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Dear Andrew

**Consultation on strategy for the next Gas Distribution Price Control RIIO – GD1
overview paper**

Thank you for the opportunity to give our views on the above consultation.

1. Introduction

Question 1: Do you have any comments on the proposed process and timetable for the review?

We are in broad agreement with the proposed approach and timetable.

2. Context

Question 1: Do you agree that we have identified the key challenges facing the gas sector, and our approach to accommodating these challenges within the price review?

We agree that the key challenges have been identified and with Ofgem's approach to accommodating these. Our views on these challenges were given in our response (attached) to Ofgem's July open letter consultation.

We are interested to know in more detail how network businesses would deliver non-gas solutions for the fuel poor and how these would interact with obligations placed on supply businesses. We are also interested to know what Ofgem see as the link between distributing gas as a monopoly business and the installation of carbon monoxide detectors in consumers' homes. In particular how network

businesses are the most appropriate vehicle given that they have no direct link with consumers other than during emergency visits. If the intention is to install carbon monoxide detectors during emergency visits, we do not see how this would protect the most vulnerable who would seem to be the least likely to identify and report any type of gas emergency. That is not to say that we do not support this proposal subject to appropriate business case scrutiny.

We suggest that given this new role for the GDNs, the existing obligations placed on gas supply businesses to investigate carbon monoxide poisoning incidents should pass to the networks. The GDNs already have obligations to investigate other emergencies such as gas explosions. This should apply to all carbon monoxide poisoning incidents not just those associated with vulnerable customers and should ensure consistency in the investigation of all gas related incidents.

3. Making sure stakeholders' views are heard

Question 1: Do you have any comments of the overall approach to stakeholder engagement?

We welcome the wide ranging engagement giving all stakeholders an opportunity to give their views. However given the extensive challenges facing the industry including some that are identified within this consultation plus other initiatives such as smart metering and changes to industry governance, then there must be a sense of realism regarding stakeholder's ability to participate fully.

Question 2: Do you have any views on how our engagement process and that of the network companies could be made more effective?

The outputs and incentive mechanisms suggested by Ofgem will apply to all GDNs. The GDNs themselves are engaging with stakeholders on an individual basis. This seems very inefficient as the themes are identical or very similar. Stakeholder resource is limited and a coordinated approach between the networks businesses would be welcome. We appreciate that each will have their own business plans but gaining stakeholder feedback could be achieved more efficiently, for example by holding joint events.

4. Outputs and Incentives

Question 1: Do you consider that the proposed outputs and associated incentive mechanisms, taken together with other element of the price

control, will ensure that companies deliver value-for-money for consumers, and play their role in delivering a sustainable energy sector?

We agree that the proposed outputs should provide a sound basis for the delivery of the stated objectives. We would however like to understand more how Ofgem intend to ensure that the social obligations meet the *value - for money* criterion and specifically how the proposed carbon monoxide detection proposals will be measured for efficacy.

Question 2: Do you consider that the proposed outputs and incentive arrangements are proportionate (e.g. do we have too many or too few)?

We would like to see an additional output namely the offtake metering regime for which the GDNs are responsible. We raised this in our response to the July open letter consultation. The regime has demonstrated systematic failure leading to very large energy measurement errors. Gas shippers are then faced with financial reconciliations which cannot be predicted nor accrued for. This creates an unnecessary financial risk on gas shipping/supplier businesses which must ultimately be borne by consumers.

We understand that the offtake meters provide gas flow information to GDNs that contribute to the operational management of the networks. Therefore large measurement errors must affect emergency management decisions and so apart from fiscal considerations the integrity of the offtake meter regime is a key aspect of managing gas safety and security of supply.

Yours sincerely

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