

Steve Rowe
Senior Manager
Retail and Market Processes, GB Markets
Ofgem
9, Millbank
London
SW1P 3GE

6th Floor, Dean Bradley House
52 Horseferry Road, London SW1P 2AF
+ 44 (0)20 7706 5100
www.energynetworks.org

14th February 2010

Dear Steve

**Review of Metering Arrangements – Initial Findings and Consultation on
Proposed Metering Industry Remedies**

Thank you for the opportunity to respond to the Ofgem consultation on proposed metering industry remedies, as part of the Review of Metering Arrangements. This response is made on behalf of ENA's Gas Distribution Networks (GDN) members who welcome the opportunity to respond to this consultation and Ofgem's proposed solutions for the metering industry.

In the consultation letter, Ofgem is of the view that the MPOLR obligation is not causing significant harm to the GDNs; our members do not believe this to be the case. At present the GDNs are having to provide meters under licence for which there is no stranding protection mechanism, if Ofgem want this to continue, it should fund the GDNs appropriately and put mechanisms in place to protect against stranding where it arises. It is also important to note that the parallel obligation on DNOs in electricity was removed in 2007 with no detrimental effect on consumers.

Our GDN members do not feel that that the introduction of a new licence condition on suppliers to be able to demonstrate that they have exhausted commercial routes before approaching a GDN for a meter will be robust enough to alleviate the over use of the MPOLR obligations. We question how Ofgem would be able to enforce this licence condition and how exhaustion of commercial routes could be quantified.

We are also concerned at Ofgem's proposals for the removal of the MPOLR obligation for "dumb" meters once smart metering roll out had reached "critical mass." In the document you state that this critical mass would logically occur at one of two places: either at the end of the smart meter rollout when there are no more dumb meters; or, at a defined point during the smart meter rollout, for example at the publication of the technical specification, or when the DCC starts.

It is important to note that smart metering is a supplier led roll-out and therefore suppliers should put in place adequate arrangements to ensure customers are protected in the event of a failure by one or some of them to provide a service. There is no case for networks to act as a safety net in the event of market and regulatory failure!

Our members believe that the MPOLR obligation should cease at the latest from Day 1 of the official start of the Smart Metering roll out in 2012. This would incentivise supply companies to ramp up their rollout of smart meters rather than rely on GDNs to continue to provide dumb meters under this obligation. Furthermore were GDNs to have an MPOLR obligation for smart meters, this would require First Call Operative (FCO) training and procurement costs to be recovered through the Price Control, as networks are not geared up to providing smart meters.

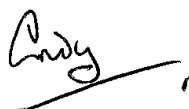
Furthermore, Ofgem's limited proposals for Tariff Caps on Prepayment Meters (PPM) are a cause for concern. In response to your information request, our members provided firm evidence demonstrating that the Tariff Cap is fundamentally distorting the competitive market. We are therefore surprised that Ofgem should propose continuing with this arrangement and allowing such distortion to persist.

Our GDN members do not agree that the removal or reassessment of these Tariff Caps would have a detrimental effect on the prices to PPM customers. Indeed there is an obvious incentive on suppliers to roll out smart metering as a priority to these customers, if the Tariff Caps are retained, and for these customers to reap the benefits of the smart meter roll out programme as early as possible.

ENA believes it is important that the role of Gas Post-Emergency Metering Services (PEMS) in a smart world needs further discussion between networks and suppliers as the service provided will affect customer satisfaction.

I trust that you will give our submissions due consideration and we look forward to meeting with you soon to discuss the issues we have raised.

Yours sincerely,



Andy Phelps
Director of Regulation
Energy Networks Association
Andy.phelps@energynetworks.org
Tel: 0044 (0)20 77065118