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Date: 3 April 2007

Dear Colleague,

Supply Licence Review: Proposed modification to Standard Licence Condition 17 of the Gas Supply Licence

This letter is asking for views, by 20 April 2007 on a proposal to remove those parts of Standard Licence Condition (SLC) 17 of the Gas Supply Licence that specify how a supplier must treat a request from a customer for the customer to arrange for an inspection of a gas meter. The relevant paragraphs are SLC 17(4) to (5) and (10) to (14). We consider that the circumstances are likely to be rare, and where they do occur, it is arguable that they could be left to the supplier to determine whether any arrangements to be put in place by the customer to inspect meters will meet the two year inspection requirements.

Background

Last December, Ofgem issued a consultation document, setting out our proposals for the modifying the standard conditions of the gas and electricity supply licences, as part of the Supply Licence Review Project.

In that document, we proposed that the requirements in SLC 17 that require suppliers to make a visual inspection of gas and electricity meters every two years could be removed if a case was made as to how concerns over safety and theft of energy could be resolved. To date, that case has not been satisfactorily made in our opinion, and there is a lack of consensus amongst suppliers as to the appropriate way forward. We are therefore proposing to carry forward the existing SLC 17 (within the new proposed SLC 12), but to introduce a provision that would enable the Authority to disapply the obligation in certain circumstances.

Proposed licence condition

In retaining the obligation to inspect meters, we are updating the language to match the conventions used throughout the proposed licence conditions. However, in the case of the gas version of SLC 17 we are making a further proposal to remove those elements of the current licence condition that deal with the circumstances where the customer arranges for a meter inspection. Three versions of the licence condition are included as attachments to this letter.

Attachment 1 sets out the existing SLC 17, and is provided for information.

Attachment 2 sets out the how the requirements in SLC 17 will be imported into the new licence conditions. This includes the proposal to allow the Authority to remove the meter inspection obligation by consent.

Attachment 3 sets out our proposed modifications, allowing for Authority consent to removal of the obligation to inspect meters, and removing the requirements relating to inspection requests.

The proposal in Attachment 3 removes the obligations related to inspection requests. Where a customer is appointing their own meter reader, we consider that suppliers and customers may be best placed to decide how the results of an inspection should be treated. Where a supplier is considering using a customer's inspection report to meet the inspection obligation, they must be mindful of whether the customer's agent will satisfy the requirements of the licence condition. We consider that this may be a matter best left to the contractual arrangements between the parties.

We would be grateful for views on the proposal to remove those parts of the licence condition that deal with the customer appointing their own meter reader. These should be sent to Nigel Nash (nigel.nash@ofgem.gov.uk) by 20 April 2007.

We intend to issues our final proposals for modifying the gas and electricity supply licences at the start of May 2007.

Yours sincerely,

Nigel Nash

Attachment 1: Gas supply licence Standard Condition 17

Condition 17. Reading, Inspection and Testing of Meters

1. The licensee shall use all reasonable endeavours (including, in particular, the seeking of a warrant under the Rights of Entry (Gas and Electricity Boards) Act 1954 (other than where the premises in question are secondary sub-deduct premises) where it is necessary to do so) to ensure that at intervals of not more than 2 years (which shall be deemed to expire on a date specified in a notice given by the relevant transporter which has been transmitted to the licensee by the relevant shipper (or, which the holder of this licence has, where it is the relevant shipper, received direct from the relevant transporter), no less than 4 months in advance, in any case where a gas supplier has supplied premises for less than 2 years) an inspection of the meter and associated installation shall take place in accordance with paragraph 2.

2. An inspection under paragraph 1 shall be carried out by a person possessing appropriate expertise and shall include the following tasks -
 - (a) reading the meter;
 - (b) inspecting the meter and associated installation for evidence of tampering;
 - (c) inspecting the meter and that installation for any evidence that the meter has not continuously been in position for the purpose of registering the quantity of gas supplied;
 - (d) arranging for information in respect of any gas leakage identified in the vicinity of the meter to be passed on in accordance with the Gas Safety (Management) Regulations 1996 as if the licensee had been informed thereof;
 - (e) inspecting the meter for any evidence of deterioration which might affect its due functioning or safety; and
 - (f) where necessary and subject to the consent of the owner of the meter, changing any batteries in the meter.

3. Nothing in paragraph 2(a) to (e) shall require the dis-assembling of any part of the meter.

4. Where, in compliance with paragraphs 10 to 13, the licensee has agreed (and has not withdrawn its agreement in pursuance of paragraph 14) that a named person chosen by the customer (“the meter inspection agent”) should carry out such an inspection as is referred to in paragraph 2, has been informed that the meter inspection agent has carried out the inspection, and has received a report from the meter inspection agent in respect of the tasks mentioned in paragraph 2, both in respect of what was done and what was found, then, subject to paragraph 5, that shall be a sufficient compliance with paragraph 1.

