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Dear Julian

**EDF Energy Response to UNC Modification 0088 “Extension of DM Service to enable Customer Demand Side Management.”**

EDF Energy welcomes the opportunity to respond to this consultation and offer qualified support to its implementation. We believe that this proposal will enable more customers to recognise the benefits of being a Daily Meter (DM) site without the associated costs and complexity that will have a positive impact on system balance and security of supply as more customers will be able to offer a demand side response (DSR) service if they chose. We note that this could be important in tight supply demand situations, and will also enable the active management of these sites energy consumption, with the associated environmental benefits. We are however disappointed to see such high implementation costs for xoserve for this proposal. We therefore believe that an Impact Assessment should be undertaken to identify the cost/benefits of this proposal, and that Ofgem should scrutinise the cost estimate provided by xoserve to ensure that these represent efficiently incurred costs and reasonable purchasing standards.

We would also request further confirmation as to how the supply point designation would operate. Whilst we are happy with the arrangements for when a site remained NDM, or remained an AMR, we are concerned that they may be able to switch between these designations with little or no warning. This will have an impact on the EUC bands and demand forecasting, and so impact on a Shippers balancing position. We understand from the Proposer that arrangements have been put in place to prevent this, but it is not clear from the proposal what these are.

**Extent to which the modification would better facilitate the relevant objectives.**

**A11.1 (a) the efficient and economic operation of the pipeline system:** We concur with the Proposer that by providing the Transporter with additional levels of information they should be able to build up a more detailed and accurate picture of the supply-demand fundamentals. This should ensure more appropriate balancing actions are taken, and so facilitate the achievement of this relevant objective. We would however note that if AMRs were able to switch with little or no warning between being NDM or AMR, then this could have an impact on Shipper forecasts and so their balance position. We therefore request clarity as to how this will operate.

**A11.1 (c) the efficient discharge of the licensee's obligations under this licence:** We concur with the Proposer that this proposal will have a beneficial impact on security of supply by increasing the volume of demand side response that may be available to the market.

**A11.1 (d) the securing of effective competition between (i) Shippers and (ii) suppliers:** EDF Energy agrees with the Proposer that implementation of this proposal will provide additional flexibility to customers who wish to offer DSR without being a DM site, and allow Shippers to offer contracts that reflect this. We note that under the current arrangements were an AMR to offer a DSR on a high price day, the benefit of offering this service would be spread over the period between meter reads, reducing the attractiveness of the NDM site offering this service. We believe that this will encourage competition between Shippers and between Suppliers who will seek to offer new contracts to capture this flexibility.

However we are also concerned with the impact that this proposal may have on EUC bands, and the ability for Transporters to profile by LDZ, were there to be a significant number of sites who elected to be AMR. We would also note that this may just be a short term issue, with more sites and suppliers moving to the use of AMRs and smart metering, the industry may see the withdrawal of certain EUC bands as customers elect for AMRs. However we require more information on this impact before we would be able to offer our full support.

**The implications for Transporters and each Transporter of implementing the modification proposal including (b) development and capital and operating cost implications:** We are concerned to see xoserve's estimated costs of £500,000 for implementation of this proposal, which fails to include the impacts on numerous systems. We feel that this is excessive and would urge Ofgem to ensure that these costs represent efficient and economical procurement costs, in line with best practice.

**The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk:** We concur with the Proposer in that if Shippers were to provide a service to their customers to submit daily reads on their behalf, then they would only do this if they had identified the benefit to themselves of doing so. We are also sceptical regarding the incentive for Shippers to be selective about the Shipper reads that they submit. We would note that most DSR contracts will be triggered by price or in predefined circumstances, such as a Gas Balancing Alert (GBA) which in itself would provide a pricing signal to the market. In these circumstances the DSR contract would be triggered, demand would be reduced, and the Shipper would be incentivised to submit contracts. We believe that the risk of Shippers not submitting meter reads on high priced days is low, and that the monthly meter reading requirements should help to overcome this.

I hope you find these comments useful, and please contact me should you wish to discuss them further.

Yours sincerely

A handwritten signature in black ink that reads "Stefan Leedham".

Stefan Leedham  
Gas Market Analyst  
Energy Regulation, Energy Branch.