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Dear Steve,

ROMA – Decision and Consultation on Smart Meters

Thank you for the opportunity to comment on these proposals.

We welcome the decision by Ofgem to set a date when the meter supplier of last resort (MPOLR) obligation on NGN will be lifted. The use of this service in our region is very small and we have consistently argued since 2005 that this is an unnecessary obligation and one in which we do not have the scale of operation to undertake efficiently.

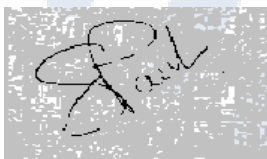
We support the proposal to have a backstop MPOLR in place by the end of 2012. However, the obligation should be placed directly on the backstop MPOLR to provide the service nationally to suppliers rather than provided via the local GDN. This will considerably simplify the operation of these arrangements.

The major omission from this decision document is compensation arrangements for stranding of existing traditional meters when they are replaced by smart meters. In the case of NGN these meters have solely been installed under the MPOLR since 2005 and not under commercial contracts. MPOLR meters are therefore a regulated asset and attract a low rate of return reflecting their low risk nature. Failure to address the stranding of these assets is not consistent with good regulatory practice and previous regulatory precedents. It is appropriate therefore that any residual value when the meters are removed is added to RAV. We would welcome a discussion with Ofgem on this issue.

To reduce the potential scale of stranding we propose that the assumed lives used to calculate the regulated tariffs are reduced significantly for existing meters not just new and replacement meters.

Please do not hesitate to contact me if you wish to discuss any aspect of our response.

Yours sincerely



Stephen Parker
Regulation Director

APPENDIX

Question 1: What do you consider are the pros and cons of our approach to managing traditional metering in the transition to smart metering?

The approach provides a clear delineation between the requirements as they relate to traditional meters where the GDNs retain a significant role and the requirements of the smart meters where GDNs will have a minimal role and the suppliers will take full responsibility for metering activities.

The major drawback with the proposals is the omission of arrangements to address the stranding issue created by the smart meter roll out.

Question 2: Do you consider that our assessment of the related issues within the metering market is accurate?

Yes the assessment is broadly accurate.

Question 3: How should emergency metering services be provided for in the transition to smart metering?

We can see no reason for changing the arrangements for the emergency metering services as they relate to traditional meters during the transition. GDNs will continue to provide these services on a commercial basis for traditional meters so long as suppliers require us to do so.

Question 4: How should emergency metering services be provided, for smart meters?

Emergency meter services should be a commercial service either provided by suppliers or their meter agents. In future there will be a smart gas meter, a smart electricity meter, an in-house display unit and the associated telecoms equipment installed in all domestic premises. There should be a single reference point for customers provided by suppliers in relation to any problems with the operation of any of this equipment. The only exception being where there is a suspected gas leak which should be referred to the gas emergency number.

Question 5: Which is your preferred option for managing the transitions and why?

Our strongly preferred option is C. This recognises the current and future economies of scale associated with the MPOLR. National Grid Metering (NGM) already provide all NGN MPOLR services under existing arrangements other than funding the meter acquisition which is recharged to NGN. These arrangements are unnecessarily complex with NGN in effect acting as an intermediary between NGM and suppliers.

NGN would prefer the backstop MPOLR to be under obligation to provide the services to suppliers nationally (in effect what happens currently) on a direct basis rather than under obligation to provide the service to other GDNs.

We support the proposal for all traditional meters to move under NGM ownership though unless the stranding issue is addressed this will not be possible.

Question 6: Under option C, is it appropriate to carry out a price control review?

Yes. It is 2002 since the last review of metering price controls was carried out and they are now out of date. The issue of assumed asset life must be addressed as the current 10 years for prepayment meters and 20 years for credit meters are clearly not correct given the

smart meter roll out programme. The review must also address the cross subsidy of prepayment meters embedded into the existing controls.

We also consider that the review should address charges for existing meter stock by seeking to reduce the assumed asset lives to reduce the potential stranding issues when the meter is replaced by a smart meter.

Question 7: Which of our revenue restriction options do you consider is appropriate and why?

Option 1 would be a shorter more efficient process. Option 2 would allow wider consideration of the issues and extend to the controls for any meter stocks retained by the GDNs. On balance Option 1 is the most appropriate as it will be the most efficient in tight timescales.

Question 8: If you are a GDN, would you prefer to transfer MAP ownership of your traditional meters (i.e. full transfer), or to subcontract new requests and the management of historical stock (i.e. partial transfer) or continue to manage your own meters?

NGN would prefer full transfer but unless the stranding issue is addressed this may be difficult to achieve.

Question 9: If you are a commercial meter operator (CMO), do you envisage a point in the smart meter rollout where you would be interested in consolidating your traditional meters?

NGN is not a commercial meter operator.