

Steve Brown  
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Dear Steve

### **Open letter consultation on responsibility for Uniform Network Code Sub-Deduct Arrangements**

EDF Energy is one of the UK's largest energy companies. We provide 50% of the UK's low carbon generation. Our interests include nuclear, coal and gas-fired electricity generation, renewables, combined heat and power plants, and energy supply to end users. We have over 5 million electricity and gas customer accounts in the UK, including both residential and business users.

We welcome the opportunity to respond to this open letter consultation. The key points of our response are:

- We agree with Ofgem's provisional view that responsibility for these sub-deduct arrangements currently rests with NGG, unless evidence can be provided that this responsibility was transferred at the time of DN sales.
- We do not believe that the site owner or operator is the responsible party as they are unlikely to have been aware of these arrangements or responsibilities, unlike British Gas at the time and their successors.
- We note that the transportation charges for sub-deduct meters are exactly the same as for other meters that are directly connected to the GDNs while the service levels provided by the GDNs is different.
- We remain to be convinced that any additional revenues are required for re-engineering/replacing these sub-deduct arrangements. It would appear that these sub-deduct meters have been paying charges that would include maintenance for a normal meter for a significant period of time and these should be used to cover the cost of removing these arrangements.

As recognised by the survey of the sub-deduct arrangements, of the 1,194 sites only 42 have been actively maintained by a "relevant person". The fact that only 3.52% of these arrangements have been actively maintained demonstrates that in the vast majority of circumstances the site owner or operator was not aware of these requirements. Unless documentary evidence can be provided that the site owner or operator was made aware of their requirements at the time of commissioning of these meters, then responsibility lies

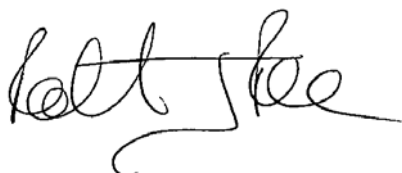
with the Gas Transporters. This is further supported by the charging arrangements applied to primary and sub-deduct meters. We note that in terms of transportation charges the Gas Transporters do not differentiate between sub-deduct and normal meter configurations. This compares to CSEP sites where only the LDZ System charges are applied, recognising that responsibility for the service pipes lies with the iGTs. We believe that, as the charging arrangements are the same for sub-deduct and other meter configurations, then the responsibility for maintaining these are also the same – i.e. they sit with the Gas Transporters.

As the charges for sub-deduct meters are the same as for normal configurations we would also question whether the costs associated with maintaining these arrangements have already been covered in previous price controls. It would appear that if charges are the same, but maintenance has been avoided for these meters, then there may be a view that allowing further revenue for risk mitigation/re-engineering would represent an allowance for costs that have already been covered under price controls. We therefore agree with Ofgem's provisionally preferred approach to funding for these, but note that if charges have been cost reflective then there would appear to be very limited circumstances when further costs should be allowed.

Finally we agree with Ofgem that the responsibility for these arrangements transferred from British Gas to National Grid (Transco at the time) when the monopoly supply and transportation businesses were separated. Unless there is documentary evidence that these responsibilities were transferred at the time of DN sales in 2005, then it appears reasonable that they have remained with National Grid Gas (NGG). This does create an interesting situation in that the responsibility lies with NGG but the Independent Distribution Networks (IDNs) have not differentiated their charging structures for these meters. We therefore believe that while the responsibility currently lies with NGG there is also merit in placing the responsibility with the GDNs given that they have all applied similar charging structures.

I hope you find these comments useful, however please contact my colleague Stefan Leedham ([Stefan.leedham@edfenergy.com](mailto:Stefan.leedham@edfenergy.com), 020 3126 2312) if you wish to discuss this response further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Rome".

**Rob Rome**  
**Head of Transmission and Trading Arrangements**  
**Corporate Policy and Regulation**