

## **Metering Workgroup, 15 November 2005 – Discussion Document**

The purpose of this document is to review, at a high level, the specific arrangements that explicitly concern metering as set out in the standard conditions of gas and electricity supply licences. Metering considerations play a part in a significant number of SLCs however, in significant numbers of these metering is not the sole focus of the SLC and will be dealt with by other working groups.

This document also seeks to group metering issues into 4 broad themes and to set out the main areas for consideration within these themes. Finally, the paper proposes a draft work plan for reviewing these themes. In setting out some broad questions and options for discussion this document does not seek to represent the formal views of the Authority.

### **1. Summary of SLCs relating to metering:**

The following is a summary of the main SLCs relating to metering that will need to be reviewed by the Metering workgroup:

#### **GAS**

##### **SLC 7A – Code of Practice for Meter Reading etc.**

This condition applies where the Authority has designated a Code of Practice for Meter Reading and directed that paragraph 2 of SLC7A shall have effect.

Paragraph 2 requires a licensee to inform any person upon request whether it has:

- notified the Authority that it, or any meter reading agent acting on its behalf, is going to comply with the Code of Practice for Meter Reading;
- whether the Authority has made any comments in respect of its compliance, and the nature of those comments;
- whether all meter readers employed are instructed to comply with the Code of Practice; and
- whether it has required any undertaking to so instruct its meter readers.

For non-domestic customers, where a meter is fitted to a new connection, and the person making the connection is not an approved meter installer (i.e. approved by the Authority as having the requisite expertise), the licensee must use reasonable endeavours to have an approved meter installer inspect the connection within 30 days. An approved meter installer is a person approved by the Authority as possessing the necessary expertise.

To date, the Authority has not designated a Code of Practice for Meter Reading. But, Ofgem has published meter reading guidance notes, prepared in consultation with gas suppliers and meter reading agents. Ofgem registers those companies who have voluntarily agreed to comply with the guidance.

Responsibility for the appointment and monitoring of performance of Meter Reading Agents rests with licensees.

### SLC 16 – Exchange of information between Licensee and Relevant Transporter or Shipper for Operation, Development or Maintenance of Pipe-line System and Detection and Prevention of theft

The provisions relating to the detection and prevention of theft are currently the subject of an industry review and have therefore been deemed out of scope of the SLR. However, for completeness this condition relates to metering in a number of ways. In particular:

SLC 16(2) requires a licensee to notify the transporter of certain information including, if practicable, a reasonable estimate of the volume of gas taken in circumstances where the licensee suspects that the gas has been taken illegally.

SLC 16(6) requires that a licensee must promptly provide the relevant shipper with a copy of any notice/information received under paragraph 12(1) of Schedule 2B to the Gas Act 1986 in connection with a proposed connection or disconnection of a meter.

SLC 16(7) requires the licensee to provide the relevant shipper with the notice/information required under paragraph 12 of Schedule 2B to the Gas Act 1986 where the licensee has connected/disconnected or intends to connect/disconnect a meter.

SLC 16(10) requires the licensee to provide the shipper with particulars of each inspection of a gas meter (to be passed to the gas transporter), including the date of inspection, the reading of the register of the meter, and what, if anything, was found.

SLC 16(16) provides that where any gas meter is disconnected by or returned to the licensee, the licensee must make an appropriate record of *inter alia* the details displayed on the register of the meter at the time of the disconnection or return. This record must be kept for a period of not less than 2 years.

### SLC 17 – Reading, Inspection and Testing of Meters

Licensees are required to use all reasonable endeavours to ensure that meters are inspected at least once every two years.

Such inspection must be carried out by a person possessing appropriate expertise and includes taking a meter reading, undertaking an inspection of the meter and installation to check for damage, deterioration or evidence of tampering, and subject to the necessary consent, changing any batteries in the meter.

In certain defined circumstances, the licensee has an additional 2 months to conduct the 2 yearly meter inspection.

The licensee must comply with a request from a customer to have the meter removed for inspection by a meter examiner in accordance with section 17 of the Gas Act 1986 (as amended) – but (in relation to secondary sub-deduct premises) only if the customer agrees to pay the costs if the meter is found to be functioning correctly. Where a meter is removed for inspection in these circumstances, the licensee must fit a substitute meter.

