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2 May 2007

Dear Colleague

GAS SUPPLY LICENCE METER WORK OBLIGATIONS

In August 2005 Ofgem began a review of the standard conditions of the gas and electricity supply licences as part of its drive towards better regulation. The purpose of the review is to ensure that these licence conditions are simple, enforceable and remain necessary now that competition is firmly established in the retail energy markets.

In December 2006, we published further proposals on the Supply Licence Review (SLR)¹. In that document we discussed issues associated with the obligation on gas suppliers to arrange for the provision of a meter to a domestic customer, by a Meter Asset Manager (MAM) approved by Ofgem².

A MAM is defined in SLC 34(2A) of the gas supply licence and this paragraph is replicated for ease of reference in Annex 1. In summary, a MAM is defined as:

- a person or class or description of persons approved by the Authority as possessing the expertise to provide Meter-Related Services³, or
- an undertaking approved by the Authority as having staff possessing such expertise.

Going forward we intend to simplify the drafting of this definition so that it provides that a MAM is a person approved by the Authority (a) as possessing the expertise to provide Meter-Related Services or (b) as having staff possessing such expertise.

¹ Supply Licence Review – Further proposals – December 2006 – 217/06

² Standard Condition 34 (Metering Arrangements for Domestic Customers) paragraph 2 of the gas supply licence states that “the licensee shall, if so requested by one of its customers or a person who has agreed to become such a customer, arrange for the provision by a Meter Asset Manager to that customer of a meter...”.

³ Meter-Related Services are defined as the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation.

The use of MAMs plays a role in relation to the safety of the gas meter and its pressure regulator. This includes the safety of the customer at the premises, persons in the immediate area and those who conduct physical work on the meter. A person or undertaking is currently only approved by the Authority as a MAM where it has signed up to and can demonstrate compliance with the Meter Asset Manager's Code of Practice (MAMCoP). The MAMCoP aims to ensure that the regulatory and technical framework is fully understood and followed by gas metering service providers, including new gas metering service providers. It refers to all relevant gas meter safety legislation and also sets out those duties previously carried out by Transco which were covered in the Network Code and to which meter operators in the competitive gas market were not previously a party. These principally related to the correct setting of pressure regulators.

The delivery of the MAMCoP is supported by CORGI and Lloyds Register and commercial contracts are in place to assist Ofgem in undertaking the assessment and audit of MAMs to ensure their compliance with MAMCoP.

In the December 2006 SLR consultation we took the view that the meter provision obligation currently contained in SLC 34(2)⁴ of the licence was no longer appropriate and should be removed. However, we suggested that there may nevertheless be a case for including obligations that relate to the use of MAMs.

As we explain below, there are no current obligations on suppliers to non-domestic premises to use a MAM when working on a meter although such obligations did exist in the UNC until July 2006.

The purpose of this letter is to provide background on the issue and invite views on the proposed drafting.

Background

In July 2004 the Review of Gas Metering Arrangements (RGMA) project was implemented. It was responsible for the design and delivery of industry-wide business processes and dataflows to support a competitive gas metering market. In doing so the project ensured that all technical and safety issues associated with the introduction of gas metering competition (and the emergence of new entrants into the market) were effectively assessed and addressed.

To help facilitate the RGMA project, Ofgem established a Technical Issues Sub-Group (TISG) in January 2002 comprising representatives from industry-interested parties (transporters, shippers, suppliers and meter manufacturers), the regulatory bodies (Ofgem, HSE and CORGI) and the standards making organisations (IGEM and BSI) to review the technical integrity of the RGMA Baseline. Although TISG did not identify any legal impediment to the operation of the RGMA Baseline they did identify potential gaps in the existing technical and health and safety framework, due to the changes of responsibility envisaged by the competitive gas metering market.

