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Dear Peter

Gas Quality Wet Gas Administration Scheme – Initial Proposals

ScottishPower welcome the opportunity to respond to the above paper on the Wet Gas administration scheme. From the proposals set out in the paper, we fully support the Ofgem position that all administration of Wet Gas determinations is ceased.

As Ofgem observe in the proposals, the current scheme is neither particularly accurate nor cost effective. ScottishPower commends the efforts to improve the accuracy of customer bills but agrees with Ofgem that under the current scheme a small number of customers are over-compensated at the expense of the majority. The potential inaccuracy in consumer bills is not sufficient to justify the continuation of the system, when compared to the over-riding benefits to consumers, in terms of prices and equality of billing, from withdrawing from the administration altogether. It is the view of ScottishPower that the current scheme does not benefit the majority of consumers but rather acts as a detriment to all but a small proportion of gas users and as such should be discontinued. Ofgem demonstrate this effectively in the Impact Assessment attached to the proposals.

ScottishPower agree that to apply the plan in full would, to a small extent, improve the accuracy of consumer bills, but the increased costs in doing so far outweigh the benefits to consumers of more accurate bills. Suppliers faced with such considerable costs would have little choice but to pass these on to their customers. Furthermore, we believe that the proportion of customers regularly affected by wet gas is not significant enough to justify extending the current scheme when the improvements in billing accuracy averred by Ofgem are minor, in the region of only 0.16% per annum. ScottishPower cannot foresee any further benefits to customers that could be derived from extending the testing of wet gas sites. Finally, the great majority of customers are unaware of the existence of wet gas and would be unlikely to find it a critical factor when considering billing arrangements when faced with

higher prices. ScottishPower are fully opposed to extending the scheme beyond that currently in existence.

ScottishPower concur that the proposal to discontinue the wet gas administration scheme in its entirety is the best solution for industry and consumers alike. To do so would reduce industry costs, prevent the minority of consumers paying for the compensation of the majority and provide parity of billing for all customers, so reducing the effects of billing error.

We welcome the decision by Ofgem on this issue. Should you wish to discuss anything included within this response, please do not hesitate to contact me using the above details.

Yours sincerely,

Pamela Kelly
Regulation, Legal and Commercial