

SLR Metering Workgroup

Meeting 2, 18 January 2006

Minutes

Attendees:

Nigel Nash (Chair)	Ofgem	NN
Mark Baldock	Ofgem	MB
Rosie McGlynn	Powergen	RM
Gerald Jago	Npower	GJ
Roger Barnard	EDF Energy	RB
Tahir Majid	Centrica	TM
Eric Fowler	National Grid Metering	EF
Alex Travell	E.ON	AT
Alistair Henbrey	Energywatch	AH
Ed Reed	Energywatch	ER
Mark Watson	ERA	MW
Laurence Poel	Npower	LP
Graham Smith	Scottish Power	GS
John Sykes	SSE	JS
Gill Ashby	Gemserv	JA
Jenny Boothe	Ofgem	JB
John Stevens	Ofgem	JSt

Apologies: Jonathan Perks British Energy JP

1. Introduction and welcome

NN said that he might have to leave the meeting at certain intervals due to the ongoing issues relating to supplier of last resort.

2. Minutes

RB noted that in the last paragraph of 7.2 the number should read 0.02% not 0.2%.

Subject to that correction, the minutes were agreed.

3. Matters arising

Measuring Instruments Directive (MID)

JS1 gave an update on the current status of the MID. The DTI consultation on the MID has been published with responses required by 10 March. The implementation date is 1 April with the directive coming into force on 30 October this year.

The MID allows for "Notified Bodies" (NBs) to be established across the EU. The NBs will be able to approve meter types which will allow for meters not approved by Ofgem to be installed in the UK. Consequently the UK meter certification process will have to change as this is regarded as a barrier to entry of non-UK certified meters.

Under the auspices of the Industry Metering Advisory Group (IMAG) an In-service testing Expert group has been established to consider the implications of NB

approved meters. The expert group is to present its recommendations to IMAG in June. Although some in-service testing is undertaken by Transco in the gas sector, IMAG will need to determine how meter accuracy will be maintained within prescribed limits. The likelihood is that there will be more specified detail on maintenance of meter accuracy with possible revisions to MAMCoP.

Energy Services Directive (ESD)

The draft wording for the ESD issued in December 2005 has been agreed but there is no date as yet for formal ratification. From ratification Member States will have up to two years before it must be adopted and come into force. DEFRA is taking the lead and Charles Hargreaves and MB are the main contacts from Ofgem.

Metering Innovation (MI)

MB outlined Ofgem's current position in relating to metering innovation. Over the last three months MI in the domestic market has been given a high profile. This had been stimulated by a number of factors including the government's carbon emission and energy efficiency policies, the international experience and the implications of the MID and ESD.

The Authority has required some analysis of MI which has led to a consultation document which will be published on 1 February. This document will discuss the options to promote MI and will be followed up by a high level launch event.

The policy options set out in the consultation document will discuss the potential barriers to innovation, for example standardisation, the two-yearly inspection regime and asset stranding. In addition, issues relating to responsibility for metering are discussed, with options ranging from mandating (e.g. of network operators or suppliers) to re-bundling.

Initial findings suggest that there is more scope for innovation in the electricity market. The international experience shows that there are different business drivers for example management of summer peak usage.

Other factors are considered relating to consumer behaviour and cost benefits to suppliers and network operators.

There would be a further paper in April following Ofgem's consideration of all the consultative responses.

4. Two-yearly meter read and inspection

MB presented an overview of Ofgem's analysis of condition 17 (slides previously circulated). For each area of the condition, consideration was given to its contribution and whether it should be retained, removed or refined.

Billing

The following points were raised during discussions:

- There is no absolute link between a meter read and the customer bill;
- It cannot be assumed that the 0.02% level of billing complaints has not been impacted by the 2-yearly meter read requirement

- SLC 40 could be a more appropriate place for a licence requirement on billing (is such a requirement is needed at all) thus shifting the emphasis of condition 17 to safety and theft.
- Remote billing reads via AMR would incur financial benefits
- energywatch would be content with AMR use in billing once the technology is robust.
- A meter reading is received every time a PPM key or smart card is charged, so for this technology there is infrastructure already in place to accommodate AMR.
- Suppliers could adhere to guaranteed or overall service standards which can be used as a means to continue the meter reading obligation for non-innovative meters.

Safety

During this discussion the letter from the HSE was considered. The following points were raised:

- Is there sufficient safety legislation elsewhere that covers the safe use and accuracy of meters?
- Could MAMCoP be sufficient to allow removal of the gas safety elements of SLC17
- Why are supply meters a special case in relation to safety for example as opposed to gas boilers?
- The HSE letter seems to be requiring a tightening of the current regime without statistical analysis to support this requirement. Transco agreed to provide information on the number of accidents they were aware of that resulted from a meter fault. Also, a meeting will be arranged between Ofgem and HSE to discuss the issues raised in the HSE's letter.
- There are two main safety risks that relate to a gas installation; leakage of gas itself from any part of the installation, including the meter, leading to explosion; and CO, which is given off from poorly ventilated and/or faulty appliances. With regards gas leaks, the human being tends to be the detector by smelling the leaking gas. .
- It was questioned whether safety obligations should be placed on suppliers where it tended to be meter operators who in practice detected faulty meters.
- The two-yearly meter inspection requirements could be replaced by a two-tier licence regime. One for where AMR is present and one for where AMR is not present.

**Action: National Grid
Ofgem**

Tampering

Points raised:

- There is already a requirement in SLC 16 of the electricity supply licence to try to detect tampering.
- Meter inspection benefits the supplier more than the consumer in that it is in the supplier's interest to determine if the tampering has led to theft of energy.
- Licence obligations to detect meter tampering could be incorporated into MAMCoP and MOCOPA.

5. Theft Presentations

Unfortunately NN was unable to present the Ofgem overview on theft. However GJ presented the latest findings of the ERA/ENA Theft Obligations and Incentives Working Group.

The group was established over 12 months ago to consider whether industry arrangements provided appropriate incentives and obligations on suppliers, DNOs and GTs to prevent, detect and investigate theft and ultimately to produce a report for Ofgem with proposals. The group has reviewed the obligations on parties and is now currently looking at developing incentive schemes.

The ERA/ENA group has established that there are inconsistencies between gas and electricity in respect of detection, prevention and investigation of theft. During their normal activities suppliers, DNOs and GTs undertake all the above activities to some degree, but the DNOs and GTs believe that if they were to be required to do this proactively it could have implications for the price controls.

The group had developed economic models to look at the impact of theft on customers and suppliers in the NHH electricity and non-domestic gas markets. They indicate that economic incentives and obligations on parties are not aligned. For example, under the present arrangements revenue protection activity by suppliers financially benefits DNOs but could disadvantage suppliers.

The ERA/ENA group's preference therefore was to test to see if a revised set of incentives would deliver the desired outcomes before recommending amendments to licence obligations.

A number of models were being considered around the NHH and non-domestic gas regimes. The results have varying benefits for different participants. For example, increased revenue protection levels will benefit DNOs but will disadvantage suppliers.

The final report from the ERA/ENA Theft group is currently being updated but is due to be presented to Ofgem in January and would be made available to the next meeting of the Metering Workgroup.

For administrative reasons the meeting had to end at this point. Rosie McGlynn's presentation will be given at the next meeting.