If the transporter does not record separately meter inspections/readings the licensee must inspect the meter every time the meter is read.

Where the licensee receives a written request from a customer that it should agree that an inspection be carried out by a meter inspection agent, the licensee must give the relevant shipper or transporter (whichever is applicable under SLC 17(10)) a copy of the inspection request and any relevant information and refrain from carrying out the inspection for 15 days from the day on which it sent that information to the shipper/transporter.

The licensee must not agree to the inspection request if the meter inspection agent does not have the appropriate expertise and the licensee is so informed by the transporter.

The licensee may dispute the transporter's view that inspection is not required. The Authority must determine this point.

The licensee must (subject to provisions in relation to disputes as to whether inspection is required) agree to the inspection if it reasonably believes that the meter inspection agent will comply with the Meter Reading and Inspection Code. However, the licensee may withdraw its agreement in certain defined circumstances.

#### SLC 17A – Adjustment of Charges where Meter has Registered Erroneously

Where this licence conditions applies, if a meter is found to be over or under registering the charges shall be adjusted accordingly.

For secondary sub-deduct premises, the licensee must secure by contract that the provisions of paragraph 4 of Schedule 2B applies (i.e. meter as evidence of quantity of gas supplied).

#### SLC 24 – Arrangements in respect of Powers of Entry

This condition requires licensees to prepare – for approval by the Authority – a statement of their proposed arrangements in respect of the authorisation of officers for the purposes of SLC 24A.

#### SLC 24A – Authorisation of Officers

The licensee must (in the arrangements referred to in SLC 24) provide for the taking of reasonable steps for the purposes of, for example, securing compliance with paragraph 28(1) of Schedule 2B to the Gas Act 1986), ensuring that officers possess the appropriate expertise, ensuring that officers are readily identifiable to members of the public, and securing compliance with the Rights of Entry (Gas and Electricity Boards) Act 1954 etc.

#### SLC 24B – Exercise of Powers of Entry

The licensee must use its reasonable endeavours to avoid undue disturbance to owners or occupiers of premises as a result of the exercise of powers of entry. This condition applies to powers of entry conferred on the licensees authorised officers under Schedule 2B to the Gas Act 1986 or which have been obtained in accordance with paragraph 2(a) of SLC 24A.

#### SLC 29 – Supplier of Last Resort

This condition is being considered by the Section B (including SoLR) workgroup. However, there are some links to metering. In Paragraph 9 the appointed SoLR must make reasonable endeavours to secure a meter reading at each of the premises within 14 days.

### SLC 34 – Metering Arrangements for Domestic Customers

The licensee must, if requested by a domestic customer, arrange for the provision by a Meter Asset Manager of a meter of an appropriate type by:

- arranging with the relevant transporter/owner for the meter owned by it and installed in the premises to remain in place;
- arranging for the installation of a meter where there is no meter in place/the meter in place is inappropriate;
- making other arrangements for the provision of a meter as agreed between the licensee and the customer.

The licensee may not require that the customer takes such a meter otherwise than on hire or loan.

Where the customer hands over to the licensee a meter which is owned by the relevant transporter, the licensee must hold the meter to the transporter's order for one month.

When the licensee is informed that a meter has been installed by someone other than an approved meter installer, it must use its reasonable endeavours to ensure that within 90 days an approved meter installer examines the connection and carries out any remedial work.

The licensee must not, in relation to a domestic customer, refuse to accept a meter, except where

- the customer is to be supplied by a prepayment meter and the meter installed is not appropriate;
- the meter does not offer the facilities requisite for the purposes of the contract or having regard to its terms.

Further, the licensee must not refuse to accept arrangements for reading the meter which comply with a direction of the Authority.

### SLC 40 – Information Given to Domestic Customers

This condition has been allocated to the Duty to Supply, Contracts and Information workgroup for consideration. However, there are links to metering as suppliers are required to keep metered domestic customers informed of the quantity or amount of gas supplied.

### SLC 47 – Termination of Contracts in Specified Circumstances

At a high level the gas provisions require that under SLC 47(5), a supplier is prevented from removing a meter that it has provided to that customer on termination of its contract with that customer if another supplier is willing to pay for the meter having regard to its value.

