

IGS Asset Management

74 Victoria Road

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18th July 2003

Dear Ms Sheldon,

Re: SPAA Consultation

IGS Asset Management (IGS) is a division of Qdos Industries Limited through which Qdos will enter the Gas Industrial and Commercial (I & C) Metering Market as a specialist Meter Asset Manager (MAM) that will also act as a Meter Asset Provider (MAP), thus providing a one-stop shop for asset services to gas I & C Suppliers. IGS is in discussions with I & C Suppliers regarding its entry into this market.

As a MAM, IGS is not directly affected by SPAA, but it may be subject to these arrangements through the 'backing off' of obligations in SPAA contractually. We also believe that providing an I & C MAM's perspective would constitute a helpful addition to the Supply Governance debate at this time.

IGS is of the view that the SPAA should not be a mandatory requirement of operating in the I & C market. The domestic and I & C markets are of a different order in terms of size, customer expectations, statutory requirements, and structure. At a time where the gas industry is attempting to introduce metering competition, we believe that it is unhelpful to impose a solution that may act as a barrier to entry. Our discussions with Suppliers have led us to the conclusion that they are very aware of their requirements, and those of their customers. We do not believe that customers in the I & C market require the SPAA to reap the benefits of metering competition. Indeed, the SPAA may be counter-productive in the I & C market because it constrains that market to only develop in line with the domestic market, which has a very different set of drivers. We would appreciate Ofgem's views on how SPAA, RGMA, and the Improving Customer Transfer (ICT) projects are being managed at the strategic level to ensure cohesion and that benefits are delivered to I & C customers.

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We have given answers to the questions raised by Ofgem in the course of its consultation in the Appendix. Due to the nature of our business, we have only answered those questions that may impact upon the provision of MAM services in the I & C market. Thank you for the opportunity to contribute to this vital debate about the future of the gas market. Please contact me at the address given if you wish to discuss this issue further.

Yours sincerely



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Appendix 1 – Questions Raised in the Consultation

Q. The principles of good governance, and the extent to which the proposed SPAA conforms with them

A. IGS Asset Management is broadly supportive of the principles of governance as set out in the consultation. However, it may be useful to consider the consumer interest and the nature of the market in addition to those set out. The SPAA is broadly compliant with these principles, though we are concerned at the concept of liabilities being introduced at this stage. This will impose costs on market entrants and may deter entry into the market.

Q. Whether a 10-day consultation period is appropriate

A. If 15 days is the current standard, there appears little reason to change this, unless some benefit will follow. It is not clear from reviewing the consultation what potential benefit there might be. It is our view that keeping the consultation period to its existing standard will ensure as many contributions as possible are made. Given the principle of participation set out in the consultation, we believe that there is a persuasive case for retaining the status quo.

Q. Should criteria be developed for the granting of urgent status to a change proposal?

A. In paragraph 5.14, Ofgem acknowledges that changes will be driven by commercial considerations. Therefore it is difficult to consider what may constitute an urgent change.

Q. The preferred method for the introduction of schedules into SPAA

A. The SPAA should go live with all relevant schedules attached with the relevant status. It is better to introduce this as a single change than to drip feed changes to the industry.

Q. The appropriate degree of consumer representation in the SPAA

A. IGS supports Ofgem's proposal in this area.

Q. Whether issues of unfair prejudice should be determined as part of the change decision

A. Issues of unfair prejudice should form part of the change decision process. However, there appears little benefit in limiting a party's right to appeal, particularly if they genuinely believe that their interests, or those of their service provider, are being prejudiced.

Q. Whether the provisions referred to in Paragraph 5.34 should be afforded 'protected' status

A. IGS supports Ofgem's proposal in this area.

Qdos Industries Limited.

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Q. The extent of Ofgem's role, if any, in the granting of derogations

A. Ofgem should review the decisions of the EC and Forum in this regard, and reserve the right to reverse those decisions if it believes that the interests of consumers are not best served through the granting of a derogation.

Q. Whether a licence condition should be placed on domestic and I & C suppliers

A. For the reasons given in our covering letter, IGS does not consider it appropriate for SPAA to be mandated in the I & C market.

Q. The proposed drafting of the condition

A. As a MAM, IGS will not be subject to the licence condition, and therefore it would be inappropriate to offer a view.

Q. Whether the SPAA has, or is likely to have, any anti-competitive effects, especially in relation to small suppliers or new entrants.

A. IGS has made the strategic decision to enter this market. We do not consider mandating SPAA in the I & C market to be particularly helpful, as we believe that this may create a barrier to entry, especially if Suppliers are subject to incentive payments, which they will back off onto their agents.

Q. Whether the I & C Code of Practice should be developed as a SPAA Schedule

A. For the reasons given in our covering letter, IGS does not consider it appropriate for SPAA to be mandated in the I & C market.

Q. Whether GTs should become party to the SPAA

A. As a MAM, IGS will have no direct dealings with GTs, and therefore it would be inappropriate to offer a view.

Q. Subject to the previous question, the appropriate timing of GT accession to the SPAA

A. As a MAM, IGS will have no direct dealings with GTs, and therefore it would be inappropriate to offer a view.

Q. Whether becoming party to, and compliance with, the SPAA should be a condition of the GT licence

A. As a MAM, IGS will have no direct dealings with GTs, and therefore it would be inappropriate to offer a view.

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Q. How the funding of change should be apportioned

A. As a market entrant, it is our view that all parties should fund the costs of their own system and process changes. Not only does this encourage efficiency, but the alternative funding mechanism set out in the consultation appears very complex to administer, and would not appear to be in line with the principles of governance set out in an earlier chapter.

Q. Whether the transfer of the meter asset between Supplier should be subject to collective governance under the SPAA

A. For the reasons given in our covering letter, IGS does not consider it appropriate for SPAA to be mandated in the I & C market.

Q. Whether SPAA should have any role or influence over the Transco metering contract, and, if so, to what extent

A. As a MAM, IGS will not be subject to this contract, and therefore it would be inappropriate to offer a view.

Q. Views on the timeline.

A. If SPAA is to be introduced for the domestic market, it must be in place before RGMA go-live. For the reasons given in our covering letter, IGS does not consider it appropriate for SPAA to be mandated in the I & C market.

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