National Grid Metering Charges

From 1 April 2014

nationalgrid



National Grid Metering Charges From 1 April 2014

Foreword

National Grid provides gas transportation, metering and daily meter reading services throughout Great Britain for the companies that supply domestic, industrial and commercial consumers.

National Grid is an Ofgem Approved Meter Installer (OAMI) and registered Meter Asset Manager (MAM) and provides a range of meter provision, installation and maintenance services. For further details of these services please contact the NGM commercial team via e-mail at *metcom2@nationalgrid.com*

This publication sets out National Grid's charges from 1 April 2014 for its metering services provided under the Provision and Maintenance of Metering Equipment Contract, Transactional Meter Works not exceeding 7 bar Contract, Transactional Meter Works exceeding 7 bar Contract, Adversarial Meterworks Contract, Rainbow System User Agreement, Network Code and the Network Metering Equipment Agreement (NMEA). National Grid offers contracts with alternative terms and conditions for domestic-sized meters¹ and non domestic meters². Details of these contracts, including the relevant charges, are available from Ian Seaman via e-mail to *metcom2@nationalgrid.com*. A summary version of this publication is available from National Grid's Metering website (http://www.nationalgrid.com/uk/metering/publications), detailing National Grid's charging methodology, regulated rental charges for domestic meters and transactional charges for certain domestic services and specified non domestic works.

We would welcome your views on any aspect of our metering service, our charges or the contents of this statement. Please send your comments to Ian Seaman via e-mail to *metcom2@nationalgrid.com*.

¹ Where the meter capacity is less than 11 standard cubic meters per hour (scmh). Agreement (New Alternative) and General Conditions of Contract for the Provision and Maintenance of Legacy Metering Equipment, Agreement (Alternative) and General Conditions of Contract for the Provision and Maintenance of New / Replacement Metering Equipment.

² Meter Services Agreement where the meter capacity is more than 11 standard cubic meters per hour (scmh).

Contents

| Foreword | Page 1 |
|--|---|
| 1. Introduction | Page 3 |
| 2. Charges from 1 April 2014 | Page 4 |
| 2.1 Introduction 2.2 Annual charges 2.3 Transactional charges 2.4 Transfer of in-situ ancillary equipment 2.5 Daily meter reading | Page 4 Page 6 Page 7 Page 8 Page 10 |
| 3. Metering charges methodology | Page 11 |
| 3.1 Regulated metering charges 3.2 Charges for non domestic meter types 3.3 Cost components 3.4 Transactional Charges 3.5 DM daily meter reading | Page 12 Page 13 Page 15 Page 16 Page 16 |





National Grid Metering Charges From 1 April 2014

1. Introduction

This booklet sets out the metering charges that National Grid (NG) will apply for services provided under the Network Code and NG's Metering Contracts³ from 1 April 2014. It also sets out the methodology used to derive the charges, as required by NG's Gas Transporters Licence in respect of its retained networks (RDNs). These metering charges will apply to NG meters within RDNs and under the Network Metering Equipment Agreement (NMEA) to NG meters in the independent networks (IDNs).

The level of NG's metering charges is regulated by a price control set by Ofgem, the gas industry regulator. To achieve price control, Ofgem has set tariff caps for four key metering services⁴. NG's charges for these services must not exceed the tariff caps, which are adjusted each year by inflation.

Following their Review of Metering Arrangements, Ofgem identified a new role for NG as National Metering Manager (NMM) and requested that National Grid Metering (NGM) undertook a pricing consultation to review tariff caps for domestic-sized meters. Our Final Proposals were published in June 2013. However, the revision of the timetable for smart meter roll-out and announcements regarding the smart mandate made by DECC after submission of our Final Proposals led to a further review by Ofgem. This revised data was used by Ofgem in coming to a decision on the new tariff caps that will apply from 1 April 2014.

Ofgem's decision⁵ is to reduce the level of the tariff caps for meter provision to \pounds 15.12 for a domestic credit meter and \pounds 37.84 for a prepayment meter. In subsequent years, the tariff caps will be adjusted in line with inflation.

