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Dear Emma,

Review of Current Metering Arrangements

Thank you for the opportunity to respond to the recently published open letter regarding Ofgem's proposed review of the current metering arrangements.

We believe that metering competition and the ability to procure meter asset provision under competitive commercial agreements continue to offer benefits. Our experience, both as a supplier needing to procure metering arrangements out of area, and as a provider of metering arrangements, is that there have been no difficulties in obtaining the necessary services at an acceptable price.

However, while it is appropriate for Ofgem to check that the market is indeed working as expected for existing metering services, it is important to focus on the forthcoming challenge of smart metering rather than putting too much emphasis on systems and procedures which will be progressively dismantled over the next decade.

As we move towards the smart roll out, it is essential that key elements of commercial metering arrangements are fit for purpose from an investment, operational and customer protection perspective. There are a number of priority areas, which we think that Ofgem must focus on, in order to drive the best value from the review, and to inform the smart roll out. In particular:

- Commercial interoperability at Change of Supplier (CoS) - This is a key concern and one that should be reviewed and resolved as quickly as possible. There are already clear issues of interoperability with conventional meters, which will only be more keenly felt as we move to a smart environment.
- Issues remain in the iGT arena where commercial metering arrangements do not currently exist. In particular, the charging principles displayed by iGTs could be a barrier to entry for meter operators offering services over iGT networks and a barrier to the replacement of meter assets on iGT networks.

- Recertification/Statutory Meter Exchanges – The current rules with regard to recertification and Statutory Meter Exchanges will have to be reviewed in light of the national smart replacement programme to ensure the most cost efficient practices are in place for the roll out without comprising accuracy. We think that a decision is required on this point as quickly as possible, and in any event prior to the publication of Ofgem's Prospectus in the summer.
- Resolution of Stranded asset issues – A key part of Ofgem's review should be the agreement on how issues of stranded assets can be resolved in such a way as to avoid suppliers, and ultimately customers, facing unnaturally high costs through excessive early replacement charges or inequitable loading of costs.

I attach a confidential Annex which addresses the various areas which you raise in your open letter. We hope you find those thoughts, and the high-level comments above, useful and we look forward to being involved as the review progresses. In the meantime should you wish to discuss further, please do not hesitate to contact me.

Yours sincerely,



Rupert Steele
Director of Regulation