5. Where the licensee has so agreed, (and has not so withdrawn its agreement) that, of itself, shall not constitute a sufficient compliance with paragraph 1 if -
 - (a) the licensee has not been informed that the inspection has been carried out by the time by which it fell to be carried out or, where the licensee has expressly requested the meter inspection agent to carry it out, within 28 days of that request;
 - (b) the licensee has not received from the meter inspection agent such a report as is mentioned in paragraph 4 within a reasonable time after the inspection was carried out or, where the licensee has made such an express request as is mentioned in sub-paragraph (a), within 35 days of that request; or
 - (c) the licensee has reason to doubt the accuracy either of any information it has received that the inspection has been carried out or of any such report as is mentioned in paragraph 4,but in any such circumstances paragraph 1 shall have effect as if the interval there mentioned expired 2 months later than the date on which it in fact expired (or was deemed thereby to have expired) and, accordingly, it shall be a sufficient compliance with paragraph 1 if, before the expiry of the extended interval, either the relevant circumstances are remedied or the licensee ensures that the requisite inspection takes place in accordance with paragraph 2.

6. Subject to paragraph 7, the licensee shall comply with a request made by any of its customers for the removal of the meter by which the quantity of gas supplied to that customer is registered for the purpose of its being examined by a meter examiner in accordance with section 17 of the Act.

7. Where a request under paragraph 6 is in respect of a meter which registers the supply of gas to secondary sub-deduct premises, the licensee shall only be obliged to comply with the request if the person making the request agrees that, if the meter is found in proper order (as mentioned in paragraph 3(7) of Schedule 2B to the Act), that person will bear the expenses incurred in removing, examining and re-installing the meter, and fixing a substitute meter as mentioned in paragraph 8.
8. The licensee shall, while any meter which registers the supply of gas to secondary sub-deduct premises is removed in accordance with paragraph 6, fix a substitute meter on the premises.
9. Where, for a continuous period beginning with 1 March 1996, the relevant transporter does not record separately -
 - (a) inspections of meters and associated installations in accordance with paragraph 2; and
 - (b) meter readings made by authorised officers of the licensee,then, without prejudice to the licensee's duty under paragraph 1, if that transporter has secured that the licensee be so informed, the licensee shall, for that period, ensure that such an inspection of a meter and associated installation takes place on each occasion on which the meter is read by one of its authorised officers.
10. When the licensee receives a written request ("the inspection request") made by a customer that it should agree that such an inspection as is referred to in paragraph 2 ("an inspection") be carried out by an meter inspection agent (as defined in paragraph 4) , the licensee shall -
 - (a) as soon as is reasonably practicable -
 - (i) give the relevant shipper a copy of the inspection request together with any relevant information relating to the meter inspection agent which is in the licensee's possession for transmission to the relevant transporter; or
 - (ii) where the holder of this licence is also the relevant shipper, give a copy of the inspection request together with such information

as is mentioned in sub-paragraph (i) to the relevant transporter direct, and

- (b) refrain from agreeing to the inspection request during the period of 15 days beginning with the day on which it complied with sub-paragraph (a).

11. The licensee shall not agree to the inspection request -

- (a) unless there are reasonable grounds for believing that -
 - (i) the meter inspection agent possesses the appropriate expertise; and
 - (ii) he would accurately and efficiently carry out the tasks specified in paragraph 2,
- (b) subject to paragraph 12, if the licensee has been notified by the relevant shipper, within the period of 8 days beginning with the day on which the shipper received a copy of the inspection request, that the relevant transporter is of the opinion that there are not reasonable grounds for so believing; or
- (c) subject to paragraph 12, where the holder of this licence is the relevant shipper, if the holder has been notified by the relevant transporter, within the period of 8 days beginning with the day on which the relevant transporter received a copy of the inspection request, that the relevant transporter is of the opinion that there are not reasonable grounds for so believing.

12. If the licensee is notified as mentioned in paragraph 11 but disagrees with the relevant transporter's opinion, it shall refer the question whether there are reasonable grounds for believing that the criteria in sub-paragraph (a) of that paragraph are met to the Authority for determination and -

- (a) if, within 14 days of the question being referred to it, the Authority notifies the licensee that it does not accept the transporter's opinion, that opinion shall be disregarded for the purposes of paragraph 11; or
- (b) in any other case, the transporter's opinion shall be conclusive for the purposes of paragraph 11.

13. The licensee shall, subject to paragraphs 11, 12 and 14, agree to the inspection request if it has reasonable cause to be satisfied that the meter inspection agent would comply with obligations relating to meter inspections set out in the Gas Meter Reading and Inspection Code.

