

FUTURE BILLING METHODOLOGY

UNLOCKING A LOW CARBON GAS FUTURE

CONSULTATION RESPONSE

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Consultation question responses

For each of the questions below, please explain:-

- why you agree or disagree and;
- your views on what, if any, alternative changes you would consider to be appropriate.

Use as much space as required on the below tables.

1.	Do you agree that the existing LDZ FWACV methodology presents a barrier to a low carbon gas future and that alternative methodologies should be explored?		
Agree	x	Disagree	
Please treat answer as confidential (delete as appropriate)			No
<p>Reasoning</p> <p>EDF Energy agrees that LDZ FWACV could be one of the barriers to gas becoming a low carbon option in the future. However, we believe that significant evidence is required to demonstrate that decarbonising mains gas is the most appropriate method of decarbonising energy.</p> <p>At present industry and government has a variety of options to consider regarding decarbonising heat and achieving Carbon Reduction Targets. The use of hydrogen is currently unproven with the respective merits of local heat networks and electrification being investigated. Therefore, more clarity is required on what the potential for gas is in the future energy mix.</p> <p>Notwithstanding this, we support a trial that seeks to understand this option in full.</p>			
<p>Indicative cost impact (if applicable)</p> <p>Unable to determine cost impact at this stage.</p>			

2.	Do you agree that the Future Billing Methodology Project could provide the basis to deliver an economical and sustainable pathway to decarbonising heat for 2030 and 2050?		
Agree	x	Disagree	
Please treat answer as confidential (delete as appropriate)			No
<p>Reasoning</p> <p>We agree that FBM could provide insight into the role of gas in decarbonising heat for 2030 and 2050.</p> <p>However, the methodology will only be useful if it considers the scalability of its findings and considers the end to end impact of the methodology on all market participants.</p> <p>Over the coming years, there will be some key milestones and decisions that need to be made within the industry as a whole regarding future energy policy and the decarbonisation of heat. It is essential that any options explored allow for an appropriate amount of flexibility, to enable parties to adapt and react to any future developments.</p> <p>It would be unwise to develop a single solution that potentially locks the industry in to a way of operating that could become unsustainable or uneconomical.</p>			
<p>Indicative cost impact (if applicable)</p> <p>Unable to determine cost impact at this stage.</p>			

3.	Do you agree that the proposed Measurement and Validation Field Trials could provide an understanding of the modelled zones of influence of LDZ-embedded gas entry points?		
Agree	x	Disagree	
Please treat answer as confidential (delete as appropriate)			No
<p>Reasoning</p> <p>Yes.</p> <p>We believe that field trails are likely to provide a baseline understanding of the impact that identifying zones of influence could have. However, significantly more work would be needed to extrapolate these findings. This would be with the aim of providing robust and comprehensive evidence as to whether establishing new billing zones is viable across the whole network.</p> <p>It is important to consider what the impact to shippers and therefore customers will be in establishing a number of different billing zones. Whilst the trial will identify the technical feasibility, as drafted, it will not consider the broader impact of a national roll out. Managing customers within different billing zones is likely to require numerous costly changes to supplier billing systems, as well as key central service provisions.</p> <p>As referenced earlier, it is imperative that the output is considered in the context of the wider policy on decarbonisation. Therefore, we consider that government and Ofgem have a key role to play in scrutinising the findings. Furthermore, it would be beneficial to understand what the decision making process is following the final consultation, to understand how ‘success’ will be measured and defined.</p>			
<p>Indicative cost impact (if applicable)</p> <p>Unable to determine cost impact at this stage.</p>			

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4.	If your answer to Q2 and or Q3 was “Disagree”, what alternative or modified approach would you like to see considered?		
	Agree		Disagree
	Please treat answer as confidential (delete as appropriate)		Yes/No
Response			
N/A			
Indicative cost impact (if applicable)			
N/A			