Each year we assess the costs for providing non domestic metering services and, where necessary, make adjustments to achieve better cost reflectivity in our charges. Customer feedback is that our structure of charges is no longer aligned with the market so we have undertaken a more fundamental review of the structure and level of our charges. Using information obtained during our Pricing Consultation process, we have made changes to our charges that improve transparency, cost reflectivity and competitiveness. In parallel NG is developing an alternative contract for non domestic metering services with different commercial terms which may include lower rental rates. We are also making significant investments in systems and processes to improve the quality and range of services provided.

We are seeking to make our charges clearer by setting out the rental for a basic low pressure meter installation, with additional charges applied where there is other equipment provided and/or where the installation operates at a higher pressure tier.

Transactional charges for meter works have also been reviewed and, overall, NG has constrained price increases below the rate of inflation. Only one activity, the customer requested exchange of a credit meter for a prepayment meter, is subject to a tariff cap. Ofgem accepted the need to raise the level of this tariff cap by more than the rate of inflation to be more reflective of actual costs. Transactional charges for 2014/15 will increase by an average of 2.2% (I&C 0.4% and Domestic 2.4%), excluding the impact of the increased customer requested exchange tariff cap.

^a Agreement and General Conditions of Contract for; The Provision and Maintenance of Metering Equipment Contract, Transactional Meter Works not exceeding 7 bar, Above 7 bar Transactional Meter Works, Adversarial Meterworks, Rainbow System User Agreement and Network Metering Equipment Agreement (NMEA).

⁴ Tariff caps apply to domestic credit meter rental, prepayment meter rental, domestic customer requested exchange and daily meter reading services

⁵ Ofgem's Decision document can be found at

https://www.ofgem.gov.uk/publications-and-updates/regulation-traditional-gas-metering-during-transition-smart-meters-%E2%80%93-final-proposals-and-statutory-co

2. Charges from 1 April 2014

2.1 Introduction

This section sets out the charges for NG's Network Code and NG's Metering Contracts⁶. This document does not override or vary any of the statutory, licence or Network Code or other contractual obligations upon NG. For more information on these charges, please contact Ian Seaman via e-mail to *metering.contracts@nationalgrid.com*



2.1.1 Service and Transactional Charges

Annual charges apply in respect of all metering equipment provided and maintained by NG on a per meter basis. The rental charge is determined in respect of the whole meter installation. Annualised installation charges also apply on a per meter basis where an upfront installation charge was not originally levied.

Transactional (one-off) charges are made in respect of specific meter work activities carried out by NG, as set out in section 2.3, including the installation of metering equipment.

In a continuation of the approach adopted with effect from 1 January 2011, transactional charges are not levied for the standard elements of New Large Diaphragm installations. Instead the annualised installation charge will continue to be recovered via the rental as described above. All charges are shown exclusive of VAT.

2.1.2 Domestic Meter Installations

Annual charges for domestic-sized meter installations⁷ vary with payment mechanism; that is whether the meter is a credit or a prepayment meter. This approach reflects some of the additional costs of providing prepayment metering services compared to credit meters.

2.1.3 Larger Meter Installations

Annual charges for industrial and commercial-sized meter installations⁸ vary with the method of flow measurement (diaphragm, rotary or turbine) and the inlet and outlet pressure tier at which the gas

is measured. The pressure premium classifications (for medium pressure, intermediate pressure and high pressure installations) are all based on the inlet pressure. The outlet pressure of the gas metering installation is measured immediately downstream of the gas meter and always upstream of the gas metering installation outlet valve. Where there is a difference in the inlet and outlet pressure, the site is classified as having a pressure differential and higher charges may apply.

Annual charges for meter provision, installation and maintenance also vary with the meter's 'badged capacity' or Qmax⁹, since meter capacity is the main cost driver for a given meter type. For high pressure capacity bandings, the badged capacity is calculated using the following formula, which adjusts for the operating pressure at the outlet:

Badged Metering capacity m3hr * (1+Outlet Pressure)

Separate charges apply for metering installations connected to high-pressure systems¹⁰ and for the provision, installation and maintenance of daily read equipment (dataloggers) and volume converters (correctors).

