Appendix 1 – Consultation questions

Name/Organisation:	**First Utility LTD**

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Q1: Do you believe that competition is already effective in the I&C market? What, if any, regulatory controls do you think are appropriate?
Yes. A healthy level of competition already exists within the I&C sector. In light of this we agree with National Grid Metering's view that explicit regulatory requirements beyond those required under competition law are not needed and would argue that additional requirements would be likely to increase costs to consumers and suppliers and negatively affect the ability of smaller players to compete within this arena as they would be less able to absorb these additional costs.

Q2: Do you agree that the retention of tariff caps remains an appropriate approach to regulating domestic metering charges?
Yes. Tariff caps deliver pricing certainty which provides cost stability for domestic consumers.

Q3: Do you agree that adjustments should be made only to the domestic credit meter tariff cap and that the tariff cap for prepayment metering should continue to be constrained in line with the current price control?
Yes. Whilst we appreciate that PP metering is subsidised by the credit meter portfolio, should this cap be removed it would result in higher PP prices which cannot be fairly smeared onto smaller supplier PP portfolios and cannot be passed to the consumer. These costs would then have to be covered by the supplier which would have a disproportionate effect on the ability of smaller suppliers to compete on a price basis.

Q4: Do you agree with our descriptions of the B-MPOLR and NMM obligations and assessment of their likely duration?
No. Whilst we understand the need to have a 'cut off' date following the mandated date after which no more dumb meters will be installed (currently October 2014) it is unlikely that 6 months after this date will meet the requirement in scenarios where consumers might be refusing to have a Smart Meter installed as is their right at this relatively early stage. The same considerations should apply in relation to the removal of meter maintenance services 6 months after the projected completion of the national Smart Meter roll out (October 2019), although it is reasonable to assume that the number of consumers in this situation will be considerably smaller at this later stage.

Q5: Do you consider our use of the DECC Lower bound-case for meter displacement rates to be reasonable? Is there any basis for assuming any other displacement rate and if so, why? Do you think that the roll-out will specifically identify particular meter types for early displacement and if so why?
We agree that the Lower bound-case would appear to be the most likely scenario. Rollout is unlikely to specify certain meter types (although prepayment will not be targeted until a solution is available) and we will be attempting to optimise the rollout by exchanging older meters first. In addition, rollout is likely to be driven by technology and customer demand such as requirement in remote areas where comms signals are likely to be weak. ***

Q6: Which of the RAV allocation methodologies described do you believe is the most appropriate? Please indicate your reasons if a preference is expressed.
We would support either Option 3 or Option 5 as these seem the most appropriate. Option 3 was used in 2002 and thus provides a precedent which has been scrutinised to some extent by Ofgem. Option 5 is considered by NGM to provide a fair and reasonably objective view of the current I&C metering RAV.

Q7: Do you agree that the regulatory return allowed for the Distribution business remains the most suitable basis for establishing the rate of return for metering or should a higher rate be applied?
Our view is that the regulatory return allowed for the Distribution business remains appropriate.

Q8: What requirements do you have for services to support the management of traditional meters (query handling, call management, complaint handling)? What level of service would you expect to receive?
All of the above. We do however recognise the need to reducing staffing levels in line with the reduction of NGMs portfolio. We would expect SLAs to remain the same for urgent works but we can accept an incremental increase in timescales for other work.

Q9: Do you agree with our assessments of future workload? If you have alternative views please outline where they differ.
These seem reasonable.

Q10: Do you anticipate any specific requirement for changes to industry data flows or arrangements for traditional meters?
No.

Please return your completed response to the following:	
Email	NGM.priceconsult@nationalgrid.com
Post	Commercial and Regulatory Affairs, 35 Homer Road, Solihull, B91 3QJ

THANK YOU FOR YOUR REPLY