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5 September 2012

Dear Steve,

**Decision and further consultation on the regulation of traditional gas metering during the transition to smart metering**

Thank you for the opportunity to provide comments on Ofgem's proposals to:

- a) Place an obligation on National Grid to offer terms to provide metering services to other GDN's in certain circumstances, and
- b) Initiate a process to review, and if necessary, amend the associated regulated metering tariffs.

EDF Energy supports these proposals, particularly with regard to the need to protect consumers' interests during the transition to smart meters.

We provide some comments on some of the detailed points raised by the consultation and also seek further clarity around some of the points made.

Should you wish to discuss any of the issues raised in our response or have any queries, please do not hesitate to contact me. I can confirm that this response and the attachment may be placed on Ofgem's website.

Yours sincerely,



**Paul Delamare**  
**Head of Downstream Policy and Regulation**

## Decision and further consultation on the regulation of traditional gas metering during the transition to smart metering – detailed comments

### A: General comments and clarifications

1. Ofgem refers to both domestic, and industrial and commercial (I&C), meters in its paper. It is important that clarity is proved regarding the definition of I&C meters. Suppliers, including EDF Energy, use the definition set out within the Supply Licence, which classifies premises dependent upon the end use of the energy consumed. For example, a U16 Meter located within a domestic house, and which is used for domestic purpose is administered within our systems as a domestic meter. However, MAMs and MAPs define the classification by the size of the meter; for example, U16 and above are treated as Industrial & Commercial Meters regardless of end use. We presume the licence definition with prevail.
2. On page 25; section 3.24 of the consultation you state *"The financial cost of the future domestic metering portfolio will be mitigated by a largely depreciated RAV and by the receipt of premature replacement charges under Meter Services Agreements for some meters"*. EDF Energy has not signed agreements which include Early Termination Charges (ETC), and as such we are concerned that this statement from Ofgem could be viewed as condoning ETC's despite this. The proposed review of regulated metering tariffs consultation should not be a backdoor introduction of ETCs.
3. Page 11, paragraph 2.5, states *"We recognise that certain market participants may wish to transfer their metering assets to the B-MPOLR for the purpose of maintenance activities and would expect the B-MPOLR to facilitate such a transfer on a fair market commercial rate and non-discriminatory basis"*. We request clarity on whether this means that suppliers can transfer all their legacy MAM activities to the MPOLR.
4. On page 13, section 2.14, is states *"For the avoidance of doubt, the meters that were installed prior to the obligation being lifted will continue to be maintained by the GDN at the regulated tariffs, unless they contract with other parties for these services"*. We request clarity on whether a GDN will be able to change MPOLR at any time, as this could have adverse impacts upon the supplier for the interim. Suppliers may need to make costly IT system changes (for example to change MAM IDs) in order to accommodate such an event, and also require sufficient time in order to implement the relevant changes. Will there likely be any specified notice period around these changes? What are the controls likely to be around this area?
5. We recommend that the MPLOR licence arrangements provide an opportunity for Ofgem to improve the existing process of tracking and making available for collection meters and kits which are disconnected by the MPLOR, including the Emergency Service Provider. Suppliers and MAPs are losing revenue due to current processes not

being followed correctly. Moves to address the issue by the industry have had little success to date. We believe all relevant parties should be obligated to follow a defined industry process.

## **B. Responses to Ofgem's questions**

### **Question 1: In respect of the methodologies for allocating the RAV between domestic and I&C businesses, have we properly identified the policy objectives that should inform the balance between domestic and I&C tariffs?**

We believe the three policy objectives identified by Ofgem are appropriate. In particular under the Policy Objective: "*Avoidance of undue discrimination between domestic and I&C customers*", we believe it is important to ensure that I&C meter are not subsidised by domestic metering.

### **Question 2: How should the question of discrimination between domestic and industrial and commercial metering tariffs be considered?**

See above.

### **Question 3: What are the relevant factors that should be considered before determining an approach that helps promote competition in the I&C market and facilitates the rollout of smart meters?**

It is important that clarity is provided on whether AMR capable I&C meters will be required to be changed to SMART meters. Also, we are keen to understand what Ofgem's approach will be regarding I&C meters in domestic premises.

### **Question 4: Are any of the methodologies that we have identified for allocating the current RAV particularly appropriate or inappropriate?**

We support Ofgem's proposal to initiate a review of the regulated metering tariffs. We note that Ofgem has asked National Grid to develop initial proposals for this review in consultation with other stakeholders. Furthermore, as part of this review exercise, Ofgem is looking to National Grid to outline the effects of the different methodologies identified on the RAV allocation, on domestic tariffs, on I&C tariffs and on the market for I&C metering services for consultation with interested parties. We believe a more detailed assessment of the appropriateness of each of the methodologies should be performed once this information is made available.

### **Question 5: Do you consider if there are there any other methodologies we should consider?**

Not at this stage.

**Question 6: Please comment on whether we have outlined a reasonable basis for conducting the tariff consultation exercise.**

The approach Ofgem has outlined within the document would appear to be reasonable. We believe that greater clarity as to the length of this "defined period" for B-MPLOR is an important factor as to which methodology will be preferable for EDF Energy.

**Question 7: Provide any evidence or views that would usefully inform the exercise or our review of the metering price control as a basis for setting a new basis for regulating metering services.**

No further comments at this stage.

**EDF Energy**  
**September 2012**