## **ELECTRICITY**

### SLC 7 - Duty to Offer Terms for Meter Provision

This condition provides that where the licensee owns any relevant metering equipment, it must, on an application made by any person, offer to enter into an agreement for the provision of such equipment and enter into the agreement where that person accepts the terms offered.

The offer of an agreement must set out the date by which the terms of the agreement will be fulfilled, charges and any other detailed terms that are appropriate for the agreement.

The Authority may, on the application of the licensee, issue a direction exempting it from having to make such an offer, subject to any specified terms and conditions.

The licensee must not enter into any agreement which is intended or is likely to restrict, distort or prevent competition in the supply of electricity.

### SLC 16 – Procedures for the Detection and Prevention of Theft or Abstraction of Electricity, Damage and Meter Interference.

As noted above, the provisions relating to the detection and prevention of theft are currently the subject of an industry review and have therefore been deemed out of scope of the SLR. However, for completeness this condition requires suppliers to make efforts to prevent and detect theft, damage to plant, line and metering equipment and interference with metering equipment. Suppliers must inform DNOs where it suspects damage or interference.

### SLC 17 – Reading, Inspection and Testing of Meters

A licensee is required to use all reasonable endeavours to ensure that any non-half-hourly meters are inspected at least once every two years, if it was supplier to that meter at all times during that period.

Such inspection must be carried out by a person possessing appropriate expertise and includes taking a meter reading, undertaking a visual inspection of the meter and installation to check for damage, deterioration or evidence of interference.

### SLC 18 – A Licensee's Apparatus on Customers Side of Meter

This condition sets the maximum power consumed by a second meter that has been installed to ascertain or regulate the amount of electricity consumed.

### SLC 29 – Supplier of Last Resort

Equivalent of gas provision noted above.

### SLC 24 – Code of Practice on Procedures with Respect to Site Access

The licensee must prepare and submit to the Authority for its approval, a code of practice setting out the principles and procedures the licensee will follow in respect of any person acting on its behalf who requires access to a customer's premises.

Persons visiting customers' premises must possess the skills necessary to perform the required duties, be readily identifiable to members of the public, use passwords provided for vulnerable customers, be appropriate persons, inform customers of contact points for help and advice and comply with the provisions of the Rights of Entry (Gas and Electricity Boards) Act 1954.

#### SLC 40 – Information Given to Domestic Customers

As noted in the analysis of the gas SLCs, this condition has been allocated to the Duty to Supply, Contracts and Information workgroup for consideration. However, there are links to metering as suppliers are required to keep metered domestic customers informed of the amount of electricity consumed.

#### SLC 47 – Termination of Contracts in Specified Circumstances

SLC 47 prevents an outgoing supplier from recovering a meter that it owns. This applies where the incoming supplier has undertaken to give the outgoing supplier appropriate compensation, having regard to the value of the meter.

This condition also requires that when a customer changes supplier and the customer requires a new meter, the outgoing supplier will remove the meter from the customer's premises as soon as reasonably practicable following a written request from the incoming supplier

NB: There are further provisions relating to metering in both gas and electricity SLCs 35, 36 and 37. These provisions are currently being reviewed by the Vulnerable Customers and Codes workgroup.

## **2. Main metering themes in the licence**

It is proposed that the above noted licence conditions are grouped into the following themes for discussion by the workgroup:

### **1. Two-yearly meter read / meter inspection (SLC 17)**

The obligations set out in SLC 17 differ between the gas and electricity supply licences. For example in electricity the requirement is for an inspection at least once every two years where the supplier *has at all times* been the relevant supplier. For gas, there is no such distinction, and the supplier must ensure that each metering system is inspected at least every two years, irrespective of how long they may have been the supplier. In both licences, the supplier must use all reasonable endeavours to accomplish an inspection. The gas licence specifies that this includes getting a warrant to enter premises. One further difference between the arrangements is that the gas provisions relate to all meters whilst the electricity supply licence only refers to Non-Half Hourly metering systems.

Some suppliers have indicated that to achieve 100% is either impossible as warrants are difficult to obtain, and there is no guarantee that they will be granted. Some courts may be reluctant to grant a warrant for meter inspections.

