

DRAFT

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Dear Jenny

Proposed Restructuring of National Grid Transco's Metering Business

Thank you for the opportunity to comment on the above proposals. I am responding on behalf of the consortium seeking to acquire the northern DN. We believe Transco's proposals are a logical reaction to market developments and changes to the regulation of metering.

This consultation is primarily aimed at obtaining the views of suppliers. However, there is one issue arising from the proposed transaction that directly impacts gas transporters. TMS are proposing to increase prepayment charges substantially. In the new DN licence the metering price controls remain. Therefore, prepayment meters will be available from the DN at a price well below the market price and that being charged by the dominant incumbent (TMS). Under a normally functioning market suppliers will therefore start requesting prepayment meters from the DN. This is a direct distortion of the competitive market and not in the customer's interest.

The solution is to address the nature of the obligations on the DN rather than seeking to maintain the existing cross subsidy within NGT's metering business. In light of this proposed transaction and the introduction of competitors to Transco it is now appropriate to review the nature of the obligations on the DN. This review should consider their impact on the developing market, the necessity of maintaining them and their precise nature if maintained.

I hope you find this response helpful and if you wish to discuss please do not hesitate to give me a ring.

Yours sincerely

Stephen Parker

Regulation Manager