

Ref: AW/DM/037

11<sup>th</sup> August 2006

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Dear Rachel

**Metering Price Control Review – Consultation**

Thank you for the opportunity to comment on the proposals set out in the above document.

The aim of the Regulator should be to impose and enforce supplier of last resort and price controls only where the level of competition is not sufficient to ensure the efficient provision of those services.

At the time of Gas Distribution Network (GDN) sale, Northern Gas Network's (NGN) raised the issue with Ofgem of the appropriateness of applying such licence obligations to GDNs who had no metering assets or associated systems. Ofgem at the time argued that this was outside the scope of sale, but would be considered as part of the price review.

The iGDNs did not acquire any metering assets as part of the sale process and hence. Consequently, the control applies only to the very small number of domestic metering assets that have been installed under last resort arrangements since June 2005. In the case of NGN, this figure is less than 2000 meters with a total cost of around £40,000. The very small size of this regulated activity does not represent either efficient regulatory practice or an efficient scale of operation for NGN.

Therefore, we remain of the view that the level of competition that exists within the gas metering market, as demonstrated by the amount of services supplied under the last resort obligations in the last twelve months, means that the last resort obligation and price control are unnecessary

In addition, our view is that the proposal to defer any review the current licence obligations and regulatory controls could be compounding the development of competition in this area. The issue set out in the consultation document of the potential 'cross-subsidisation' of prepayment meters (PPM) by credit meters in the current control mechanism is a specific example of where the regulatory control is potentially distorting the market and hence the further development of competition.

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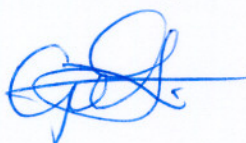
Ofgem's stated expectation for the removal of tariff caps was April 2004 at the time of setting the controls in September 2001. The proposed delay would see this timescale extended to beyond April 2008 despite there being clear evidence that the obligations on GDNs are unnecessary.

The current metering price controls were developed and implemented alongside the regulatory controls for the main distribution business activities. It is appropriate that these activities be considered in tandem again such that any separation issues can be affected simultaneously without any impact on the main distribution activity during the main regulatory control period.

Finally, we believe that the Competition Act investigation into the contractual relationship between National Grid Metering and suppliers need not impact upon the timely review of the appropriateness of maintaining the regulatory obligation and price controls on the iGDNs. The lack of clarity that these delays are introducing uncertainty into both the metering markets for both gas and electricity and hampering the pace of development of competition for metering services.

In summary therefore we believe a review of the last resort obligations and metering price controls on gas transporters should take place immediately and not be deferred pending Ofgem's Competition Act enquiry. If you would like to discuss any of the issues further then please do not hesitate in contacting me.

Yours sincerely



Gareth Mills  
Regulatory Policy Manager