the Large Transporters. The Proposal specifies that the Daily Metered (DM) service, upon implementation of the Modification would be withdrawn on a phased basis, linked to the phased implementation of the Daily Metered Elective (DME) service which was introduced in November 2010. Were Users to choose not to participate in the DME regime any Daily Metered voluntary (DMV) Supply Points registered to that specific User would be required to transfer to the Non Daily Metered regime or where the User failed to enact this transfer the Transporters would facilitate this transfer on the User's behalf. The implementation of the Modification Proposal would also provide the opportunity for Supply Points currently registered as DMV but falling below the threshold to participate in the DME regime (732,000kWh) to register as DME, thus ensuring no currently registered Daily Metered Supply Point would be excluded from such a regime.

The introduction of the DME regime, implemented via Shipper UNC Modification Proposal 0224, cited perceived excessive costs associated with the Transporter DM service as a disincentive for Shipper Users to participate in a DM regime. The Supplier Licence condition to install Automated Meter Reading (AMR) devices at Supply Points with an AQ in excess of 732,000kWh would result in many more Supply Points being capable of attaining the frequency of Meter Read provision required to participate in a DM regime and it was argued during the development of the Proposal that the commercial provision of AMR equipment being widespread, would facilitate a more cost effective route to Users to enter the DM regime than the bundled Transporter service. Although the take up of the opportunity to participate in the DME regime has been low since the implementation of



the service, the central system changes are now in place (introduced at considerable cost to all Users) and can be utilised by all Users to facilitate a DM service to their Supply Points if they so wished. Were a Shipper User to choose not to participate in the DME regime end users have the ability to move to an alternate Supplier who has invested in the necessary internal system changes to allow access to the regime and as result benefit from the advantages the DM regime may offer. Therefore, with the introduction of the DME regime, it would seem appropriate for the existing obligation for Transporters to provide a bundled DMV service to be removed to allow a fully competitive regime to flourish for Supply Points permitted to participate in the DME regime.

SGN agree with the Proposer's intention relating to DM Supply Points currently classified as mandatory (>58,600,000kWh) to remain within the bundled regime as they are currently excluded from the DME regime. With the substantial impact these specific Supply Points may have on both the operation of the commercial market and the physical operation of the Total System it would seem appropriate for these Supply Points to remain within the remit of the Large Transporter provided regime.

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

SGN is in agreement with the Proposer that this Modification will help fulfil the relevant objectives:-

**Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates:**

The removal of the Transporter provided DM service which is currently subject to price capped limitations (which may not wholly cover the operational costs associated with the service) would further the efficient and economic operation of the system in the long term. It should be noted however that implementation of this Proposal would result in the short term stranding of assets associated with the investment SGN have incurred with the recent procurement of meter reading logging devices and the associated back office system support.

**Standard Special Condition A11.1 (d): the securing the effective competition between shippers:**

The removal of the Transporter DM regime would encourage Users to explore the potential of the newly introduced DME regime operating under the fully commercial operating market place. The benefits the DME commercial service may offer would allow Shippers to match their own and the requirements of end users to that of a competitively offered service.

**Standard Special Condition A11.1 (f): promotion of efficiency in the implementation and administration of the Code:**

We agree with the Proposer's reasoning behind the better facilitation of this relevant objective which would remove the requirement for a UNC obligation which has an associated liability regime attached as opposed to the alternative DME competitive regime which relies upon the competitive market place to facilitate its operation.

We hope you find these comments helpful.



Yours sincerely

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