5.	What factors and impacts would you like to see considered through the Future Billing Methodology Project?	
Please treat answer as confidential (delete as appropriate)		No
<p>It is vital that the project considers the full end to end impacts from supply chain to customer billing.</p> <p>EDF Energy believes there is a need to look beyond a proof of concept that considers whether it is possible to identify zones of influence in just two areas. Whilst we agree, based on the proposed trial methodology, that identifying zones of influence in two carefully selected sites is achievable. The project needs provide more detail on how it intends to demonstrate the scalability of its findings nationwide.</p> <p>What is of greater significance is the viability of the methodology when applied across the entire network. In particular, whilst the trial aims to produce a replicable set of procedures, it is not clear what testing will be undertaken to ensure replication is possible, nor what could be done if a zone of influence cannot be reliably determined.</p> <p>The project pays little attention to the potential impacts on shippers and suppliers, which will be a fundamental consideration of whether the methodology is a viable proposition.</p> <p>We would like the project, or a workstream alongside, to consider the three potential approaches outlined in the consultation (Pragmatic, Composite and Ideal) and how the CV information would be received by suppliers, how frequently it could fluctuate and to what extent.</p> <p>Additionally, we believe further consideration needs to be given to the process for updating the CV value, particularly for Smart meters. The consultation suggests that CV values could be updated dynamically, this is not aligned to how the CV is managed for Smart meters today. Such a change to the Smart design, meter configuration and central systems should be factored into the overall costs, in order to understand if this would drive a benefit to customers.</p> <p>Suppliers are likely to have to change billing systems and processes in order to accommodate any revised methodology. Additionally, suppliers will need to consider how to assist customers who wish to calculate their own bills. A more dynamic CV may improve the overall accuracy of billing. However, depending</p>		

on the level of fluctuation of the CV and the costs and complexities of managing this, the cost could outweigh the benefit.

6. If implemented, how would the suggested changes to the existing LDZ FWACV billing regime benefit your company/organisation, e.g. what savings would the changes bring?

Please treat answer as confidential (delete as appropriate)

No

Reasoning

EDF Energy supports the need to understand in more detail the true cost of decarbonising the gas network. It is vital therefore that this project considers the end to end impacts and associated costs. The project needs to look beyond the network costs and consider the overall costs to industry, including making changes to central systems such as UK Link and updates required to suppliers billing systems.

The project should deliver a transparent and holistic view of the overall costs, in order to inform future policy decisions. Only with a clear end to end picture can industry consider the option of decarbonising the gas network against other options for decarbonisation such as electrification and hydrogen conversion.

In regard to the specific savings for EDF Energy, we do not anticipate there would be any savings made. Implementing changes to our billing systems, customer communications and sharing additional data with the Xoserve would all drive additional costs for suppliers and ultimately customers.

Indicative cost impact (if applicable)

Unable to determine cost impact at this stage.

7.	Do you envisage any legal or regulatory issues arising if any of the Future Billing Methodology options were to be implemented?	
Please treat answer as confidential (delete as appropriate)		No
<p>Reasoning</p> <p>We believe more detailed consideration of the need to amend The Gas (Calculations of Thermal Energy) Regulations is required, and that this should be within the remit of the project. The consultation suggests that the regulations are sufficiently flexible to allow for a revised methodology to be used by creating separate charging areas.</p> <p>EDF Energy would be concerned that the new methodology may not be suitably reflected within the appropriate regulation. We would therefore urge the project to consider, not whether the methodology could work alongside the existing regulations but rather whether a change in the regulations would better deliver the overall objectives.</p> <p>If updating the regulations is the correct approach, in order to provide greater clarity and transparency, then the project should not overlook this need.</p> <p>Additionally, there will need to be changes to the UNC in order to deliver the changes. However, we acknowledge that this would form part of any formal industry modification process.</p>		
<p>Indicative cost impact (if applicable)</p> <p>Unable to determine cost impact at this stage.</p>		

8.	Do you have any other comments on the Future Billing Methodology Project? (e.g. issues not covered in this document)
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Please treat answer as confidential (delete as appropriate)	No
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It is important that the output is balanced and recognises what impact decarbonising the gas network is likely to have on the overall energy mix. As set out above, the project needs to provide a well-rounded and holistic view to best inform future decisions on decarbonisation.

Therefore, consideration should be given to how best to present the findings to ensure the output is understandable to both policy makers and technical experts.