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Dear Duncan

Gas Post-Emergency Metering Services

Ofgem has asked for feedback on its conclusions in respect of the ongoing provision of gas post emergency metering services (PEMS) by the Gas Distribution Networks (GDNs) as set out in its open letter dated 12 October 2007.

We support Ofgem's conclusion that there continues to be a strong case for PEMS being provided by the GDNs. We also agree with and welcome the conclusion that the provision of PEMS by the GDNs falls within the definition of "permitted purpose". Accordingly, it is not necessary for the GDNs to gain Ofgem's consent to either carry out these activities or for the revenue to be excluded from the de minimis cap since, by default, the work is an excluded service. Finally, we agree with Ofgem's conclusion that it is not necessary to introduce a licence obligation on the GDNs to provide a PEMS service and note that this is consistent with its March 2006 decision letter in this respect.

Turning now to Ofgem's guidelines. Given that Ofgem has not identified any particular issue associated with the existing PEMS arrangements, we do not believe that it is necessary to introduce guidelines in respect of this service. Notwithstanding that point, however, we have made some comments on Ofgem's proposals below under the relevant headings.

- **Purpose/Background.** It may be helpful to reference Ofgem's open letter dated 12 October 2007. In doing so it would provide a form of continuity in respect of Ofgem's consultations and conclusions that have led to the

introduction of the guidelines, including Ofgem's conclusion that PEMS is part of a GDN's permitted purpose.

- **Service Availability and Geographic Coverage.** We agree that it is reasonable to expect the GDN to continue to offer PEMS for domestic-sized meters to relevant parties who require it within their distribution area. However, for GDNs to consider offering a PEMS service to non-domestic meters we believe the guidelines should be amended to acknowledge that this should be where it is operationally *and commercially* practical to do so.
- **Meter Replacements.** Currently, like-for-like meter replacements are provided under PEMS where it is possible to do so and are limited to basic domestic meters only. We believe that the guidelines should reflect these existing arrangements. Any replacement arrangement for other meters, including smart meters in future, should, as proposed, be subject to commercial agreement between the relevant parties.
- **Pricing and Non-discrimination.** In addition to the services being provided at cost-reflective rates and on non-discriminatory terms, we believe the guidelines should also include reference to the GDNs being allowed to include a reasonable profit in their charge for providing this service.
- **Transfer and Return of Metering Assets.** While we agree that the arrangements should continue to co-exist with the competitive metering market, we believe the words used in the guidelines are currently too prescriptive. We believe it would be preferable to include wording along the lines of "should not restrict the transfer of meters to the relevant supplier".

Although we believe that it is reasonable for the GDNs to arrange for the return of a faulty meter where it has been exchanged under a PEMS arrangement, we believe that this should only extend to it being returned to the GDN's nearest local depot for uplift in a reasonable time. In our view the current drafting suggests a rather more onerous requirement on the GDN to arrange for the physical delivery of the meter back to the relevant MAM.

Once again, we welcome Ofgem's conclusions on this matter and while we do not believe that guidelines are necessary, we hope that you will find the above comments helpful.

Yours sincerely

Victoria Hunter
Regulation Manager