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Dear Rachel

**National Grid Gas' response to Ofgem's Metering Price Control Review Consultation**

I enclose our detailed response to Ofgem's Metering Price Control Review and confirm that it is not confidential and may be placed in Ofgem's public library.

We agree with Ofgem that where competition is developing well, the removal of licence obligations and price controls for new and replacement meters is appropriate. We also agree with the distinction Ofgem draws between new and replacement and legacy meters. Thus we recognise the rationale to extend the current price controls for legacy meters for a period in order to protect customers that continue to use these assets.

Our analysis would suggest that competition in the new and replacement gas metering market is firmly established with 56% of all new and replacement gas meters being provided by competitive meter asset managers. We therefore believe that a quantitative comparison of the gas and electricity sectors would suggest a prima facie case for removal of price controls and the associated licence obligations to provide new and replacement gas metering. We disagree with Ofgem's view that gas metering price controls should not be reviewed until the Competition Act investigation is concluded, as removal of the price control would have no bearing on the investigation.

In relation to the pre-payment meter tariff caps, we can see no reason for retaining the current arrangements as they inhibit competition and may discourage innovation. Ofgem itself has identified that gas pre-payment meters are being provided at a tariff capped price considerably below the commercial rate. The 2005 electricity distribution price control recognised the need to ensure cost reflective pricing of prepayment meters. In relation to the impact on the fuel poor of an adjustment to charges, Ofgem's analysis indicates that 85% of these consumers utilise credit meters and therefore would not be affected by such a change. However, in order to minimise the impact on those fuel poor consumers who do use a pre-payment meter, a phased adjustment to prices could be employed.

I hope the information provided is sufficient, but should you wish to discuss any of the points raised in this response, please contact either Paul Rogers on 01926 655584 or Eric Fowler on 0121 424 8574.

Yours sincerely

Mike Calviou

*By email*