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25 September 2008

Dear Andrew,

Ofgem's Five Year Strategy 2009-2014

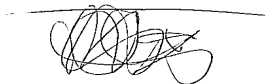
I am writing in response to Lord Mogg's letter dated 21 August requesting contributions to the development of the next five year strategy for 2009 – 2014

Wales & West Utilities broadly support the strategy outlined however we feel a key area of work is missing. We are disappointed that the Ofgem corporate strategy 2009-14 does not contain any reference to a review of gas metering competition. Our specific concerns relate to the lack to date of any fundamental review of both the domestic gas metering tariff caps in Special Condition E19 of DN's licences and also of the last resort obligation in Standard Special Licence Condition A10. We note that the corresponding obligation on electricity distribution businesses was removed in April 2007. DN sales added a further need to review the licence conditions mentioned above and the potential introduction of smart meters in the domestic market requires a review of at the least the price caps owing to the increased cost of smart meters.

Ofgem have indicated a number of times in previous Corporate Strategy documents – notably the Ofgem Corporate Strategy and Plan 2005-2010¹, Ofgem Corporate Strategy and Plan 2006-2011² that a review of metering competition will be carried out and whilst we appreciate that the Competition Act investigation into National Grid Metering complicated matters on the gas side, the issue still remains and this area of the gas market still requires a review.

We look forward to receiving an update on Ofgem's intentions in this area.

Yours sincerely,



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¹ Published on Ofgem website 31/03/2005. Ofgem state "We hope that the second half of the decade will see scope for the removal of the remaining regulation of metering through the metering price controls on the former monopoly providers as competition becomes established".

² Published on Ofgem website 31/03/2006. Ofgem state "We will also be reviewing whether competition is sufficiently developed in this market to warrant the lifting of existing metering price controls."

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*calls will be recorded and may be monitored
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