2.1.4 Invoicing

NGM produces and issues the invoices derived from the charges shown in this publication. If a gas supplier has an invoice query, this should normally be submitted via SAP Rainbow using the relevant Transaction Type Reason Code as detailed in the Query Submission section of the MAM Manual.

⁶ Agreement and General Conditions of Contract for: The Provision and Maintenance of Metering Equipment Contract, Transactional Meter Works not exceeding 7 bar, Above 7 bar Transactional Meter Works, Adversarial Meterworks, Rainbow System User Agreement and Network Metering Equipment Agreement (NMEA).

 ⁷ Where the meter capacity is less than 11 standard cubic meters per hour (scmh).

⁸ Where the meter capacity is greater than or equal to 11scmh.

⁹ An indication of the upper limit of a measuring device's accuracy envelope.

¹⁰ Operating at pressures greater than 7 bar.

2.2 Annual charges

The tables in this section show the annual charges, expressed both in \pounds sterling per annum for general purposes, and in pence per day for billing purposes.

2.2.1 Low, medium and intermediate pressure metering installations (≤ 7 bar)

Domestic-sized meters (1)

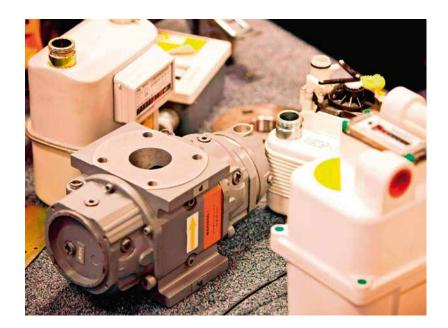
| | Charge where inst been recovered in | allation costs have a transaction fee | Charge where installation costs are recovered via the rental | |
|------------------|--|--|--|-------------|
| | Pence per day | £ per annum | Pence per day | £ per annum |
| Credit meter | 2.3397 | £8.54 | 4.1425 | £15.12 |
| Prepayment meter | 8.5616 | £31.25 | 10.3671 | £37.84 |

2.2.2 Dataloggers

| | Charge where inst been recovered in | allation costs have a transaction fee | Charge where installation costs are recovered via the rental | | |
|------------|--|--|--|-------------|--|
| | Pence per day | £ per annum | Pence per day | £ per annum | |
| Datalogger | 88.3260 | £322.39 | 139.1808 | £508.01 | |

Datalogger charges apply to all dataloggers at daily metered supply points, as defined by National Grid's Network Code. Note that this rental charge excludes the daily meter reading. For clarification the daily metering reading charge is set at the tariff cap of £508.01 per annum as at 1 April 2014 and is in addition to the annual rental charge.

| | Pence per £ per day annum | |
|----------------------------------|------------------------------|---------|
| Daily meter reading charge | 141.1370 | £515.15 |



2.3 Transactional charges

Any work downstream of the outlet of the meter is excluded unless specifically mentioned. In all cases, service pipe installation, alteration and disconnection will be subject to additional charges.

Domestic-sized meters

The following charges relate to domestic-sized meter installations, i.e. where the meter capacity is less than 11 standard cubic metres per hour (scmh).

Installation of domestic meters

| Title | Description | Charge |
|-----------------------------------|---|--------|
| Install Domestic Credit Meter | Includes time and materials (pressure controlling equipment, flexible connector, etc) required to install a domestic credit meter. Excludes the cost of the meter itself. | £86.78 |
| Install Domestic Prepayment Meter | Includes time and materials (pressure controlling equipment, flexible connector, etc) required to install a prepayment meter. Excludes the cost of the meter itself. Includes commissioning of the meter module in current (TGB) format and the use of a blank gas card where no Supplier gas card is on site. | £99.04 |

Customer requested domestic meter exchange

| Title | Description | Charge |
|-----------------------------|--|--------|
| Customer requested exchange | Includes time and materials required to exchange a credit meter to prepayment or a prepayment meter to credit or a like for like exchange i.e. exchange credit for credit including an exchange to a semi-concealed credit meter or prepayment for prepayment. Excludes the cost of the meter itself. Includes up to 1 metre of additional inlet pipework and up to 2 metres of additional outlet pipework where a prepayment meter cannot be installed in the place of an existing credit meter. Includes testing (excludes any trace and repair work), purging and re-lighting. | £81.04 |