14. Notwithstanding that the licensee has agreed to the inspection request it may withdraw its agreement if, in relation to an inspection, the circumstances are such as are mentioned in sub-paragraphs (5)(a), (b) or (c).

Attachment 2: Proposed obligations for meter inspections in the proposed Condition 12 of the Gas Supply licence

Inspections of Gas Meters

- 12.8 Unless the Authority otherwise consents, the licensee must take all reasonable steps to ensure that it inspects, at least once every two years, any Gas Meter and associated installation at premises where it is the Relevant Gas Supplier.
- 12.9 Where the licensee has been the Relevant Gas Supplier for less than two years, the period of two years referred to in paragraph 12.8 will be deemed to expire on a date specified in a notice given at least four months in advance of that date by the Relevant Gas Transporter which has been sent to the licensee by:
- (a) the Relevant Gas Shipper; or
 - (b) the Relevant Gas Transporter, where the licensee is the Relevant Gas Shipper.
- 12.10 In paragraph 12.8, the reference to “all reasonable steps” includes, in particular, trying to obtain a warrant under the Rights of Entry (Gas and Electricity Boards) Act 1954) in cases where the licensee could not otherwise comply with its obligation.
- [] In paragraph 12.8 the Authority’s consent in writing may include such conditions as it considers appropriate.
- 12.11 Paragraph 12.10 does not apply in relation to Secondary Premises.
- 12.12 An inspection under paragraph 12.8 must be carried out by a person possessing appropriate skill and experience.
- 12.13 An inspection under paragraph 12.8 must include:
- (a) taking a meter reading;
 - (b) inspecting the Gas Meter and associated installation for evidence of tampering;
 - (c) inspecting the Gas Meter and associated installation for evidence that the meter has not continuously been in position for the purpose of registering the quantity of gas supplied;
 - (d) arranging for information in respect of any gas leakage identified in the vicinity of the Gas Meter to be passed on in accordance with the Gas Safety (Management) Regulations 1996 as if the licensee had been informed of that leakage;
 - (e) inspecting the Gas Meter for any evidence of deterioration which might affect its safety or proper functioning; and
 - (f) where necessary, and subject to the consent of the owner of the Gas Meter, changing any batteries in the meter.
- 12.14 Nothing in sub-paragraphs 12.13(a) to (e) require the licensee to disassemble any part of the Gas Meter.
- 12.15 Paragraph 12.16 applies where, for a continuous period beginning with [30 June 2007], the Relevant Gas Transporter does not record separately:
- (a) any inspection carried out in accordance with paragraph 12.8; and

- (b) any meter readings taken by authorised officers of the licensee,
and the Relevant Transporter has informed the licensee that it has not made such records.
- 12.16 Without prejudice to paragraph 12.8, the licensee must for the continuous period referred to in sub-paragraph 12.15, ensure that an inspection of a Gas Meter and associated installation takes place on each occasion on which the meter is read by one of its authorised officers.
- 12.17 Subject to paragraph 12.18, the licensee will be deemed to have complied with paragraph 12.8 where:
- (a) it has, in compliance with paragraphs 12.20 to 12.22 agreed, and has not withdrawn that agreement, that a Meter Inspection Agent may carry out an inspection under paragraph 12.8;
 - (b) it has been informed that the Meter Inspection Agent has carried out the inspection; and
 - (c) it has received a report from the Meter Inspection Agent in respect of that inspection.
- 12.18 Paragraph 12.17 does not apply where:
- (a) the licensee has not been informed that the inspection has been carried out:
 - (i) by the time by which it fell to be carried out; or
 - (ii) where the licensee has requested expressly the Meter Inspection Agent to carry it out, within 28 days after that request,
 - (b) the licensee has not received from the Meter Inspection Agent a report under sub-paragraph 12.17(c):
 - (i) within a reasonable time after the inspection was carried out; or
 - (ii) where the licensee has requested expressly the inspection, within 35 days after that request, or
 - (c) the licensee has reason to doubt the accuracy of:
 - (i) any information it has received that the inspection has been carried out; or
 - (ii) any report in respect of an inspection.
- 12.19 Where paragraph 12.18 applies:
- (a) the period of two years referred to in paragraph 12.8 will expire 2 months later than the date on which it in fact expired or was deemed to have expired under paragraph 12.9; and
 - (b) it will be sufficient compliance with paragraph 12.8 if, before the expiry of that interval, either the relevant circumstances are remedied or the licensee ensures that the requisite inspection takes place in accordance with paragraph 12.8.
- 12.20 Where the licensee receives a written request (“the inspection request”) made by a Customer that it should agree that an inspection be carried out by a Meter Inspection Agent, the licensee must:
- (a) as soon as reasonably practicable:

- (i) give the Relevant Gas Shipper a copy of the inspection request together with any relevant information relating to the Meter Inspection Agent which is in the licensee's possession for transmission to the Relevant Gas Transporter;
 - (ii) where the licensee is also the Relevant Gas Shipper, give a copy of the inspection request together with the information referred to in sub-paragraph 12.20(a)(i), to the Relevant Gas Transporter direct; and
- (b) refrain from agreeing to the inspection request during the period of 15 days beginning with the day on which it complied with sub-paragraph (a).

