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14th February 2011

Dear Sir / Madam,

Re: Review of Metering Arrangements (RoMA) – Initial Findings and consultation on proposed metering industry remedies.

Please find attached Gazprom Marketing & Trading Retail (Gazprom) response to your proposals in relation to the Review of Metering Arrangements (RoMA) Initial Findings and consultation on proposed metering industry remedies. We are happy for you to share our views with other interested parties.

In terms of context we believe it is important to note that National Grid Gas (NGG), the dominant market participant in the UK gas metering market, has recently made a policy decision to only supply Smart products via its commercial OnStream business.

It is important to note NGG has voluntarily chosen to exclude itself from a key sector of the metering market i.e. the provision of Smart Meter assets. This decision may impact on their efficiency and cost to serve as NGG runs down its portfolio while its commercial arm OnStream increases its market share.

In terms of the high level recommendations we would make the following general comments

Vertical Integration and Network companies obligations

The roll out of Smart Metering will, in light of NGG's decision not to participate in the market, will fundamentally change the market structure. We are already seeing a number of the larger "Big 6" Suppliers entering the metering market. We believe it is critical that were market participants who hold considerable market power in the Supply market, to enter the metering market they should not be able to distort or restrict the development of an effective commercial market.

We therefore believe that larger Supply businesses who choose to enter the metering market should be subject to a Non Discrimination obligation. To enable innovation and competition we believe that smaller market participants should not be subject to such obligations as they do not have the ability to unilaterally distort the market. We therefore believe the use of the existing Threshold principles within the Supplier licence could be used to distinguish between the various market participants.

In the event that such proposals are taken forward it will be critical to ensure robust governance is put in place to avoid the risk of any party or groups of parties effectively foreclosing the development of a competitive market as happened with the MSA arrangements which effectively foreclosed the development of a competitive meter market sector.

In terms of a Meter Provider of Last resort (MPOLR) obligation we believe this is an appropriate safeguard for the market as the Rollout program starts to take effect. We would question the need to place a test on the relevant Supplier as we believe the default position would only be utilised if the market was failing to deliver a competitive product which would not be the fault of the relevant Supplier but would suggest inappropriate behaviour by other parties or a failure in market design.

Gas Metering Price Controls

While we understand concerns over the continued need for the provision of Dumb Assets we believe it is appropriate to recognise that:

1. A Smart Meter can be utilized as a Dumb Meter in the short term i.e. a Smart Meter which cannot be read remotely can be physically read by a Meter Reader. The deployment of Smart meters would negate the risk of a shortened lifespan as the meter can later be “switched on” to “Smart” as and when required.
2. If “Dumb” meters continue to be provided then it is important to differentiate between a brand new dumb meter and a redeployment of an existing meter. It is likely the proportion of redeployed dumb assets would increase as numbers of good condition dumb assets being exchanged for Smart assets increases. This would lead to an increasing stock of fit for purpose dumb meters being available to asset managers.

If a business chooses to continue to purchase new dumb assets as opposed to supplying smart assets that can be operated as dumb assets in the short term then we believe they have made a commercial decision which can be mitigated and the associated commercial risk should sit with that business.

We would note that for existing large portfolios of dumb assets appropriate control should be maintained to avoid cross subsidy or inappropriate pricing activities by incumbent market participants looking to maximise revenue in the short term.

We hope you find our comments helpful and should you have any queries on our response or wish to discuss aspects of our response please don't hesitate to contact me.

Yours Sincerely

Steve Mulinganie
Regulation & Compliance Manager