Ofgem domestic meter accuracy test

| Title | Description | |
|---------------------|---|---------|
| Ofgem accuracy test | Includes, transportation of the meter and time and materials required to exchange a meter. Includes secure transportation box. Excludes the cost of the meter itself. Includes testing (excludes any trace and repair work), purging and re-lighting. | £115.27 |

Exchange damaged meter

| | | 1 |
|------------------------|--|--------|
| Exchange damaged meter | Includes time and materials required to exchange a damaged meter. Excludes the cost of the meter itself. Includes testing (excludes any trace and repair work), purging and re-lighting. | £89.86 |

Large-sized meters

The following charges relate to installation, removal or testing of larger diaphragm meters. These charges apply only in respect of standard low pressure installations, where no enhancements (e.g. bypasses) are required.

Large Diaphragm Meter Accuracy Tests

| Nominal Qmax | U16 | U25 | U40 | | U100 | U160 |
|----------------------------|---------|---------|---------|---------|---------|---------|
| Ofgem accuracy test* | £195.27 | £201.52 | £289.33 | £366.17 | £453.75 | £583.78 |

* Includes, transportation of the meter and time and materials required to exchange a meter. Includes secure transportation box. Excludes the cost of the meter itself. Includes testing (excludes any trace and repair work), purging and re-lighting.

All other charges for work on industrial and commercial-sized meter installations, dataloggers and volume converters will be quoted on an individual basis.

2.4. Transfer of in situ ancillary equipment

Where a National Grid meter is removed and replaced by a meter belonging to another operator the supplier may elect for the transfer of title to the relevant Supplier of the National Grid in-situ ancillary equipment in accordance with contract. Conditions apply regarding the components that may be retained in situ. For clarification this charge excludes the meter.

Standard low-pressure domestic-sized meters



* No charge applies for title transfer where the meter installation is exempted from the 'install' component

Standard low-pressure large diaphragm meters – transfer of ancillary equipment

Standard low-pressure diaphragm meter installations are subject to published charge. All other I&C installations are subject to quotation. Charges exclude

of annual rental charges, i.e. where the installation was made from 1 October 2000 onwards.

the meter. No charge applies for title transfer where the meter installation is exempted from the "install" component of annual rental charges. That is where the installation was made after 1 April 2001 and before 1 January 2011.

