

## TOTAL GAS & POWER LIMITED

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Dear Jenny,

### **The proposed restructuring of National Grid Transco's Metering Business – Consultation response.**

Total Gas & Power Limited (TGP) are writing in response to the request for views invited on the above document.

#### **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?**

We acknowledge that we have been made aware of Transco's proposed intention to restructure its business and create a single metering company. Discussions with Transco have been ongoing concerning the new operating regimes.

In the longer term, we are concerned about the possible implications of merging an unlicensed commercial entity (Onstream) with an indirectly regulated organisation that is effectively subject to price controls on metering and metering services. Merging these two aspects of Transco's business will reduce the transparency of the operations currently carried out by Transco Metering and will reduce the level of assurance that suppliers have that price control revenue is not cross-subsidising Transco's commercial operations. The benefits derived from system synergies and economies of scale, may unduly benefit Onstream's commercial activities and so hinder competition

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

As the market is not mature enough to have provide competition, it is essential that suppliers have the ability to access the price controlled tariffs. In our negotiation with Transco plc we have been able to discuss services based on these price controlled tariffs. We are concerned on the longer term implications for metering competition if all suppliers are forced to rely exclusively on these tariffs.



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

We agree with Ofgem in the view that structural business changes should not have the effect of modifying the price control regulation structure. The removal of price controls on pre-payment meters will result in a fundamental change in the maintenance of metering services, with a detrimental effect on suppliers and consumers. Any such changes to the pricing mechanism for such meters should be subject to a separate full industry consultation.

### **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?**

The consumer should not be responsible for the maintenance of meter assets, as this will lead to the reduction in meter reliability and the loss of data quality in the settlement process. We agree with Ofgem’s view that the framework should be modified to ensure that the ‘Gas Act Owner’ does not default to the consumer, providing that any such license changes follow the required consultation process.

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

Gradual, long-term replacement of the imperial meters in-situ is a pragmatic and cost-effective solution to this issue. We agree with Ofgem that the current arrangements should not be revised in light of this proposed restructuring.

Please contact me if you would like further information on the above.

Yours sincerely

***Gareth Evans***

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