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Dear Jenny

The proposed restructuring of NGT's metering business

You have invited comments on the consultation paper published in March. We are pleased to set out below SSE's comments on the issues raised in the document, and in addition some further issues which are not explicitly raised in the consultation paper but which we believe need addressing.

Issue 1- what are suppliers' views in respect of the extent to which they have been made aware of this proposed sale and the contract options they have been offered by NGT?

SSE is satisfied that it has been kept informed by Transco. SSE's gas metering requirements are provided under the new long term Metering Services Agreements (MSA).

Issue 2 – whether suppliers consider that they can effectively access the price controlled tariffs for gas meters under NGT's proposals.

At the last transportation price control review Ofgem put in place metering price controls. It is vital that these controls remain in place, at least until Ofgem have carried out a thorough review of competition in metering. In particular, nothing in NGT's proposed restructuring of metering should allow Transco the opportunity to bypass these price controls.

Under NGT's proposed restructuring MSAs would lose their overall price cap, as a result of NGT Metering becoming an unlicensed, unregulated business. This will increase suppliers risk/exposure. It is therefore important in our view that Transco retains the licence obligation as meter supplier of last resort and that price-controlled tariffs continue to be available through the Provision and Maintenance Agreement

(PMA). In this regard we note that following the DN sales, the IDNs will retain this licence obligation even though they will have not a metering business. We recognise that MSA prices are RPI-indexed, but the availability of price-controlled tariffs under the licence obligation will provide a reference point for MSA prices in the future.

Issue 3 – what issues arise from the rebalancing of meter charges?

Transco are entitled under the MSA to rebalance charges on novation, and Transco can make the change at 3 months notice, potentially as early as June/July. SSE and a number of other suppliers have requested a delay, in order to mitigate the impact on retail contracts.

However, if NGT were to meet our concerns, we do not believe that it would be necessary for NGT formally to apply for disapplication of the price control.

Issue 4 – whether there are any issues raised by the proposal in respect to the transfer of the status of “Gas Act Owner” and the associated responsibilities that are passed on with this transfer?

By separating NGT's metering businesses from the gas transportation (GT) business there will be a shift of Gas Act Ownership away from the GT. However, we have assumed that suppliers would pick up this responsibility and have broadly accepted this.

The consultation paper suggests that because of the way industry agreements are drafted i.e. are they "lease", "rent" or "hire" agreements, there is a legal technicality which may require the consumer to become the Gas Act Owner in most cases.

It is our strongly held view that any possibility that domestic consumers could become the Gas Act Owner is unacceptable. These consumers would have to be notified of this liability and, although it may have no practical implications, it would needlessly worry a lot of consumers.

Issue 5 – are there issues concerning the Weights and Measures Act 1985 that should be considered as part of NGT's proposal?

We agree with NGT's view that this proposal does not place any additional risk in respect of the legality of gas meter provision onto the consumer.

Other issues

The consultation is unclear on, and does not discuss, the price at which meters will be sold by Transco to NGT Metering, in particular what “at market value” means and whether this is appropriate. The over-riding concern must be to ensure that there is no cross-subsidy by, or of, the transportation business.

Similarly, Transco will retain the “last resort” obligation but sub-contract the provision of this to NGT Metering. This contract must recognise the cross-subsidy and confidentiality of information requirements of Transco's licence.

Finally, the IDNs have no metering business therefore have to rely on TMS systems. These systems have been funded by previous price controls potentially giving NGT Metering an advantage over competing metering providers.

If you would like to discuss any of the above points further please give me a call.

Yours sincerely

Rob McDonald
Director of Regulation