| Original Year of installation | U16 | U25 | U40 | U65 | U100 | U160 |
|----------------------------------|---------|---------|---------|---------|-----------|-----------|
| 1973/74 or earlier | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 |
| 1974/75 | £12.97 | £16.88 | £25.53 | £53.99 | £65.00 | £119.75 |
| 1975/76 | £21.11 | £27.46 | £41.54 | £87.85 | £105.77 | £194.87 |
| 1976/77 | £29.53 | £38.41 | £58.10 | £122.87 | £147.93 | £272.54 |
| 1977/78 | £38.03 | £49.47 | £74.84 | £158.26 | £190.54 | £351.04 |
| 1978/79 | £46.62 | £60.64 | £91.73 | £193.99 | £233.55 | £430.29 |
| 1979/80 | £55.32 | £71.96 | £108.85 | £230.20 | £277.14 | £510.59 |
| 1980/81 | £63.85 | £83.06 | £125.63 | £265.69 | £319.87 | £589.32 |
| 1981/82 | £72.38 | £94.15 | £142.42 | £301.19 | £362.61 | £668.06 |
| 1982/83 | £81.01 | £105.38 | £159.40 | £337.09 | £405.84 | £747.70 |
| 1983/84 | £89.59 | £116.54 | £176.28 | £372.80 | £448.82 | £826.90 |
| 1984/85 | £95.02 | £123.60 | £186.96 | £395.39 | £476.02 | £877.00 |
| 1985/86 | £98.08 | £127.58 | £192.99 | £408.13 | £491.36 | £905.27 |
| 1986/87 | £101.13 | £131.56 | £199.00 | £420.85 | £506.67 | £933.47 |
| 1987/88 | £105.98 | £137.86 | £208.52 | £440.99 | £530.92 | £978.16 |
| 1988/89 | £110.25 | £143.42 | £216.94 | £458.79 | £552.35 | £1,017.63 |
| 1989/90 | £113.16 | £147.21 | £222.67 | £470.91 | £566.94 | £1,044.50 |
| 1990/91 | £115.49 | £150.23 | £227.24 | £480.57 | £578.57 | £1,065.94 |
| 1991/92 | £118.30 | £153.88 | £232.77 | £492.26 | £592.65 | £1,091.88 |
| 1992/93 | £121.77 | £158.40 | £239.60 | £506.70 | £610.03 | £1,123.90 |
| 1993/94 | £125.90 | £163.77 | £247.73 | £523.90 | £630.74 | £1,162.05 |
| 1994/95 | £130.55 | £169.83 | £256.88 | £543.26 | £654.05 | £1,205.00 |
| 1995/96 | £135.54 | £176.32 | £266.71 | £564.04 | £679.06 | £1,251.07 |
| 1996/97 | £135.53 | £176.30 | £266.68 | £563.97 | £678.98 | £1,250.93 |
| 1997/98 | £133.40 | £173.53 | £262.48 | £555.10 | £668.29 | £1,231.24 |
| 1998/99 | £130.91 | £170.29 | £257.58 | £544.74 | £655.82 | £1,208.27 |
| 1999/00 | £131.74 | £171.37 | £259.22 | £548.21 | £660.00 | £1,215.96 |
| 2000/01 | £134.13 | £174.48 | £263.92 | £558.14 | £671.96 | £1,238.00 |
| 1 Apr 2001 to 31 Dec 2010* | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 |
| 1 Jan 2011 to 31 Mar 2012 | £199.20 | £259.13 | £391.96 | £828.92 | £997.96 | £1,838.61 |
| 2012/13 | £205.46 | £267.26 | £404.27 | £854.96 | £1,029.31 | £1,896.36 |
| 2013/14 | £211.63 | £275.30 | £416.42 | £880.65 | £1,060.24 | £1,953.34 |
| 2014/15 | £218.08 | £283.68 | £429.10 | £907.48 | £1,092.54 | £2,012.85 |

Quotation charges for title transfer of ancillary equipment at I&C installations

National Grid will provide quotations, on an individual basis, for the title transfer to the relevant supplier of in-situ ancillary equipment for all medium and highpressure meters as well as for low-pressure rotary and turbine meters. The charges for making such quotations are:

| Service | Charge per quotation |
|---|-------------------------|
| Quotations based on details of equipment as provided by customer. | £51.50 |
| Quotations based on a National Grid site survey.* | £162.61 |

* Site survey carried out on request for installations < 7 bar

In the case of Ancillary Equipment with an inlet pressure of 7 bar and above, the cost of the quotation will be on the basis of National Grid's cost of preparing such quotation. National Grid will endeavour to provide a best estimate of such costs in advance.

2.5. Daily meter reading

The tariff cap for this activity was not reviewed as a part the pricing consultation as other revisions are being considered within the context of the Network Code. Ofgem's decision is that the tariff cap for this activity should continue to be subject to adjustment in line with inflation (3.01%) so the charge that will apply with effect from 1 April 2014 will be £515.15.

| | Pence per day | £ per annum |
|----------------------------------|------------------|----------------|
| Daily meter reading charge | 141.1370 | £515.15 |

3. Metering Charging Methodology

In addition to publishing its charges, National Grid's Gas Transporters (GT) Licence requires it to publish an explanation of the methods by which and the principles on which its charges are calculated.



3.1 Regulated metering charges

NG's metering charges are set so that they are in line with the price control set by Ofgem, the gas and electricity market regulator. To achieve price control for metering services, Ofgem has set tariff caps for four key services. The level of these was recently reviewed through Ofgem's Review of Metering Arrangements and NGM's subsequent Pricing Consultation process. NG's charges for these services must not exceed the tariff caps, which are adjusted each year by inflation calculated in accordance with the methodology set out in NG's Gas Transporters licence.

