

SLR Metering Workgroup

Meeting 1, 15 November 2005

Minutes

Attendees:

Nigel Nash (Chair)	Ofgem	NN
Mark Baldock	Ofgem	MB
Roger Barnard	EDF	RB
Jonathan Perks	British Energy	JP
Jon Russell	Centrica	JR
Alex Travell	E.ON	AT
Alistair Henbrey	Energywatch	AH
Mark Watson	ERA	MW
Laurence Poel	Npower	LP
Graham Smith	Scottish Power	GS
John Sykes	SSE	JS
Gill Ashby	Gemserv	JA
Andrew Wallace	Ofgem	AW
Jenny Boothe	Ofgem	JB
John Stevens	Ofgem	JS1

1. Introduction and welcome

NN welcomed the metering workgroup to its inaugural meeting. The members of the group were introduced. NN explained the broad themes and the expected deliverables of the group.

2. Terms of Reference (ToR) of the workgroup

NN noted that there are a significant number of licence obligations that impacted on metering. Where metering was not the primary focus of the obligation then these obligations would typically be considered by one of the other SLR workgroups.

RB expressed the view that revenue protection should be considered within the terms of reference for this workgroup. RB suggested that aspects of revenue protection tend to bear down on the metering elements of the industry. RB was also of the view that the allocation of metering obligations did not currently rest with the appropriate section of the industry.

NN/AW explained that a joint working group of the ERA/ENA¹ are currently considering obligations and incentives for revenue protection in the electricity and gas markets. The aim was to present a report to Ofgem in December.

RB was concerned that, should the ERA/ENA produce an inconclusive report, revenue protection would not be considered further under the SLR. NN noted that, should the

¹ ERA is the Energy Retail Association. ENA is the Energy Network Association.

report be inconclusive, Ofgem would need to consider increasing its focus on enforcement in this area.

The group requested that the ERA/ENA theft workgroup update the metering workgroup on its progress at the December meeting. The metering workgroup will then reconsider the issue. Ofgem agreed to arrange a presentation from the ERA/ENA theft workgroup.

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3. Issues Register

AW explained that the Issues Register would be the route by which the group would raise queries to the Steering Group and log issues for discussion at subsequent meetings.

4. Ofgem Presentation (slides attached)

MB presented Ofgem's view on the main metering obligations.

During the discussion it was suggested that some metering conditions had been designed to facilitate supply competition and that once competition had been established they could be considered for removal.

Schedule 7 of the Electricity Act 1989 requires that a meter is certified and installed in an approved manner. JS1 explained that certification can be seen by the EU as a barrier to competition and as a result of the EU Measuring Instruments Directive (MID) a meter may no longer be required to be certified. The Industry Metering Advisory Group is looking at the metering in-service testing process to develop the way forward for when the MID comes into force in April 2006 and operational in October 2006. It was agreed that the MID information sheet on Ofgem's website would be circulated to the group and be an agenda item for the next meeting.

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JS expressed the view that retail supply was a virtual market concerned with billing and marketing. Where the supply market was required to deal with physical assets, such as meters, there was a fundamental mismatch. RB supported the view that the responsibility for the provision, and probably maintenance, of meters should lie with DNOs rather than suppliers.

There was general agreement that conclusions reached by the workgroup during the review process could well have wider implications for the metering policies pursued by Ofgem both historically and going forward and that in this event such implications would need to be considered by the Steering Group.

MB agreed to circulate a revised presentation to the group setting out the main metering obligations and provisions. In particular it would include conditions relating to site access.

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5. Work Plan

AW sought the views of the group on the work plan proposed in the discussion document (circulated by Ofgem prior to the meeting). The group agreed the plan with

the caveat that it should be kept under review and may need to be amended in the future.

6. Impact Assessments

NN explained that elements of an impact assessment (IA) and Ofgem's IA methodology would need to be built into the workgroup's considerations and reported to the Steering Group when faced with important or complex policy issues.

7. Two yearly meter read and inspection (workgroup discussion)

NN introduced this topic by suggesting that there were four principal purposes for this obligation: two relating to the physical attributes of the meter and two relating to meter reading.

The group noted that, without the provisions of this SLC, there were no explicit licence obligations to read meters. Some members felt that the current obligations disincentivised suppliers from providing innovative metering. Other parties said that, if the obligations were not set out in the licence, then suppliers would read meters anyway as it was in their commercial interests to do so.

7.1 Balancing and settlement

NN explained that there were rules in the BSC which established the requirements to enter metered volumes into settlement. There were also rules under the UNC on the gas side but these were less onerous. It was proposed that the industry agreements which dealt with settlements should set their requirements for meter reading data.

7.2 Customer Billing

NN noted that SLC17 provides for a meter to be read every two years on the gas side. In electricity, the supplier has a similar obligation provided that he has at all times during the two year period been the supplier. This condition needed to be read in conjunction with SLC 40 – Information given to domestic consumers, which requires the licensee to inform the customer of the amount of gas/electricity they have consumed.

It was suggested that if the policy requirement was to read meters to provide customers with frequent and accurate bills then this may not be being achieved through the current rules. In light of Ofgem's recent response to energywatch's billing super-complaint it may be more appropriate to rely on other measures, including self regulatory measures to limit back-billing and the creation of an ombudsman for dispute resolution.

It was suggested that the Energy Services Directive Article 13 requires that a consumption read must be provided. Therefore there may be restrictions on the extent to which SLC17 could be modified.

energywatch felt that suppliers should be required to take more meter reads. It was questioned whether customers would be willing to pay increased charges to accommodate this. AH stated that consumers wanted suppliers to take more reads and he was aware of cases in which customer reads which have been provided have not been used by the supplier. Suppliers did not have a licence obligation to use an actual read for billing purposes. energywatch were of the view that the accuracy of bills is

impacted by the inaccuracy or lack of reads. This may be of particular concern for vulnerable customers.

RB said that suppliers produced 200m bills a year and that complaint levels (representing 0.02% of bills) were vanishingly small.

7.3 Safety

The rationale behind the two year requirement for safety purposes was questioned. It was noted that there may be other equivalent features of supply, such as customer appliances that were not checked. The justification for the difference between the gas and electricity regimes was also questioned. The current provisions did not appear to be based on an assessment of the safety risk posed.

Some parties noted that consumer education may improve safety detection.

Some members said that the majority of safety issues related to tampering and that instances of tampering were typically detected by other means.

Unlike the electricity industry, there did not appear to be an overlap in the gas market with other safety regulations. However, it may be possible to set out the safety requirements in the gas MAMCoP. In the electricity industry the ESQCR² regulations covered the meter and associated equipment.

7.4 Theft/tampering

There is some evidence that meter readers detect theft. Reading and inspection are not necessarily carried out at the same time.

It was clarified that the Revenue Protection Code of Practice did not include an obligation to inspect meters. It set out what activities parties should undertake once a suspected theft incident had been identified. There were views expressed that revenue protection activities should sit with DNOs and GTs rather than, as currently, with suppliers.

7.5 Next Steps

Ofgem agreed to produce a paper for discussion at the next meeting setting out the options for retaining, removing or redrafting the provisions for meter reading and inspection.

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Ofgem agreed to provide the group with an update on the development of the Energy Services Directive.

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8. AoB

Next meeting will be held on 18 January 2006, Boardroom 10:30am

² ESQCR means the Electricity Safety, Quality and Continuity Regulations 2002.