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23<sup>rd</sup> April 2010

Dear Emma,

### **Review of current metering arrangements**

The Wales & West Utilities Ltd (WWU) response to your letter “Review of Current Metering Arrangements” is set out below.

WWU is a licensed Gas Distribution Network (GDN) providing Gas Transportation services for all major shippers in the UK. We cover  $\frac{1}{6}$ <sup>th</sup> of the UK land mass and deliver to over 2.4 million supply points. WWU is one of only two Gas Transporter Licence Operators that focus solely on Gas Distribution in the UK.

### **Scope of review**

We support this timely review and we are pleased that the review is looking at the last resort obligation in gas, and the operation of the current metering market. The energy sector has been subject to significant change in recent years and the current and future energy challenges will result in further change. The metering arrangements are a significant component of the energy sector and we fully support a broad review of arrangements.

The gas industry has undergone substantial change since metering competition was introduced, on the then, Transco networks. In our view a key change has been the National Grid sale of Distribution Networks in 2005 which has enabled comparative regulation to be introduced. We believe this is a timely opportunity to now assess the customer benefit of the Distribution Network sales and the potential benefits of re-bundling metering into the Distribution Networks.

The review is a perfect opportunity to objectively evaluate whether the current supplier led arrangements have resulted in any customer benefit - as we accept there are differing views within the industry on the success of the current market arrangements. The review should also consider whether the current market structure facilitates effective metering competition for supply points connected to Independent Gas Transporter (iGT) networks.

We suggest that the review could be conducted against a set of published criteria such as:

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

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- assessment of customer understanding and convenience, taking into account new connections and service alterations
- assessment of the costs and benefits of continuing to have different arrangements for IGTs
- a cost benefit test of different metering models.

Finally, the review could consider whether the residual Gas Transporter meter reading obligations namely Daily Metering and 'must reads' (which we carry out where a Shipper has failed to obtain meter readings in accordance with the Uniform Network Code) should continue and if so whether the price cap on the Daily Meter Read charge should be increased. This issue is further discussed in the section on Network Company Obligations.

### **General views**

We provide our responses under the four headings in the Ofgem letter. Our comments are based on the existing market structure.

#### Network Company Obligations

WWU's view is that the domestic last resort meter obligation is no longer appropriate for Gas Transporters within the existing market structure. The current domestic last resort obligation is onerous for WWU. The decision of DECC in favour of a supplier led Smart metering rollout suggests that the government believes suppliers can effectively rollout metering services - and therefore can accomplish this without the need to use the Gas Transporter's last resort service.

If the obligation is to continue then there must be an urgent review of the level of the price caps. This review of the price caps will be required when smart meters are rolled out to take account of the cost of smart meters; however, our opinion is that this review is required now to address the existing inequitable arrangements.

Gas Transporters also have a price cap on the Daily Meter Read charge for sites that have daily read dataloggers. WWU has recently conducted a procurement exercise for this service and the results show that the open market price for the provision of this service is substantially higher than the price cap. Therefore we believe the review could be a timely opportunity to address the Daily Meter Read price caps.

#### Vertical Integration and Interoperability

We believe the rebundling of Metering into Distribution would be an appropriate solution to the issues raised in your letter. The Distribution Networks have the appropriate resources and geographical coverage to facilitate competition for supply between Suppliers of all sizes and mitigate some of the interoperability issues.

Other - do current arrangements sufficiently protect consumers in terms of cost, accuracy and service?

The energy sector is complex and our direct customer feedback clearly shows that domestic customers do not understand how metering works. Our connections customers regularly query why we, as a licensed Gas Transporter, cannot provide a meter as part of a new connection - and why we cannot provide a different meter type when a service alteration results in a need for a different type of meter.

We believe the connections market gives a valuable insight into how domestic metering could operate more efficiently and to the benefit of customers. Whilst we recognise that connections is a competitive activity, virtually all one-off gas connections are provided by Distribution Network companies - and customer feedback suggests the performance of gas connections has been excellent since network sales. This level of performance has been driven by the Distribution Networks within a framework of statutory standards of performance, licence conditions and comparative regulation. This could form the basis of Distribution Network provided metering services, and we firmly believe the review should consider this for what we believe are the obvious cost and customer benefits.

We fully support this review and hope our comments help shape the scope of the review. We look forward to further participation in the process. If you would like to discuss any aspect of this response please contact me.

Yours sincerely



Steve Edwards  
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Wales & West Utilities