Metering tariff caps from 1 April 2014

| Service | Tariff Cap |
|---|--------------|
| Provide, install and maintain domestic credit meter | £15.12 p.a. |
| Provide, install and maintain prepayment meter | £37.84 p.a. |
| Domestic credit to prepayment meter exchange | £81.04 p.a. |
| Daily meter (DM) reading | £515.15 p.a. |

Charges for domestic meter types

For the 2014/15 formula year, domestic credit and prepayment meter rental charges have been set so that they are equal to the tariff caps. The tariff capped rentals take into account a cross-subsidisation between credit and prepayment meters.¹¹

3.2 Charges for non domestic meter types

Annual charges for I&C meters vary with meter type and capacity. NG has undertaken a detailed review of its meter rental charges for larger meters based on current replacement costs, supported by information used for our 2012/13 Pricing Consultation. This has resulted in the development of a revised pricing structure which now differentiates by pressure and additional equipment, as well as by meter size and type.

The matrix of charges relating to high pressure sites has been expanded to reflect the fact that the sites vary in size and complexity, resulting in a large variation between maintenance and replacement costs for these sites. Charges for high pressure sites now take into account different pressure bandings (above HP), capacity bandings and pressure differentials (sites with a difference in inlet and outlet pressure that require additional pressure reduction equipment). Additional charges have been introduced for equipment such as flow computers and pre-heating. The costs for this equipment were previously recovered in the general scaling of charges, but are now site-specific.

The remainder of this section explains the rationale for such a charging structure and for NG's choice of capacity bands.

3.2.1 Non domestic meter types

There are presently three main types of I&C meters – diaphragm, rotary and turbine. Other meter types, such as orifice plate meters, are used for specialist applications.

Installations connected to high-pressure systems operating above 7 bar are considerably more complex. They typically include a flow computer and may comprise additional equipment, such as multi-stage pressure reduction, slam shut discrimination and pre-heaters.

Separate charges apply for provision, installation and maintenance of metering installations connected to high-pressure systems¹² and these are categorised in three groups as follows:

High pressure installation – a site is classified as 'HP' ('High Pressure') where the gas pressure at the inlet of the gas metering installation, upstream of any provided pressure control equipment, is greater than 7 bar and less than 29.9 bar ('Gauge' Pressure) Quite high pressure installation – a site is classified as 'QHP' ('Quite High Pressure') where the gas pressure at the inlet of the gas metering installation, upstream of any provided pressure control equipment, is equal or greater than 29.9 bar and less than 39.9 bar ('Gauge' Pressure)

Very high pressure installation – a site is classified as 'VHP' ('Very High Pressure) where the gas pressure at the inlet of the gas metering installation, upstream of any pressure control equipment, is equal or greater than 39.9 bar ('Gauge' Pressure)

The outlet pressure of the gas metering installation is measured immediately downstream of the gas meter and always upstream of the gas metering installation outlet valve. Where there is a difference in the inlet and outlet pressure, the site is classified as having a pressure differential and higher charges may apply. Higher charges may also apply in respect of sites that have regulators that are medium pressure and above as these sites are likely to incur higher replacement costs and undergo more frequent maintenance visits than low pressure sites.

Different meter types have different costs, particularly with respect to purchase price and maintenance costs. For example, rotary meters tend to have higher purchase prices than the equivalent turbine meter. Diaphragm meters do not usually need regular maintenance, unlike rotary and turbine meters, which need to be serviced according to manufacturer's specifications.



3.2.2 Meter capacity and capacity bands

Meter capacity is a significant cost driver for a particular meter type. Larger meter installations have higher purchase prices and typically take longer to install. Larger, higher capacity metering installations also have larger, more costly regulators, valves and connecting pipe work. They may include additional equipment, such as pressure protection systems and filters. Charges reflect the forward-looking costs of providing, installing and maintaining a representative range of meter models of each type.

Section 3.3 explains how the component costs of providing, installing and maintaining meter equipment are determined and Section 3.4 describes how transactional charges are calculated. Section 3.5 describes how DM daily meter reading charges are calculated.

3.3 Cost components

This section explains how NG has determined the forward-looking annual costs of providing, installing and maintaining meter installations, dataloggers and volume converters.

