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5th September 2012

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

Dear Steve,

Wales & West Utilities (WWU) is a licensed Gas Distribution Network (GDN) providing Gas Transportation services for all major shippers in the UK. We cover $\frac{1}{6}$ th of the UK land mass and deliver to over 2.4 million supply points.

We broadly welcome the decisions announced although we wish to raise some points related to timing and the relevant licence conditions that need to be addressed as part of the ongoing process. These points are listed below and are followed by our response to the consultation questions in Chapter 3.

1) Smart metering and Meter Provider Of Last Resort obligation (MPOLR)

We welcome the intention to remove the MPOLR obligation from WWU. We note that suppliers will have the obligation to provide smart meters in due course. However, we would point out that the last resort obligation applies to all meters reasonably available not just those subject to the price cap. Therefore, when smart meters become reasonably available a supplier could ask WWU to provide a smart meter. While we acknowledge that this risk will be removed when WWU no longer has the MPOLR obligation we do not think that it is reasonable that WWU should be obliged to provide a smart meter in the period between SMETS1 meters becoming available and the removal of the obligation.

2) Standard Condition A46

This condition relates to non-discrimination in the provision of metering activities. When smart metering rollout occurs we may be in a position to offer some services to some suppliers where their requirements or portfolio matches our resources. We do not want to be obliged by this condition to have to offer the services to all suppliers. Therefore this condition should be amended.

3) Competition clearance

We are aware of previous competition issues in relation to metering and we are sure that Ofgem has no intention of introducing additional risk to industry participants through this decision document. Therefore, we would like some reassurance that your competition lawyers have been fully engaged with this process.

Chapter 3

We only wish to respond to Questions 6 and 7.

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

The proposed basis seems a reasonable approach for a tariff consultation of **National Grid's** metering charges; however it is **not reasonable** to use this approach to set tariff caps for all other transporters.

Our understanding is that any tariff caps determined under this process will be applied to any last resort meters owned by other transporters. National Grid's stock of meters is not representative of WWU's stock of meters, WWU domestic meters have all been installed since 1st June 2005 and therefore are considerably younger than the meters owned by National Grid. It is therefore unreasonable to use data from National Grid to determine price caps for WWU.

We provided estimates of the price caps required to enable the revenue from WWU's domestic last resort meters to cover their costs over their expected lifetime in our RIIO GD1 submissions. These prices were higher than the current price caps primarily owing to the high stranding cost associated with WWU's meters; this stranding cost is likely to be higher than that associated with National Grid's meters owing to WWU's meters being installed more recently. We recommend that Ofgem set separate tariff caps for the meters currently owned by each transporter to reflect the costs of each transporter.

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.

We attach the relevant section of our RIIO GD1 submission relating to metering tariff caps. We would be happy to discuss this further with Ofgem.

Yours sincerely,



Steve Edwards
Head of Regulation and Commercial