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Dear David,

The provision of metering services by new electricity distribution network operators.

British Gas Trading (BGT) welcomes the opportunity to provide comments to Ofgem on the above consultation.

We agree with Ofgem that the three main options for the possible future regulation for metering arrangements and obligations for existing and new electricity distribution network operators (DNOs) are to:

1. maintain the status quo with 'in area' distribution network operators obliged to provide metering on all supply points (including those on new distribution networks) in their authorised area;
2. change the regulatory regime so that all distribution network operators (including new distribution network operators) are obliged to provide metering to supply points on their network; or
3. remove the obligations on all distribution network operators to provide metering.

We further agree with Ofgem that, at this stage, option 3 should be rejected, although, in the longer term, once competition in metering services has developed sufficiently then it would appear appropriate to remove the provision of metering obligations. Once competition had been established, the market would provide for customer's needs.

Our views on the remaining two options are as follows.

Option 2 (move obligations to all) currently operates in the gas industry where IGTs have an obligation to provide and install domestic meters. Although in principle this option may be viewed as more equitable, in practice this arrangement has had limited success and gas suppliers (including BGT) have experienced problems in obtaining offers for the provision of some meters, in particular pre payment meters. We also have concerns that this option may have a detrimental effect on the development of competition since it increases the regulatory burden on new entrants. We therefore do not support this option.

We consider that option 1 (the continuation of current arrangements) has the advantage that the obligation rests with those who are more likely to benefit from economies of scale, as well as the logistics and facilities to provide these services. Further, we agree with Ofgem that it avoids the implementation costs associated with licence changes which are likely to be of limited duration.

With regard to concerns that this option may be inequitable since it requires 'in area' DNOs to act as meter providers of last resort, but not to require this of the new DNO, we do not view this as materially unfair and believe that this model has been adopted in other areas of regulation where competition is being encouraged. Moreover, it would seem appropriate to continue with such last resort obligations whilst DNOs continue to be dominant in the relevant metering markets. As we have stated earlier in this response, once competition has been established, it would appear appropriate to remove these 'in area' DNO metering obligations.

We accept that either option 1 and 2 will incur an additional layer of complexity but consider that maintaining the current regulatory structure will prove less complex, since in option 2 the supplier cannot automatically assume that the 'in area' DNO will be the last resort provider of metering services and will therefore arrange to have metering contracts in place with **all** DNOs to whose networks its customers are connected.

With regard to the Master Registration Agreement arrangement, we do not believe that option 1 will materially increase their complexity. Option 1 will require that the 'in area' DNO has access to the Meter Point Administration Number (MPAN) for each supply point held by the new licensed DNO and the supplier. We believe that, ideally, this could be achieved through the national roll-out of MPAS online. Whilst we acknowledge that this may take time and commitment to fully implement, we consider that a temporary solution whereby an 'out of area' DNO would be obliged to notify the 'in area' DNO of each MPAN to be an acceptable short-term solution.

In conclusion, we believe that the current arrangements should continue until competition is adequately established and all appropriate obligations are removed.

I hope these comments have been of use and please contact me if you require any further clarification.

Yours sincerely,

Roddy Monroe
Regulatory Issues Manager