Domestic credit meter costs are based on U6 diaphragm meters or equivalent (including E6 ultrasonic meters), and prepayment meter costs are based on Electronic Token Meters.

3.3.1 Annual provision, installation and maintenance costs

Domestic meters

Following the conclusion of Ofgem's Review of Metering Arrangements (RoMA), charges are calculated using a RAV-based approach that satisfies the revenue requirement Ofgem set out (below).

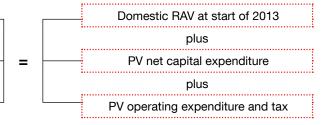
| PV domestic meter rentals | _ |
|----------------------------------|---|
| plus | |
| PV premature replacement charges | |
| plus | |
| D. / | |

PV other domestic metering receipts

Historically, domestic meters were assumed to have an asset life of twenty years, except for PPM meters where an asset life of 10 years was used. The transition to smart metering now means that many domestic meters will have a significantly shorter asset life, which Ofgem recognises. Traditional meter displacement rates (and consequently the calculation of resulting maintenance costs) are based on the DECC Consumer Engagement and Roll-out Group (CERG) projections. Calculations assume that costs associated with meter maintenance decline in line with average meter populations.

When calculating charges, NG has assumed that labour costs include some additional costs over and above direct labour costs, such as National Insurance and transport costs, but exclude support and sustaining costs.

Included in the rental are charges reflecting planned and unplanned maintenance costs and the costs associated with exchanging faulty meters. They reflect service provider and material costs, plus an uplift to account for support and sustaining costs. The rental charge excludes replacement of the meter and/or installation materials beyond the expected asset life. Components of the total charge are derived on a cost reflective basis. However, the total charge and some or all of the components must be scaled to levels that are consistent with NG's price control formula.



Non domestic meters

Replacement cost analysis recently undertaken to support the 2012/13 Pricing Consultation aimed to establish replacement costs by meter size and type, taking into account differing pressures and additional equipment. This information has enabled the rebalancing of prices to make them more cost reflective.

Charges reflect depreciation costs and an allowance for a return on the value of the meter asset on an average annualised basis. NG's non domestic meters are assumed to depreciate over twenty years.

Charges for installations that are operating at medium pressure and above reflect the higher costs associated with this type of installation, both for the installation and replacement costs and the associated maintenance activity. The rental charge therefore covers the same charge for the provision of a similar asset operating at low pressure but would also include additional costs recognising the provision of more complex equipment and maintenance required for higher pressure installations.

RAV = Regulatory Asset Value, a measure of the value of the capital employed in the regulated business. PV = present value.

3.4 Transactional charges

NG has taken the opportunity to amend transactional charges for meterworks to take into account latest cost estimates. Overall, meterwork charges for 2014/15 have risen as a result of increased costs but we have constrained the increase for transactional charges to a level below the RPI increase. The impact is an overall increase (from 2013/14) by an average of 2.2% (I&C 0.4% and Domestic 2.4%).

This section describes the methodology used to determine the transactional (one-off) charge for installation of domestic credit metering equipment. This charge reflects Service Provider and materials costs, an uplift for other work-related costs and an allowance for profit:

Charge = (Materials cost + (Service Provider costs x (1 + overhead uplift))) x (1 + profit%) Equivalent calculations determine transactional charges for installing other metering equipment and for other categories of meter work. Charges for work on larger I&C metering equipment, dataloggers and volume converters are quoted on an individual basis.

The charge for exchanging a domestic meter from a credit to a pre-payment meter is tariff-capped and consequently the charge for this work has been amended to £81.04. NG also applies this rate to domestic pre-payment to credit meter exchange requests, although this transaction is not subject to regulatory control.

3.5 DM daily meter reading

Charges reflect average costs of providing a DM daily reading administration service (including query management), an uplift reflecting support and sustaining costs, and the costs of line rental and

telephone calls between dataloggers and the central collection system. The DM meter reading charge has been set at the tariff cap of £515.15 p.a. from 01 April 2014.

nationalgrid

National Grid plc

National Grid House, Warwick Technology Park, Gallows Hill, Warwick. CV34 6DA United Kingdom Registered in England and Wales No. 4031152

www.nationalgrid.com