Appendix 1 – Consultation questions

Name/Organisation:	Scottish Power

Contact Details:	Malcolm Tulloch 0141 565 3164
	David Finnigan 0141 568 3764

Q1: Do you believe that competition is already effective in the I&C market? What, if any, regulatory controls do you think are appropriate?
We do not have a high volume of Gas customers in the I&C metering market therefore our opinion should be considered against our exposure to price fluctuations and commercial offerings. National Grid Gas has clearly stated that it has a dominate position within the I&C sector with a 75% share of installed assets, and states that it believes that there is however competition within the sector. Our view is that there is still little competition in the I&C market share with only a few parties offering services for large diaphgram meters and even less for rotary and turbine meters There needs to be more transparency on NGGs charges. There is an anomaly surrounding large domestic customers currently operating within the pricing structure of the I&C Metering Market that needs to be reviewed. Currently these domestic customers are not covered by the regulatory controls

Q2: Do you agree that the retention of tariff caps remains an appropriate approach to regulating domestic metering charges?
Yes we agree that the retention of tariff caps is the most appropriate approach to regulating domestic metering charges. Consideration may be given to a review on whether RPI or CPI should be the correct measure. Full transparency on rate of return Consideration should be given to tariff caps being linked to or based on year of meter installation.

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?
We agree that the tariff cap for prepayment metering should continue to be constrained in line with the current price control. While the proposal that all adjustments should only be made to the domestic credit meter may have some merit it is not clear what percentage of the portfolio has a PPM and unless this is explained there may be a disproportionate charge levied on the credit meters. We have no visibility on the level of tariff support for Prepayment meters vs Credit

Q4: Do you agree with our descriptions of the B-MPOLR and NMM obligations and assessment of their likely duration?
Yes we agree with your descriptions of the B-MPOLR and NMM obligations. The obligation as outlined is on the basis of a business as usual service with the additional benefits of scale ability and volumes, we would not expect any increase in current charges and expect these economies of scale to be translated into reduced charges.

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?
No we do not consider the use of the DECC Lower bound case for meter displacement rates to be reasonable. Suppliers will have very different and dynamic strategies, wholly dependent on internal drivers and levers. We do not think the roll out will be as precise and exact a science to specifically identify particular meter types for early replacement. We believe there should be consideration for a mechanism to regularly review portfolio reconciliation against predicted meter replacements.

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 insist that before we agree to any of the RAV methodologies we would need to have full view of the model and its outputs for all scenarios. Specifically, in the relation to split between Domestic and I&C customers book cost or replacement cost.

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?
We agree that the regulatory return allowed for the Distribution business is the most suitable basis however we believe that the rate of return should not be arbitrarily set at the regulatory return allowed and consideration should be given to recognise that there is minimal capital expenditure now required to sustain the MAM role. We do not agree that metering carries a greater risk than network activity.

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?
Using a customer satisfaction survey to determine what customer perception of service is very subjective and is based on there being significant participation. Do not agree this method is the most advantageous for understanding customers' value chains.

There is an opportunity here to make the service provided not fit for purpose by being too expensive and potentially ineffective.

Agree that further consultation is required to identify what are the adequate / agreed levels of service and outputs required.

The proposal appears to suggest that IT costs with regard to the setting up of the I&C infrastructure are funded within the domestic proposal.

Q9: Do you agree with our assessments of future workload? If you have alternative views please outline where they differ.
No.. Please see question 5 and subsequent response.

Q10: Do you anticipate any specific requirement for changes to industry data flows or arrangements for traditional meters?
We do not anticipate that there will be any specific requirement for changes to industry data flows or arrangements. Would suggest that this item will be continued as a discussion topic in conjunction with the “new communication process” to be determined by Industry Forums.

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