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Dear David

Competition in Electricity Metering Services – Industry Guidance V1.1 March 2003

We welcome the publication of Ofgem's guidelines and believe that they will help reduce the likelihood of customers being tied to their supplier as a result of the economic and operational complexities of metering competition. We have set out below our comments on the details of the proposed guidelines.

Electricity Supply - Standard Licence Condition 7

- (i) We welcome Ofgem's view that irrespective of whether a supplier has provided its own metering arrangements or it has provided them through a third party, the metering arrangements should not make the subsequent process of transferring a customer more costly or slower to any significant degree. We believe that in general, this seeks to address many of the concerns we have raised in respect of an outgoing supplier using metering competition as a means to tie-in customers. In particular, we would expect this to cover the scenario whereby an incoming supplier would be "forced", due to unacceptable metering charges/terms and conditions, to bear the additional costs associated with replacing an existing meter with an alternative meter provided by an alternative asset provider.
- (ii) We also welcome Ofgem's view that in considering whether any charges for metering restricts, distorts or prevents competition it would have regard to the approach in calculating the regulatory charge and any regulated prices which have been determined by Ofgem. We understand that this seeks to address our concern that the provision of new, competitive metering arrangements should not be more expensive than that charged by the regulated, "ex-PES" meter operators. Furthermore, we believe that this would be consistent with the approach that Ofgem has taken in respect of the regulation of Independent Gas Transporter's (IGT)

charges where IGT charges are limited to comparable Transco charges.

- (iii) We note that in assessing whether a charge is reasonable, Ofgem will, amongst other things, consider the age of the meter. Although we may see the logic for this, it may follow that ex-PES meter operators will have to re-think their meter asset provision charging structures.
- (iv) We support Ofgem's view that the process for transferring ownership of meters (or dealing with any leasing of the meter) should not require the incoming supplier to make significant changes to its system. We believe that this should help to address our concerns that a supplier may enter into arrangements for the provision of meters that rely on alternative data transfer mechanisms that could be incompatible to competing suppliers. In other words, metering arrangements should be fully compliant with the REMA baseline (or in the case of gas, compliant with the RGMA baseline). For example, it would be unacceptable for a supplier to enter into electricity metering arrangements that only provides for the use of the gas IX transfer mechanism rather than the DTN to manage electricity metering flows. Indeed, we would expect the imminent RGMA guidelines to similarly restrict suppliers from entering into gas metering arrangements that rely on the electricity DTN mechanism to manage gas metering flows.

Electricity Supply - Standard Licence Condition 47

- (i) The guidelines state that in circumstances when a customer changes supplier and the customer requires a new meter, the outgoing supplier will remove the meter from the customer's premises as soon as reasonably practicable following a written request from the incoming supplier. We understand that this means that where an incoming supplier has to provide alternative metering arrangements at a customer's premises (because it is unable/unwilling to accept the terms for, or the technology associated with, the metering arrangements that have been provided by the outgoing supplier), the incoming supplier can request that the outgoing supplier arranges for, and bears the cost of, removing that meter. We would welcome Ofgem's clarification that this is indeed the case.

Electricity Distribution - Standard Licence Condition 36B

- (i) We welcome Ofgem's guidance that standard licence condition 36B does not oblige an "in area" distributor to offer to enter into an agreement to provide separate elements of the Mop services on an ad-hoc basis.

New Metering Technology

Notwithstanding the above comments, we believe that the development of new metering technology is an issue that needs to be addressed within the new metering arrangements. It is clear that one of the ways in which a supplier may seek to tie-in a customer is for it to install and use metering technology that is not supported by other suppliers. In these

circumstances, the supplier may be able to ensure that rival suppliers avoid these customers altogether if, for example, new meters would require complex new systems to enable rival suppliers to manage and bill customers. In these circumstances, the intention or effect of new metering technologies might be to tie-in customers to their existing supplier.

We recognise that the development of new technology is a difficult situation to address. On the one hand, any regulatory guidance clearly must not stifle the development of new metering technology. If the industry as a whole were to develop and adopt common, new technologies this issue would not arise. However, if individual suppliers develop and install new technology, it will be important to ensure that the new technology does not, in effect, restrict supply competition. We therefore believe that it would be beneficial to initiate a review group to establish how this conflict should be dealt with going forward.

We hope that you will find the above comments helpful and we look forward to commenting on Ofgem's equivalent draft guidelines in respect of the new gas metering arrangements.

Please give me a call if you would like to discuss anything in more detail.

Yours sincerely

Rob McDonald
Group Regulation Manager