

David Howden  
Ofgem  
9 Millbank  
London  
SW1P 3GE

24 February 2004

Dear David

**Consultation on the provision of metering services by new electricity distribution network operators.**

This response represents the combined views of East Midlands Electricity and Aquila Networks.

In view of the fact that Ofgem have advised that Option 3 "Remove all obligations to offer to enter into an agreement for the provision of metering services" is not under consideration at this time we have confined our response to options 1 and 2. However, we believe that Option 3 should be considered at a later date.

Barring option 3, we believe that Option 2 provides the right solution for a number of reasons which are further explored below.

The existing obligation falls on the ex-PES Distribution Network Operator by virtue of the Distribution Services Area which was designated some years ago. This area was defined by a map showing the geographic boundaries of each of the fourteen PES Distribution Businesses. At this time the PESs had a monopoly on electricity distribution within their areas, and there was no concept of embedded Licensed Distributors.

The emergence of competition in Distribution and new licensees having embedded networks now requires this geographic approach to be revisited. We believe that this can be done simply by transferring the basis of the obligation from the Distribution Services Area, to any direct connection to the Distribution System.

We also believe that, following the P62 Modifications and the recent transfer of certain Licence Obligations from Section C to Section B, this is now the only obligation that the Host Distributor has in respect of connections to embedded networks. This is an anomalous position and is contrary to consistent regulation.

The existing position effectively blurs the edges of ownership and responsibilities where the new licensee owns and operates the entire network, except for the Meter itself which is owned by a separate Distributor who has no access to either the network or the meter installation.

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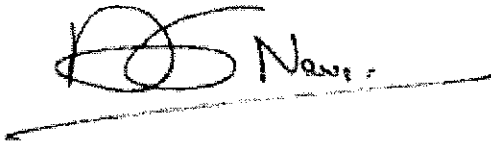
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Furthermore, the meter installed by the Host Distributor may not be of a type supported by the embedded Distributor. These circumstances may cause unnecessary delay to customers in the event of a loss of a supply and potential safety consequences to staff attending these premises who may not be able to carry out work on each others equipment.

The paper refers to a disadvantage that may occur in the electricity market, which currently occurs on the networks of IGT's in relation to the cost of installing pre-payment meters. We believe this risk could be mitigated by using relative price control whereby the charges a supplier incurs for metering services provided in respect of a supply point on the embedded network may not exceed the metering charges that would have been levied by the host DNO had the supply point been connected to its network. A similar approach is already in place with regard to new DNOs' use of system charges.

If you require any further information please contact me, or Geoff Huckerby on 01332 393820.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Neves', with a long horizontal line extending from the end of the signature.

Andrew Neves  
Tariff and Connection Pricing Manager