



Review of Metering Arrangements

Response by E.ON

Exec Summary / general comments

Obligating suppliers to finance and deliver the rollout of smart metering creates a fundamental shift in arrangements for metering services in G.B. The rollout of smart meters provides an excellent opportunity to review existing arrangements to ensure an orderly move from the current metering world to smart.

Our intention is to have a capability throughout all regions of G.B. to install smart metering from the point at which the licence obligation to rollout applies.

We agree with Ofgem's views that competition in gas metering services has not fully developed. It is therefore right that Ofgem carefully considers how traditional gas metering services are managed during the rollout of smart metering.

We are comfortable with the proposals to retain the Meter Provider of Last Resort (MPOLR) obligation on Gas Distribution Networks (GDN) and that a single provider ("backstop" MPOLR) is appointed in the transition to smart metering (our assumption is this means the period from the start of mass rollout (c.2014)). However, such an obligation must include the installation of smart meters from the point at which these are required by supplier licence condition to be installed on a new and replacement basis.

The proposal to continue with existing price controls is pragmatic. This will provide certainty for suppliers as they manage difficult budgetary challenges over the rollout period. We do not see any benefit in undertaking a full price control review at this time. This would be time consuming and may actually delay future investment in metering, required for the smart meter rollout.

We are unclear as to where ownership of the emergency metering questions sits within the overall smart metering implementation programme. DECC asked a similar question about the provision of emergency metering in the rollout consultation last August and a response is expected at the end of March 2012 along with the final licence conditions for suppliers. This could have a bearing on how Ofgem approaches this area in the future.

In considering how emergency metering should be undertaken in the transition to smart it is worth considering what should be the most appropriate action to take for the customer. The overriding issue here is one of ensuring a restoration of supply for customers as safely and



quickly as possible. This is currently achieved under the existing Post Emergency Metering Services (PEMS) agreement where a meter is exchanged “like for like” provided the GDN has an asset available at the time.

There is however, no obligation on gas distribution businesses to provide emergency metering services. This results in a gap between supplier and GDN in servicing customer needs. The GDN has an obligation to visit each time it is contacted about a possible gas emergency however, it does not have to undertake metering work but simply make safe the situation. The PEMS arrangements have developed as suppliers identified that the make safe only approach does not meet their customer needs.

Looking forward once rollout has begun there are two possible scenarios to consider;

- a) where a smart meter has already been installed; and
- b) where a customer has a traditional meter.

In the case of a) it would be sensible for a smart meter to be exchanged for another smart meter in an emergency situation where it is technically possible. An example of a technical issue still to be resolved by the programme is how the Home Area Network (HAN) is re established on a meter exchange.

In the case of b) it may not always be appropriate to replace the traditional meter with a smart meter, especially if the emergency visit is late at night. A customer may not be interested in an explanation of how the equipment works when all they require is the restoration of their supply.

It seems likely that in the rollout of smart meters that calls to the GDN about emergency situations may result in two visits to a customer. Safety rightly remains paramount and the GDN when contacted by a customer should continue to be obligated to visit the premise and as a minimum make safe. If the issue identified is a meter fault the customer will likely need to contact their supplier.

It would therefore be useful for industry to consider how it can best manage its responses to customers in emergency situations to establish where the problem maybe without risking safety but providing the most efficient service.



Answers to specific questions in the consultation

Question 1

What do you consider are the pros and cons of our approach to managing traditional metering in the transition to smart metering?

Our intention is to have a capability throughout all regions of G.B. to install smart metering from the point at which the licence obligation to rollout applies.

We are comfortable with the proposals to retain the MPOLR obligation on GDNs and that a single provider ("backstop" MPOLR) is appointed. However, such an obligation must include the installation of smart meters from the point at which these are required by supplier licence to be installed on a new and replacement basis. Ensuring that smart meters are installed under MPOLR will reduce stranding risks and thus overall rollout costs for suppliers.

Provision of MPOLR through a single party should ensure remaining economies of scale can be exploited.

The proposal to continue with existing price controls is pragmatic. This will provide certainty for suppliers as they manage difficult budgetary challenges over the rollout period. We do not see any benefit in undertaking a full price control review at this time. This would be costly and time consuming and may actually delay the future investment in metering, required for the smart meter rollout.

Question 2

Do you consider that our assessment of the related issues within the metering market is accurate?

Yes. Competition in gas metering services has not developed to the same extent as that of the electricity sector.

Question 3

How should emergency metering services be provided for in the transition to smart metering?

In considering how emergency metering should be undertaken in the transition to smart it is worth considering what might be the most appropriate action to take for the customer. The overriding issue here is one of ensuring a restoration of supply for customers as safely and



quickly as possible. This is currently achieved under the existing PEMS agreement where a meter is exchanged "like for like" provided the GDN has an asset available at the time.

