

Introducing competition in metering

There are around 45 million gas and electricity meters in Great Britain, owned primarily by Transco (the gas transportation company) and the regional electricity distribution companies. These companies install, service and in some cases, read meters for gas and electricity suppliers at a cost to customers of £800 million each year.

Metering competition will allow suppliers to shop around for their meters and metering services so they can benefit from more competitive prices. It will also allow larger customers to buy and manage their own meters. However, for domestic customers the process will be invisible, with the only change they see being better meters and lower bills.

Why introduce competition?

Everything Ofgem does is designed to protect and advance the interests of customers. Metering competition will advance customers interests by providing:

- **choice** - meter competition gives large energy users such as businesses, hospitals and local authorities the right to choose whether to own their meters outright or to choose a meter service provider who meets their needs. Energy suppliers will also be free to offer domestic customers smart meters as they compete for their supply business
- **smarter meters** - competition will encourage innovation. Consumers can expect to see a range of smarter metering solutions. Features could include showing energy consumption in money terms to help people manage their energy consumption, and remote meter reading
- **improved energy efficiency** - smarter meters can help both large (see the case studies on the back page) and domestic customers cut their energy consumption
- **improved standards of service** - competition in energy supply has increased standards of service as firms compete both on price and service. Competition in metering should benefit customers by increasing the standards of service they receive from their supplier
- **reduced costs** - metering competition allows suppliers to reduce metering costs and help reduce prices for consumers.

Helping the environment

Ofgem also has a role to play in helping the government meet its wider environmental targets. Greater use of smart meters will help cut energy consumption and reduce carbon emissions.

Smart meters will also help the introduction of mini-generators, which can be as small as a household gas boiler. Such systems need meters to measure both the electricity imported into the house and exported back to the local electricity network.

How will more metering competition affect domestic customers?

Apart from the benefits outlined above, customers will not be affected by metering competition. Ofgem is working with the industry to ensure customers can continue to switch supplier and report meter

complaints in the same way as they do now, regardless of whether their supplier has outsourced the servicing and provision of their meters.

Will metering competition affect safety?

All safety obligations, including those of Transco the gas transporter, will remain the same. For example gas

suppliers will still be required to ensure that meters are installed by Corgi registered engineers.

How is metering competition being introduced?

In March 2001 Ofgem published its metering strategy with the aim of promoting choice, innovation and new investment in the provision of metering services. Since then Ofgem has been working with the industry to remove the barriers to effective metering competition.

A number of the key activities facilitated by Ofgem include:

- **Metering Innovation** - Ofgem is encouraging industry debate on the necessary technical standards and ensuring the regulatory framework does not inhibit specific solutions emerging from the competitive process. In the coming year Ofgem proposes to research the social and environmental benefits which might be gained from using 'smarter' metering technology.
- **Review of Gas Metering Arrangements (RGMA)** - The RGMA project led by industry and facilitated by Ofgem is responsible for the design and delivery of robust business processes and data flows to facilitate competitive gas metering services. A new code of practice for meter operators to ensure that safety is not compromised through the introduction of the new arrangements is also being drawn up. The RGMA will be implemented in November 2003.
- **Review of Electricity Metering Arrangements (REMA)** - The REMA project is responsible for the design of an electricity metering protocol to facilitate competitive electricity metering services and will be implemented in May 2003.
- **Prepayment Meters:** Ofgem continues to monitor arrangements in this area to ensure that prepayment customers also benefit from metering competition. In the coming year Ofgem proposes to carry out work on prepayment meter costs to inform its policies in this area.
- **Distribution Price Control** - Ofgem has just begun the initial stages of a review of the Distribution Network Operator (DNO) price controls that could introduce separate price controls for distribution and electricity metering services. New price controls would take effect from April 2005.
- **Metering Information:** Following complaints, Ofgem is investigating the timeliness and accuracy of the information provided by Transco to enable third parties to compete. Ofgem has issued a consultation seeking industry's views and will be publishing its conclusions shortly.

What progress has been made?

In May 2002, British Gas awarded a contract to United Utilities for the provision of metering services in North Wales, North West and North East England. This was followed, in January 2003, by a contract with National Grid Transco (NGT) to provide metering services for a further 11 million of British Gas' domestic customers.

Large Consumers - industrial and commercial consumers can reap cost and energy efficiency benefits by making their own meter arrangements, as the following case studies show.

Metering Competition: Leicester City Council and B&Q

Owning and running innovative meters has yielded substantial energy savings for both DIY store **B&Q** and **Leicester City Council** - two organisations which have been at the forefront of taking responsibility for their own meter provision.

Leicester has introduced new smart meters to **75** of its sites, cutting the Council's energy bills according to **Energy Manager Don Lack**:

"Innovative meters have allowed us to cut energy consumption by **20%** as we can monitor how much energy we are using at any of our sites. It is easy to detect problems such as lights or heating being left on or faults with equipment. It has led to our staff becoming much more conscious about the importance of conserving energy.

Owning our meters has also allowed us to negotiate better deals with energy suppliers as we can provide them with accurate half-hourly meter reads and has eliminated meter reading charges" he said.

B&Q took a different approach to cutting its metering costs by outsourcing its meter provision to a meter operator and meter asset manager.

B&Q's Frank Moss says: "By outsourcing our metering provision nationally B&Q has overcome three problems it was facing. These are, a rapid expansion in the number of new stores across the country all of which have similar metering needs, a rise in the overall metering costs for the business, and the need for real-time information on energy usage at all locations to meet energy management and sustainability targets for all sites."

"Using one electricity meter operator nationally and the latest technology, we were able to provide nearly 300 stores with modern meters for the same cost that had previously paid for only our 140 largest stores. All forthcoming stores will be fitted with the same meter package tailored for B&Q's needs. Now a similar process is in place with a meter asset manager for gas meters."

"We make cost savings on every new installation, and our new meters will give us real-time information on both electricity and gas usage, part of a package of measures already producing **five figure savings** on energy bills at each new store. Cost savings also equate to reduced CO2 emissions enabling our sustainability targets to be met."

The Ofgem website www.ofgem.gov.uk has several areas covering metering competition.

These include: ■ Metering Strategy ■ Metering (REMA) ■ Metering (RGMA)

Queries should be sent by email to metering@ofgem.gov.uk, by fax to **0207 901 7196**. Alternatively, you can phone Ofgem on **0207 901 7000**.