

Customer Sales & Services
Regulation Legal & Commercial

David Howden
Deputy Head of Metering
Ofgem of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Your ref

Our ref

Date 11 July 2003

Contact/Direct Line
01415683209

Dear Mr Howden

Ofgem Consultation on Rates on Gas Meters

Thank you for giving ScottishPower the opportunity to comment on the above Consultation document.

ScottishPower have considered the proposal to transfer the obligation for the payment of rates on gas meters from Transco's Metering Business to the Network Business. The consultation outlines that the change would result in a reduction in metering costs and an increase in transportation costs and concludes that this should represent only a re-apportionment of costs across these charging elements. However, as highlighted within the consultation document, as the costs associated with rates are being reallocated from a fixed charge to a variable activity some customers may see increases or decreases in their costs dependent with the amount of gas consumed. This change may have varying degrees of impact on Suppliers charges depending on their portfolio make-up. Further analysis requires be undertaken to establish the exact amount of this change and thereafter to quantify if there will be any significant impacts of this reallocation. This analysis requires to report on the anticipated reduction in charges for I&C meters.

Proposed licence amendment

ScottishPower support Ofgem's view that a change in the licence is required to reflect the transfers of rates. We would concur with Ofgem's view that it is not sufficient only to have Transco's undertaking that costs will be appropriately re-apportioned and that greater clarity and certainty are required for all parties concerned. This will be achieved through the Licence change. Transco are currently being competitively disadvantaged in that they are required to pay rates on its meters that their competitors would not pay when connected to Transco's transportation network. The change in the licence will ensure that the value currently accounted for by Transco for rates is completely stripped from metering costs and therefore should ensure complete transparency in the costs offered by Transco for metering services.

If you wish to discuss any of the above, please contact me on the above telephone number.

Yours sincerely



Marie Clark
Senior Commercial Analyst
ScottishPower