



Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ

Steve Rowe
Smarter Markets
9 Millbank
London
SW1P 3GE

Tel: 01738 512 608

gwen.macintyre@sse.com

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Dear Steve,

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

SGN supports the majority of the decisions set out in the above document. In particular, the decision to continue to allow GDNs to be the meter provider of last resort (MPOLR) where they wish to do so; the introduction of a sunset clause on the MPOLR licence condition; and the option for GDNs to transfer existing legacy metering assets to National Grid.

We also support, in principle, the metering price control review, particularly given that these tariffs have not been reviewed since 2001. With the introduction of a sunset clause on the MPOLR licence condition, the current timetable for the metering price control review means that the revised tariffs will only be in place for a very limited period. Notwithstanding this, we have serious concerns regarding the process proposed by Ofgem for the metering price control review. We consider it wholly inappropriate that a review carried out by another network company on its assets will determine the tariffs for our regulated assets. More detail on this is provided below.

SGN continues to directly provide the MPOLR service in both of its licenced areas. As a result, since 2005 we have accumulated around 100,000 regulated meters. The tariffs we can charge for these meters are capped as set out in Special Condition E19: Restriction of prices

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in respect of Tariff Capped Metering Activities. As we understand it, the result of the price control review will be a change in the tariff prices detailed in all GDNs' licences. This will directly impact our revenue. Given this, we are surprised that the decision document appears to focus solely on National Grid (NG), and, further, that Ofgem has put the onus on NG to consult on and develop initial proposals which will then be put to Ofgem to allow it to determine revised tariffs. The document provides financial analysis of NG's metering business in order to inform the review, but makes no mention of the finances or operation of our metering business. It is essential that we are fully involved in this review and that the particulars of our business are taken into account if tariffs are to be set at an appropriate level for our assets.

As far as we are aware, it is unprecedented for one network company to take responsibility for a price control review that will impact on other network companies' prices. Notwithstanding the fact that in principle this is inappropriate, in practice it is likely that our asset values could differ significantly from NG's given the relatively long asset lives of all of our meters (the oldest of which were installed in 2005).

For the above reasons it is essential that we are fully involved in the metering price review. Either we need to undertake a separate price review, or Ofgem needs to take responsibility for undertaking a full review across all networks, taking into account the financial and operational aspects of all relevant parties.

We would welcome the opportunity to discuss this further with you and will call shortly to arrange a convenient time to meet.

Yours sincerely,

Gwen MacIntyre