In parallel with the work of TISG Ofgem also commissioned the Institute of Gas Engineers and Managers (IGEM) to undertake an independent risk assessment⁵ of the processes employed in gas meter asset management. This exercise determined whether any

⁴ http://epr.ofgem.gov.uk/document_fetch.php?documentid=4499

⁵ http://www.ofgem.gov.uk/Networks/Techn/Metrolgy/AssetMgmt/mamcop/Documents1/7689-IGEM_RiskAssessment_Report.pdf

change in risk was evident and whether additional control measures were required following the move to the competitive environment.

As a result of this activity TISG decided to develop and publish the MAMCoP⁶ which brought together all relevant technical documentation and legal requirements covering the complete life cycle of a gas meter installation, in order to assist new market entrants and facilitate competition.

In July 2004 Ofgem amended SLC 34 of the gas supplier's licence to require a gas supplier to, on request from a domestic customer, arrange for the provision of a meter at a domestic premise by using an approved MAM. However, in completing the drafting of this amendment it became apparent that it would be difficult to place a similar obligation on non-domestic gas suppliers as this would require the introduction of an inappropriate obligation to provide a meter on request at non-domestic premises.

Ofgem therefore consulted on a number of alternatives to ensure I&C gas supplier compliance with the MAMCoP. These included obtaining individual written undertakings from all I&C suppliers, obtaining the Gas Forum's support to introduce a requirement in their existing I&C Code of Practice as well as exploring the principle of the industry raising an urgent Network Code modification, effective from RGMA go-live.

As a result, Ofgem approved an urgent modification (Modification 704) to National Grid's (then Transco's) Network Code which came into effect in July 2004. Ofgem considered at the time that the modification should be limited to two years as, in the longer-term, if such a requirement was still needed, it would be more appropriate to secure compliance within the existing gas safety framework (for example, by amending the relevant gas safety regulations and safety case approval requirements). This obligation lapsed in July 2004.

Supply Licence Review

Following consultation in July 2006 and December 2006 Ofgem concluded that the obligations in the gas supply SLCs on the provision of meters at domestic premises should be removed. This decision recognised the development of metering agent services and metering competition and that supply competition will provide adequate protection for domestic customers⁷.

In proposing to remove the obligation to provide a meter at domestic premises we noted that, as a consequence, this would remove the requirement to use a MAM in SLC 34(2). In the December SLR consultation we said that there might be a case for including in the new conditions an obligation that relates to the use of MAMs, particularly having regard to the safety issues.

We propose to retain the current obligations⁸ on suppliers to either use an Ofgem Approved Meter Installer⁹ (OAMI) to connect a meter or to ensure that an OAMI inspects

⁶ <http://www.ofgem.gov.uk/Networks/Techn/Metrology/AssetMgmt/mamcop/Documents1/7360-MAMCoP%20V1.0%20-%2019%20September%202005.pdf>

⁷ Suppliers have obligations to offer terms for supply to domestic customers; and supply can only be given to a customer through a meter. For clarification, we intend to provide guidance to the effect that Ofgem would not consider it reasonable to refuse to offer terms of supply to a domestic consumer solely on the grounds that a meter was not available.

⁸ SLC 7A(3) for non-domestic premises and SLC 34(5) for domestic premises

the connection where a person who is not an OAMI has connected the meter. An OAMI is a person who has been approved by Corgi on behalf of Ofgem to carry out gas meter installation work and who is appropriately qualified and competent. By contrast a MAM is approved by the Authority where its processes and procedures are appropriate for the carrying out of the much broader range of Meter-Related Services (i.e. which relate to the whole life-cycle of the meter).

Proposed way forward

We intend to carry over an obligation for suppliers to use an approved MAM (i.e. a person who has been approved by the Authority, who has relevant expertise and who has signed up to and demonstrated compliance with MAMCOP) where they have arranged for the provision of a meter at domestic premises.

This approach would retain the existing level of safety obligations on domestic suppliers under the gas supply licence by ensuring the safety of work undertaken when a meter is provided.

