

# Metering

Investor Relations | National Grid

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**nationalgrid**

- ◆ National Grid provides metering services to gas suppliers including the provision and maintenance of domestic and non-domestic gas meters through its subsidiary, National Grid Metering
- ◆ We own approximately 14.1 million gas meters throughout Great Britain
- ◆ The prices National Grid can charge for certain metering services are capped by Ofgem, with price caps adjusted each year with inflation
- ◆ Regulated meter asset population gradually declining due to competition

## Metering

National Grid is the largest owner of domestic gas meters in the UK optimising our portfolio and operations to maximise the cash generation potential of our asset base.

Our metering asset base includes:

- ◆ Over 12.4 million domestic credit meters
- ◆ 1.4 million domestic prepayment meters
- ◆ 0.3 million non-domestic meters

## Our activities

Our activities broadly cover the following areas:

- ◆ Asset procurement and logistics management
- ◆ Meter installation and maintenance
- ◆ Exchange and removal
- ◆ Customer service provision

We provide metering services to all Great Britain gas suppliers. These include meter provision and maintenance and ad hoc services including engineer hire and meter removals.

Under our licence, we have an obligation to offer certain metering services to all gas suppliers. The prices for some of these services are capped by Ofgem. Charges for other services are uncapped, but regulated through a non-discrimination clause in our licence.

## Metering Contracts

We currently offer the following types of domestic metering contracts:

### **New and replacement metering service agreement (N&R MSA) contracts**

Covers meters that have been installed since 2004 in properties provided by a supplier who is party to a New & Replacement metering contract.

### **Legacy MSA contracts**

Covers meters that were installed prior to 2004 in properties provided by a supplier who is party to the legacy MSA contract

### **Regulated contracts**

Covers meters in properties provided by suppliers who are not signatories to either of the MSA contracts



	N&R MSA contract	Legacy MSA contract	Regulated contract
Number of domestic meters	3.0 million	8.4 million	2.4 million
Rental charged at tariff cap rates	Lower rates apply for majority of meters	Lower rates apply for majority of meters	Yes
Early termination charges on removal	Yes	Yes	No

## Smart metering

The Department for Energy and Climate Change has mandated that suppliers should provide smart meters to all domestic gas and electricity customers by end 2020

- ◆ National Grid's domestic gas meters are not suitable for conversion to DECC's proposed smart functionality
- ◆ We have no smart meter offering for domestic customers at the current time
- ◆ We have no licence obligation to provide smart meters

As a result our domestic meter population would be expected to reduce as these traditional meters are replaced with smart meters

New and replacement MSA and the majority of legacy MSA meters replaced early as part of smart roll out would be subject to an early termination charge to suppliers.

The price control review to set new tariff caps has taken into account the anticipated early replacement of domestic meters and recognises the accelerated depreciation.

## Regulated metering charges

New metering arrangements, effective from 1 April 2014, include a modest reduction to domestic rental tariff caps coupled with new obligations for National Grid to facilitate an effective rundown of traditional metering.

£ per annum or per job	2013/14	2014/15
Provide, install and maintain domestic credit meter	16.54p.a.	15.12p.a.
Provide, install and maintain prepayment meter	38.60p.a.	37.84p.a.
Domestic credit to prepayment meter exchange	£67.67	£81.04
Daily meter (DM) reading	£500.10	£515.15

The revised tariff caps shown in the table above will increase each year with RPI inflation. The revised tariff caps were based on agreed domestic RAV as at 1 April 2013 of some £677m.

More information on our metering charges can be found at: <http://www.nationalgrid.com/uk/Metering/Publications/Metering+Charges/>

## Key financials

£m	2010/11	2011/12	2012/13	2013/14
<b>Total revenues</b>	310	331	319	321
<b>Operating profit</b> (excluding exceptional items)	136	162	150	162
<b>Depreciation</b>	105	94	88	85
<b>Capital expenditure</b>	54	48	60	53
<b>Closing number of domestic meters</b> (millions)	15	15	14	14

## Performance in 2013/14

Metering operating profit in 2013/14 was ~8% higher than in the prior year due to a one-time charge in that earlier year relating to damage claims.

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