

# ≡ Scottish and Southern Energy plc

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Dear David

## **Rates on Gas Meters – Initial Consultation Document**

We welcome the opportunity to comment on the above consultation document and we support Ofgem's view that network operators' metering businesses should not be competitively disadvantaged due to the way in which rates are applied to metering assets.

Clearly, we are not privy to the exact makeup of the operating costs that have been allowed under each of Transco's three price controls (that is its NTS, LDZ and Metering price controls). However, to the extent that Transco's metering price control accounts for the rates cost associated with all meters attached to Transco's network, we support Ofgem's proposal to amend Transco's price control to transfer the revenues allowed to cover the costs of rates on meters from the metering price control to the transportation revenue controls.

As Ofgem has stated, following this change the charge/cost of meters provided by Transco that attract rates will fall. We therefore agree with Ofgem that this reduction should be reflected in the charges of all those meters. In other words, the fall in meter charges should not be used to benefit customers with some types of meters to the detriment of customers using other meter types. Clearly, it is most important at this stage of metering liberalisation for Transco to clarify its charges and we note that Ofgem believes that the fall in charges is likely to be in the order of £1 and £1.60. We are somewhat surprised that a more accurate figure has not yet been provided by Ofgem or Transco since the cost of rates and the number of meters that attract rates should, we believe, be readily available.

Turning now to licence implications. We do not necessarily agree with Ofgem's view that no amendment will be required to Transco's Special Condition 28B. Following the introduction of Transco's price control in April 2002, Transco's NTS, LDZ and Metering



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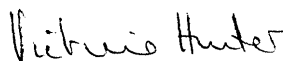
activities are seen as three distinct activities each having its own separate price control. Clause 8 and Clause 3 of Special Condition 28B set out the maximum LDZ and NTS allowed revenues and refer to the defined terms LDZFt and TOFt respectively. Together these paragraphs and terms allow for the recovery of 100% of prescribed rates in respect of LDZ transportation activity and NTS transportation activity. That is, no specific reference is made to the recovery of rates in respect of meters, (as would be expected following the separation of metering from Transco's transportation activities and since metering rates are allowed for in Transco's metering price control).

After the proposed change, Transco's metering activities will continue to be separate to Transco's transportation activities and we therefore believe that, in order to avoid possible confusion, the defined terms LDZFt and TOFt should be modified to clearly identify that they include rates that are associated with meters attached to Transco's network.

Finally, we would expect Ofgem to ensure that equivalent arrangements are provided for in electricity. That is we would not expect electricity arrangements to be implemented that would disadvantage the metering activities of the electricity network operators. Similarly, we would expect there to be parity in the treatment of meter rates in England, Wales and Scotland.

I hope that you will find the above comments useful. If you would like to discuss any of the points we have made in more detail, please give me a call.

Yours sincerely



RP Rob McDonald  
**Group Regulation Manger**