



# SP Transmission & Distribution

Mr D Howdon  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Your ref

Our ref

Date

26 February 2004

Contact/Extension

01698 413485

Dear David

## **The Provision of metering services by new electricity distribution network operators**

Thank you for the opportunity to respond to this consultation. I am responding on behalf of SP Transmission & Distribution, which manages the three electricity network businesses of ScottishPower – SP Manweb plc, SP Distribution Ltd and SP Transmission Ltd. I apologise for the delay in our response, but I hope that following our telephone conversation our comments will nevertheless be taken into account.

While the consultation sets out options for the regulation of metering on licensed distribution networks we believe that consideration needs to be given to metering under four different circumstances -

1. Metering on a network belonging to an ex-PES DNO within its services area;
2. Metering on a network belonging to an ex-PES DNO outwith its services area;
3. Metering on a network belonging to a new licensed DNO; and
4. Metering on a network belonging to a distributor who is exempt from holding a licence under SI 2001 No 3270.

At the moment an ex-PES DNO is obliged by its licence to provide, on application, metering equipment and metering operations on all four of the above networks within its Services Area. As competition in metering and distribution grows this should not, in our opinion, continue to be the case.

### **Network 1**

We understand Ofgem's concern that competition in metering is not yet sufficiently developed to allow the removal of obligations on ex-PES DNO's to offer metering services to customers connected to their in-area networks, and that this obligation will be reviewed following an assessment of the competitive metering market.

Members of the ScottishPower group

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## **Network 2**

A private network is currently being constructed in the SP Distribution Services Area by another ex-PES with the intention to convert this to a licensed network, and the development of other licensed networks is expected. We can foresee a number of difficulties that will arise if SP Distribution provides MAP and MOP services on these networks.

We have concerns regarding safety. Employees of the 'in-area' DNO would have to work on a network that is neither owned nor operated by that DNO. This concern relates especially to times when a response to an emergency situation is required and lack of clarity of operational boundaries and equipment ownership could lead to dangerous situations arising.

With current systems there may be difficulty in customer identification as there will be no access to the relevant MPAN information, which may lead to problems when sending the required industry data flows and charging information.

Should ex-PES DNOs be required to offer metering services on these networks, then this will require system changes related to the implementation of BSC P62 in England & Wales and SAS Mod 50 in Scotland. This will incur increased and unnecessary costs that may require to be reflected in the charging related to provision of this service.

## **Network 3**

This is a similar situation to Network 2 except that the distributor is a new Licensed Distributor rather than an ex-PES. We have the same concerns in offering services in this situation as for Network 2.

## **Network 4**

Whilst in theory ex PES DNO's have always had an obligation to offer terms for metering services to unlicensed network owners on request, the situations where metering services have been provided have been restricted to high-rise flats, shopping centres etc. The 'private' network has to all intents and purposes been treated as an extension to the DNO's system for purely practical purposes. Where applicable, we believe that ex-PES DNO's should continue to provide metering services to networks owned by organisations such as local authorities. This is a legacy of pre-privatisation arrangements and it is appropriate to continue with these arrangements for the foreseeable future.

However, for new networks of this type we believe that the most appropriate party to provide this service is the DNO owning the licensed network that the unlicensed network is directly connected to, and the most appropriate mechanism to achieve this would be to extend the obligation to all DNO's. If this were not the case for new unlicensed networks then we would have the same concerns in offering services in this situation as for Network 2.

## **Conclusions**

It is our belief that maintaining the status quo, Option 1, can only restrict the development of competition within distribution and metering services.

We also believe that all licensed distributors should be responsible for the provision of all related services, including metering provision, to those customers who are directly connected to their network and we therefore believe that it is appropriate to place an obligation on the network owner to offer metering services. Until such time as competition in metering is sufficiently developed, these obligations should be an essential part of network ownership and should contribute to the development of fair and equitable competition in distribution services.

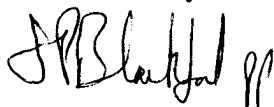
In order to facilitate competition in metering services, new licensed DNOs and ex-PES DNOs operating 'out-of-area' should not have any price regulation placed upon them. Market forces should determine the charges that they can make, and if necessary suppliers can also source such services from an alternative meter provider of their choice. One impact of BGT's decision to appoint its own MOP is that licensed DNOs will have the ability to subcontract the work to at least one commercial provider other than the 'in-area' DNO. Consequently we do not see cost as a barrier to new licensed DNOs or 'out-of-area' ex-PES DNOs providing metering services for customers connected to their own networks.

While we recognise that the ultimate aim of competition in metering services is to remove all obligations, in our view an obligation on all licensed distributors to offer to provide metering services for customers directly connected to their networks will enhance competition and so allow the removal of the obligations sooner rather than later.

We therefore strongly support the implementation of Option 2, achieved by amending SLC 36-36C to relate to all customers directly connected to the licensed DNO's network and moving these obligations to a section of the licence relevant to all distribution licensees. Further, we urge Ofgem to make the necessary licence changes as soon as practicable.

I hope that this is helpful, but please contact me if you wish to discuss further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dave Thornton', followed by two short vertical lines.

**Dave Thornton**  
**Regulation Manager**  
**SP Transmission & Distribution**