It is also worth noting that in our analysis of PEMS jobs completed that c.¾ do not result in a meter exchange but some other type of work such as replacement of meter installation kit (flexible pipe, regulator etc).

There is currently no obligation¹ on gas distribution businesses to provide emergency metering services which results in a gap between supplier and GDN obligations to service customer needs. The GDN has an obligation to visit each time it is contacted about a possible gas emergency however, it does not have to undertake metering work but simply make safe the situation. The PEMS arrangements have developed as a requirement from suppliers identified that the make safe only approach does not meet customer needs.

Gas emergency metering services are provided through "vanilla" contract agreements between suppliers and GDNs. One GDN (National Grid) has already indicated that they will not be continuing with the current service once the supplier obligation to replace traditional metering with smart meters is effective.

Looking forward once rollout has begun there are two possible scenarios to consider;

- a) where a smart meter has already been installed; and
- b) where a customer has a traditional meter.

In the case of a) it would be sensible for a smart meter to be exchanged for another smart meter in an emergency situation where it is technically possible. An example of a technical issue still to be resolved by the programme is how the Home Area Network (HAN) is re-established on a meter exchange.

In the case of b) it may not always be appropriate to replace the traditional meter with a smart meter especially if the emergency visit is late at night. A customer may not be interested in an explanation of how the equipment works when all they require is the restoration of their supply.

¹ Independent Gas Transporters have direct arrangements with gas distributors/transporters and no direct relationship with suppliers. This means ad hoc industry processes have developed for a growing population of gas customers.



It seems likely therefore that in the rollout of smart meters that calls to the GDN about emergency situations may result in two visits to a customer. Safety remains paramount and the GDN when contacted by a customer will still be obligated to visit the premise and as a minimum make safe. If the issue identified is a meter fault the customer will likely need to contact their supplier.

It would be useful for industry to consider how it can best manage its responses to customers in emergency situations to establish where the problem maybe without risking safety but still providing the most efficient service.

Question 4

How should emergency metering services be provided, for smart meters?

Obligating suppliers to finance and deliver the rollout of smart metering will create a fundamental shift in arrangements for metering services in G.B.

A pragmatic approach to the design of emergency services for smart meters may be to build on the experiences of suppliers and customers in the rollout rather than develop solutions today in isolation.

There maybe a number of jobs that are currently undertaken that may become obsolete with the introduction of smart meters. For example providing additional credit "wind-ons" will no longer require a visit as this can be done remotely by the supplier.

In developing emergency metering services for the future smart world, consideration must be given to business process design impacts. For example agreement as to how the meter is configured during an emergency visit. Flexibility should be afforded in any business process design to enable suppliers to differentiate their services.

Question 5

Which is your preferred option for managing the transitions and why?

We are comfortable with the proposals to retain the MPOLR obligation on GDNs and that a single provider ("backstop" MPOLR) is appointed. However, such an obligation on a single entity must include the installation of smart meters from the point at which these are required by supplier licence to be installed on a new and replacement basis. Ensuring that smart meters are installed under MPOLR will reduce stranding risks and thus overall rollout costs for suppliers.



Question 6

Under Option C, is it appropriate to carry out a price control review?

No. We do not consider a full price control review is necessary or beneficial at this time. Such an exercise would create further uncertainty in the market and divert resources away from establishing an efficient rollout.

Question 7

Which of our revenue restriction options do you consider is appropriate and why?

We are comfortable with the proposal to continue with the existing metering price control arrangements. This will maintain the status quo as far as possible and provide some certainty for suppliers as they manage budgetary challenges in the rollout period. We do not see any benefit in undertaking a full price control review at this time. This would be time consuming and may actually delay the future investment in metering, required for the smart meter rollout.

Question 8

If you are a GDN, would you prefer to transfer MAP ownership of your traditional meters (i.e. full transfer) , or to sub contract new requests and the management of historical stock (i.e. partial transfer) or continue to manage your own meters?

Not applicable.

Question 9

If you are a commercial meter operator (CMO), do you envisage a point in the smart meter rollout where you would be interested in consolidating your traditional meters?

We have interpreted commercial meter operator in this instance as one that is not subject to regulatory pricing measures. As meter operator we will in future no longer be a provider of meter operation services to other suppliers. We will however provide Meter Asset Provision services as a result of change of supplier events. We are therefore considering suitable Meter Asset Provision agreements to mitigate change of supplier risks.

As a prudent operator we are taking steps to reduce traditional metering risks by working together with our supply business colleagues in the planning for the rollout of smart meters.



This includes managing down traditional metering stocks and associated field operations to ensure we have the most efficient rollout possible for our customers.