12.21 The licensee must not agree to the inspection request:

- (a) unless there are reasonable grounds for believing that:
 - (i) the Meter Inspection Agent possesses appropriate skill and experience;
 - (ii) he would accurately and efficiently carry out the tasks specified in paragraph 12.13; and
- (b) subject to paragraph 12.22:
 - (i) if the licensee has been notified by the Relevant Gas Shipper, within 8 days after the Relevant Gas Shipper has received a copy of the inspection request, that the Relevant Gas Transporter is of the opinion that there are not reasonable grounds for so believing; or
 - (ii) where the licensee is the Relevant Gas Shipper, if it has been notified by the Relevant Gas Transporter, within 8 days after the Relevant Gas Transporter received a copy of the inspection request, that the Relevant Gas Transporter is of the opinion that there are not relevant grounds for so believing.

12.22 If the licensee is notified under sub-paragraph 12.21(b), but disagrees with the Relevant Gas Transporter's opinion, it must refer the question whether there are reasonable grounds for believing that the criteria in sub-paragraph 12.21(a) are met to the Authority for determination and:

- (a) if, within 14 days after the question being referred to it the Authority notifies the licensee that it does not accept the Relevant Gas Transporter's opinion, that opinion must be disregarded for the purposes of paragraph 12.21; or
- (b) in any other case, the Relevant Gas Transporter's opinion is conclusive for the purposes of paragraph 12.21.

12.23 The licensee may withdraw its agreement to an inspection request where the circumstances in sub-paragraph 12.18(a) to (c) apply.

Attachment 3: Revised proposed obligations for meter inspections in the proposed Condition 12

Inspections of Gas Meters

- 12.8 Unless the Authority otherwise consents, the licensee must take all reasonable steps to ensure that it inspects, at least once every two years, any Gas Meter and associated installation at premises where it is the Relevant Gas Supplier.
- 12.9 Where the licensee has been the Relevant Gas Supplier for less than two years, the period of two years referred to in paragraph 12.8 will be deemed to expire on a date specified in a notice given at least four months in advance of that date by the Relevant Gas Transporter which has been sent to the licensee by:
- (a) the Relevant Gas Shipper; or
 - (b) the Relevant Gas Transporter, where the licensee is the Relevant Gas Shipper.
- 12.10 In paragraph 12.8, the reference to “all reasonable steps” includes, in particular, trying to obtain a warrant under the Rights of Entry (Gas and Electricity Boards) Act 1954) in cases where the licensee could not otherwise comply with its obligation.
- [] In paragraph 12.8 the Authority’s consent in writing may include such conditions as it considers appropriate.
- 12.11 Paragraph 12.10 does not apply in relation to Secondary Premises.
- 12.12 An inspection under paragraph 12.8 must be carried out by a person possessing appropriate skill and experience.
- 12.13 An inspection under paragraph 12.8 must include:
- (a) taking a meter reading;
 - (b) inspecting the Gas Meter and associated installation for evidence of tampering;
 - (c) inspecting the Gas Meter and associated installation for evidence that the meter has not continuously been in position for the purpose of registering the quantity of gas supplied;
 - (d) arranging for information in respect of any gas leakage identified in the vicinity of the Gas Meter to be passed on in accordance with the Gas Safety (Management) Regulations 1996 as if the licensee had been informed of that leakage;
 - (e) inspecting the Gas Meter for any evidence of deterioration which might affect its safety or proper functioning; and
 - (f) where necessary, and subject to the consent of the owner of the Gas Meter, changing any batteries in the meter.
- 12.14 Nothing in sub-paragraphs 12.13(a) to (e) require the licensee to disassemble any part of the Gas Meter.
- 12.15 Paragraph 12.16 applies where, for a continuous period beginning with [30 June 2007], the Relevant Gas Transporter does not record separately:
- (a) any inspection carried out in accordance with paragraph 12.8; and

(b) any meter readings taken by authorised officers of the licensee,

and the Relevant Transporter has informed the licensee that it has not made such records.

12.16 Without prejudice to paragraph 12.8, the licensee must for the continuous period referred to in sub-paragraph 12.15, ensure that an inspection of a Gas Meter and associated installation takes place on each occasion on which the meter is read by one of its authorised officers