

# Consumer Futures

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Mr Steve Rowe  
Ofgem  
9 Millbank  
London  
SW1 3GE

3 December 2013

Dear Mr Rowe

## **Consultation regarding the regulation of traditional gas metering during the transition to smart meters – final proposals and statutory consultation**

Thank you for providing an opportunity to respond to this consultation document. This submission is entirely non-confidential and may be published on your website.

Consumer Futures welcomes Ofgem's proposal to reduce the costs of traditional meter services for consumers. In particular we, support the retention of the cap on the differential between prepayment meters (**PPM**) and daily credit (**DCM**) meters, and the removal of the proposed risk premium associated with any faster than planned smart meter rollout. We are not in a position to review the detailed financial calculations that sit behind this proposal and so do not comment on the appropriateness of the quantum of the proposed reduction.

We do however wish to identify two issues that we believe require further consideration by Ofgem ahead of a final decision on the new licence conditions.

Firstly, the Consultation Paper and proposed conditions imply that the new obligation for National Grid (**NG**) to act as the Backstop Meter Provider of Last Resort (**B-MPOLR**) will cease upon the completion of the smart meter rollout – the 'transition period'. But it is likely that there will remain a contingent of consumers who rely on traditional meters beyond the transition period – for example those who, for a range of reasons, elect not to, or cannot, install a smart meter. It is likely that vulnerable consumers will be over-represented in this group.

We note it is proposed that the B-MPOLR obligation would only cease following a discretionary determination by Ofgem or the Secretary of State, but no criteria for such a decision is specified in *Special Conditions (National Grid Gas)* 5B.12 or 5B.13. We therefore ask that Ofgem clarify how it intends to ensure consumers with traditional meters do not suffer a decline in services as we move into the smart meter era.

**London**  
Victoria House  
Southampton Row  
London  
WC1B 4AD  
Tel: 020 7799 7900

**Glasgow**  
Royal Exchange House  
100 Queen Street  
Glasgow  
G1 3DN  
Tel: 0141 226 5261

**Cardiff**  
Room 3.90, 3rd Floor,  
Companies House  
Crown Way  
Cardiff, CF14 3UZ  
Tel: 029 2078 7100

**Belfast**  
Elizabeth House  
116 Holywood Road  
Belfast  
BT4 1NY  
Tel: 028 9067 4833

Secondly, the Competition Commission's (CC) provisional determination for Northern Ireland Electricity of 12 November 2013 has opened up a debate about the calculation of equity market returns for the RIIO-ED1 process that may also be relevant in this context. With this in mind, Consumer Futures asks that Ofgem review the rate of return calculations that underpin this proposed determination, and make any adjustments that may be necessary to ensure that the two work streams are aligned.

Please contact me by telephone on 020 7799 8043 or via email at [chris.alexander@consumerfutures.org.uk](mailto:chris.alexander@consumerfutures.org.uk) if you would like to discuss this issue further.

Yours,



**Chris Alexander**

Electricity Networks Policy Manager