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Pricing Consultation Team,  
National Grid Metering,  
35 Homer Road,  
Solihull,  
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Dear Sirs,

Further to the Stakeholder Forum in Solihull on 23<sup>rd</sup> May, 2013, we would like to respond as follows. You concluded the session by inviting feedback on the three topics where the final and initial proposals differ, namely:

- Revised displacement rates
- Amendments to B-MPoLR and NMM
- Rate of return and post tax treatment

Although our core business is in the I&C sector, as active participants throughout the process we welcome the opportunity to express our views on the above but also to raise issues which we feel are still unresolved.

1. Revised displacement rates

It is unfortunate that NGM have expended so much time and effort modelling DECC scenarios which most industry players (MAMs, MOPs, manufacturers etc) agreed were unachievable and are now being encouraged to use the revised rates and to take cognisance of the recently announced delays to the smart programme. However our view is that although this is necessary, it is unrealistic for anyone to believe that the NGM crystal ball is any more accurate than that of any other players. This may necessitate that this issue is revisited in line with actual roll-out timetable to ensure that NGM are not financially disadvantaged by further delay.

2. Amendments to B-MPoLR and NMM

We believe that it is appropriate to extend the timelines as outlined. Our only observation would be that we were surprised to see that the asset transfer obligation - whereby network owners can transfer legacy meters to NGM – is now extended to the end of the NMM period. It would seem reasonable for this intent to be expressed then exercised at a much earlier stage.

3. Rate of return and post tax treatment

We believe that the rate of return linked to that agreed for the network business under RIIO is unrealistically low although this would only be problematic if NGM became independent of NG through a sale or buy-out and had to access funding through the market where a greater return would be expected, reflective of the risk associated with metering. With regard to the



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pre and post tax issue, on the basis of the information presented by NGM and Ofgem, it seems reasonable to adopt the post tax option consistent with both the RIIO settlement and metering policy at the last review.

With regard to the unresolved issues referred to earlier, we would like to draw your attention to the following:

1. How competitive is the market?

In your presentation, you acknowledged that although in the I&C market “there is competition, it cannot be described as very competitive yet.” You confirmed that you intend to send an Open Letter to Ofgem giving the NGM view of the market – which you acknowledged would be “selective and not impartial”. We look forward to hearing your views and responding from our equally selective perspective whilst recognising the benefits of competition in the sector! Finally, we note that both NGM and Ofgem mentioned the importance of the non discriminatory condition which will run throughout the smart metering roll-out.

2. Asset sales

We would wish again to raise the question of asset sales and suggest that this stays on the agenda as a way of facilitating competition in the I&C market. We are disappointed that it does not appear to have figured in any of the recent consultation communications.

3. “The Provision of Associated services as loss leaders”

We made this point in our letter to you of 22<sup>nd</sup> February and now intend to formally raise it with Ofgem.

In conclusion, we are reasonably satisfied with the consultation process to date in that it recognises that many changes need to occur before the I&C market can be described as truly competitive. We would welcome further engagement with both NGM and Ofgem in the coming months to help facilitate this process.

Yours faithfully

Kenny Cameron

Director of Strategic Development



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