



Rachel Fletcher
Head of Retail Markets
OFGEM
9 Millbank
London
SW1P 3GE

Wales & West House
Spooner Close
Celtic Springs
Coedkernew
Newport NP10 8FZ

Tŷ Wales & West
Spooner Close
Celtic Springs
Coedcernyw
Casnewydd NP10 8FZ

T. 029 2027 8500
F. 0870 1450076
www.wwutilities.co.uk

10th August 2006

Dear Rachel

Metering Price Control Review - Consultation – June 2006

I am writing in response to the publication of the above document on behalf of Wales & West Utilities Limited. For the avoidance of doubt I confirm that our response can be published.

We wish to comment on two issues raised in the consultation, first the pre-payment meter (ppm) price cap and second the obligation on DNs to provide last resort domestic meters contained in Standard Special Condition A10. We recognise that the Competition Act investigation into National Grid Metering (NGM) means that it is inappropriate to comment on the state of competition in gas metering and therefore full discussion of the the A10 obligation will need to be postponed.

PPM price cap

There are equity arguments for the ppm price cap and ppms tend to be disproportionately situated in premises occupied by less well off customers. The subsidised ppm rental price is likely to mean, however, that there is over provision of ppms compared to credit meters. It should also be noted that unregulated Meter Asset Providers (MAPs) rental charges for ppms exceed the caps and suppliers voluntarily comply with the price cap in charges to customers. We note that for electricity ppms the price cap was set at full cost recovery levels (paragraph 3.8). Consistency with this approach would require an increase the gas ppm price cap

One way of preserving the price cap would be to remove the obligation on transporters and place it on suppliers. This would be consistent with the supplier hub principle for metering whereby the supplier is the decision maker and decides which type of meter is appropriate and the charges to the customer..

A further concern is the level of the cap when compared to our portfolio of domestic meters. The price cap was set based on the proportion of ppm to credit meters in National Grid's population of domestic meters, that is approximately 10% ppm and 90%

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

Wales & West Utilities Limited
Registered Office:
Wales & West House, Spooner Close, Coedkernew, Newport NP10 8FZ
Registered in England and Wales: No. 5046791

credit meters. As a last resort MAP has over the last year we have installed about 45% ppm and 55% credit meters. Although the numbers are small this is a concern for us and the size of the problem will only grow over time. The level of surcharge may have been appropriate for a monopoly provider, but in a world of multiple regulated providers this will result in gainers and losers and this is inappropriate for more than a short period. We therefore consider that Ofgem can and should examine the ppm price cap before the end of the Competition Act enquiry.

Standard Special Condition A10 - Obligation to provide last resort domestic meters

Whilst we recognise that full discussion of this issue needs to wait for a resolution of the Competition Act enquiry, we have some initial observations. We consider that metering competition has only been established to a limited extent, with the largest supplier, British Gas, having appointed commercial MAMs. It should be noted, however, that non National Grid companies only won three out of the seven areas put out to tender by British Gas. In addition, because British Gas does not use the RGMA formats their commercial MAMs have found it difficult to communicate with non British Gas suppliers. In turn this has had two results, the process for managing churned meters has been costly and inefficient for both suppliers and the commercial MAMs and the commercial MAMs will need to build new RGMA systems to win contracts with other suppliers. If Ofgem considers that competition has not developed, then these and other problems need to be tackled. If on the other hand it considers that competition in metering has worked, then the logical conclusion is that there is no further need for the A10 obligation for us and other transporters to provide meters of last resort.

A separate issue is that metering competition is completely absent on IGT networks and we consider that Ofgem should address this because it has implication both for customers and for competition in connections. We commented more fully on the latter of these two points in our response dated 15th June 2006 to Ofgem's Review of Competition in Gas and Electricity Connections.

If you have any questions regarding this response please feel free to contact either myself on 029 2027 8539 or sarah.williams@wwutilities.co.uk or Richard Pomroy, Business Support Manager, Commercial on 029 2027 8552 or Richard.pomroy@wwutilities.co.uk

Yours sincerely



Sarah Williams
Regulation Support Manager
029 2027 8539
sarah.williams@wwutilities.co.uk