Some commentators have indicated that the two year rule militates against the case for AMR, since the cost of performing an inspection would remain even though a smart meter may be able to report faults, tampering etc.

There appears to be several potential reasons for the meter read and inspection: Safety, theft, billing and energy settlement. Each of these will need to be reviewed to understand the ongoing requirement for this licence obligation.

#### *Safety*

Both licences refer to the inspection including an appraisal of deterioration of the meter that might affect its safety.

#### *Theft*

Both licences refer to the inspection as looking for signs of tampering. Theft is currently subject to a project considering the licence obligations and the incentives that apply to suppliers. The Electricity obligation places an obligation to “prevent and detect theft” (SLC 16). The gas licence requires in SLC 16 that where the supplier discovers theft, they must report it to the relevant gas transporter. Without alternative obligations, removing the inspection requirement may have implications on the rate of gas theft detection.

#### *Billing*

The requirement to read the meter every two years was cited in the billing super complaint as a requirement on suppliers related to their billing performance. SLC 40 requires suppliers to inform customers of the most recent read held by the supplier “...if requested” but it does not amount to an absolute obligation to bill using a meter read. If the intention was to have a licence condition that linked bills to an obligation to take a read once every two years, then this would need to be set out in a new licence obligation. Such a policy was not supported by Ofgem in the recent super complaint investigation.

## *Energy settlement*

The arrangements for dealing with the accuracy of energy settlement are set out in the relevant industry agreements – BSC or Network Code. Each agreement contains provisions for the frequency of the submission of actual meter readings for the calculation of settlement positions. The arrangements for Network Codes are more relaxed than those for the BSC and as a result may rely to some extent on SLC 17. If so, then this may be considered poor practice. The arrangements to support settlement should be defined and managed in the respective Codes rather than requiring Ofgem enforcement action.

### **2. Metering Provision (Gas SLC 34, 47(5) and Electricity SLC 7, 47(5))**

In the gas market the focus of SLC 34 is to ensure that the current supplier makes sure that there is a meter in place for each of their customers. They can do this in a number of ways but on change of supplier there is an onus on them to make a reasonable offer to use the meter in situ. SLC 47(5) adds that the old supplier must not remove a meter prior to a change of supply if they receive a reasonable offer from another supplier. This contrasts with the approach set out in the electricity licence where the onus is only on the old supplier to offer to enter into arrangements with other parties where they have lost the site to another supplier. SLC 47(5) further restricts the ability of the outgoing supplier to remove the meter. The main questions here are whether there continues to be requirement on suppliers to secure the provision of meters through the licence framework, whether there is a continued requirement to secure the metering arrangements on change of supplier and whether any differences in arrangements between the gas and electricity markets are justified.

### **3. Supplier/Agent conduct on customer premises (Gas SLC 24, 24A and 24B and Electricity SLC 24)**

Rules for site access by suppliers and their agents are covered by a number of conditions (SLC 24, 24A and 24B in gas and SLC 24 in electricity). Again there are differences between gas and electricity that will need to be explored and justified. Are the issues best handled in a licence condition or can they be delivered by self regulation?

### **4. Other issues**

The supply licence contains a number of other licence obligations that have been grouped together here. These include:

- **Meter Reading Code of Practice** Gas SLC7A. As noted above, the value of this code is questionable as there it has never been designated in practice and there is not an equivalent code in the electricity market.
- **Adjustment of charges** SLC 17A in gas. Again there is not an equivalent licence condition in the electricity market which calls into question its requirement.
- **Maximum power for 2<sup>nd</sup> meter.** SLC18 in Electricity.

### 3. Timetable

<b>Stage</b>	<b>SLCs</b>	<b>Proposed meeting schedule</b>
Stage 1 – Meter read and inspection	SLC 17	15 December 05  (also to be discussed at 15 November meeting)
Stage 2 – Meter Provision	Gas SLC 34, 47(5) and Electricity SLC 7, 47(5)	January 06
Stage 3 – Site access	Gas SLC 24, 24A and 24B and Electricity SLC 24	February 06
Stage 4 – Other issues	Gas SLC7A, 17A and Electricity SLC 18	March 06