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Open Letter on Supply Points and Meter Points.

At a recent ICoSS meeting members discussed suggestions made recently by Wales and West Utilities (WWU) to end the concept of Supply Points and simply retain the concept of Meter Points to simplify the build and cost of the new Nexus system. WWU claimed that it has no interest in the outcome of this proposal but has advocated the issue none the less.

ICoSS members acknowledge that if the gas supply network were being designed from scratch that a one to one relationship between MPRN and the pricing mechanism would be logical and would significantly simplify both supplier and transporter systems providing cost benefits for both. This would be easy to achieve as none of these multi-meter point/supply point configurations would exist and the networks would be designed on that basis.

Of course the existing I&C market does have a large number of Supply Points (around 20% of the LSP market) configurations. Our members are therefore concerned that little thought appears to have been given by WWU to the customers with these configurations and the impact that changing the processes could have on their businesses or institutions. Members are keen to stress that these configurations are not only found on large industrial sites but are also prevalent on sites such as hospitals, schools and universities.

ICoSS believes that before WWU's proposal is progressed a fully informed assessment is required to understand the benefits of supply point aggregation to all customers and the energy market. ICoSS assumes an initial assessment must have been completed by British Gas Transco when the concept of Supply Points was built into the original network code and that this could form the basis for such an assessment.

ICoSS members have attempted to raise these issues however WWU have stated that there is no system benefit or logic to grouping Meter Points into Supply Points and therefore they should be removed. ICoSS members find this statement very surprising.

This appears to suggest that the creation of supply points by British Gas Transco was an unnecessary complexity that was built into Transporter processes and systems for no justifiable reason. If this is true then ICoSS members and therefore

their customers would have borne significant but unnecessary costs of supporting this complexity for decades.

ICoSS members consider it more likely that there were rational reasons for the creation and maintenance of Supply Points in the UK gas network, in the same manner as Prime and Sub deduct metering which Ofgem have confirmed are the responsibility of National Grid Gas in the majority of cases. It would be expected that National Grid (as the original owner of the networks) would be able to explain what these reasons were and therefore the consequences of their withdrawal. It is surprising therefore that no such information has been provided other than to state that they are unnecessary.

Of course regardless of the original reason for the creation of Supply Points, consequential decisions to install multi-stream supply point configurations since competition are likely will have been based in part or in full on advice that the customer would be able to benefit from this regime. ICoSS therefore believe it is essential that any reversal of this position is considered carefully with full opportunity for these customers to engage in the regulatory process.

While WWU have suggested a redistribution of circa £6m will occur as a result of the proposals we believe consumers affected by this enduring additional cost will review existing arrangements and were economic consolidate volume through single meter points. This would have the effect of significantly reducing any revenue redistribution while placing costs on consumers for the re-engineering required.

Whether such consolidation is the most efficient approach from a Transporters perspective would be questionable as the original engineering decisions for achieving the Sites requirements would have logically been based on a multi metered solution or else a single metered solution would have been offered.

We note that Ofgem have recently given a ruling recognising the inherent responsibilities of legacy transporters in relation to engineering decisions relating to Prime and Sub deduct metering. If multiple services from different mains provide the most efficient engineering solution for a site why introduce perverse incentives to consolidate loads through one service / meter?

An additional industry cost will be that such consolidation will lead to the removal of large numbers of insitu fiscal meters (up to circa 50,000 assets could be put at stranding risk).

By retaining individual fiscal metering at a site the Market Sector Flag could have been used to identify domestic use on an I&C site and aid firm load shedding. However consolidation would mean the loss of this granularity from industry systems.

ICoSS members remain open minded on the future of the supply point configuration but believe that any such change should only be considered once a



full understanding of the full market and systems impact is understood and proved to be advantageous. To facilitate this, ICoSS members strongly believe that a change of this magnitude will need to be discussed outside of the Project Nexus forum.

Please get in touch if you wish to discuss any aspects of this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'G. Evans'.

Gareth Evans
Chair, ICoSS Group