However, such a condition would potentially overlap with the proposed condition in relation to the use of OAMIs when a meter is connected to a service pipe. We are keen to hear from interested parties as to whether or not this could be problematic.

Arguably it is unclear what is meant by “provision” in the current licence obligation. For example, we could specify that when work is undertaken on a meter (that is, when Meter Related Services are provided) at domestic premises, the licensees will use an approved MAM. We welcome views as to whether the drafting should be revised to clarify that the licensee would be required to use an approved MAM where ‘Meter related Services’ are provided.

Proposed drafting in relation to these two approaches is included at Annex 2.

Looking forward, we consider that there is a question about whether the arrangements for managing the safety of gas meter installation and provision is best dealt with through the supply licence. We will consider looking at this issue following the review of the supply licences.

There are a number of potential options that could be considered. These include industry self-governance. Gas suppliers have strong incentives to conduct their arrangements with MAMs to ensure that safety standards are maintained. This results from their need to protect their corporate reputations as well as observe their legal duties in relation to safety legislation (e.g. the Health and Safety at Work Act and the Gas Safety (Installation and Use) Regulations 1998). Arguably this provides an adequate framework for ensuring the safety of gas meter installations.

Furthermore, even if it is considered that existing safety regulations do not provide the appropriate level of assurance and that specific additional regulation is required, we would question whether this should continue to be dealt with under the supply licence. Alternatively, the gas safety regulations could be enhanced to provide the required level of assurance.

⁹ An OAMI for a particular size of gas meter installation is someone who has been satisfactorily assessed by Corgi against the requirements of the relevant Code of Practice and has been approved by Ofgem to install meters of this particular classification.

Any decision to make significant change in this area would need to be made on the basis of an appropriate assessment of the risks and in collaboration with the HSE and other stakeholders. If we decide to look at these questions, this will be on the basis of a further consultation.

Next Steps

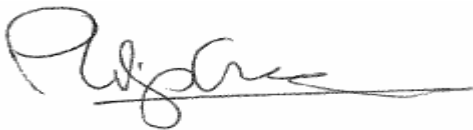
To allow Ofgem to make a proposal on the use of MAMs in the forthcoming SLR decision document and accompanying gas supply licence modification notice we would appreciate your views on this issue by 10 May 2007.

It is our intention to publish the SLR final proposals document in mid-May 2007.

Responses to this consultation letter will be placed on the Ofgem website unless they are marked as confidential.

Please contact Andrew Wallace (0207 901 7067: andrew.wallace@ofgem.gov.uk) should you have any queries.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Philip Davies', with a long horizontal line extending to the right.

Philip Davies
Director, GB Markets

Annex 1 – Current definition of a MAM set out in SLC 32(2A) of the gas supply licence

2A. For the purposes of paragraph 2. “Meter Asset Manager” means:

- (a) A person approved by the Authority as possessing expertise satisfactorily to provide Meter-Related Services or a class or description of persons so approved (“relevant expertise”); or
- (b) an undertaking approved by the Authority as having staff possessing the relevant expertise

and for the purposes of this definition,

- (i) “approved by the Authority” means approved by it for the purposes of this condition generally and “staff” includes officers, servants and agents; and
- (ii) “Meter-Related Services” means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code of Transco plc as at the date this paragraph 2A has effect.

Annex 2 – Proposed drafting

12.[] Where the licensee arranges for the provision of a Gas Meter at domestic premises, it must use an approved Meter Asset Manager.

OR

12.[] Where the licensee provides Meter Related Services, it must use an approved Meter Asset Manager.

Definitions

Meter Asset Manager means a person or class or description of persons (a) possessing expertise satisfactorily to provide Meter Related Services; or (b) having staff possessing such expertise.

Meter Related Services means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the Gas Meter and associated installation.

Consequential changes to SLC 12.9 as contained in the December consultation

12.9 In this condition, a reference to an approved Meter Installer or an approved Meter Asset Manager is to a Meter Installer or Meter Asset Manager approved by the Authority for the purposes of this condition.