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Ofgem

RE: Review of Current Metering Arrangements

PH Jones (Utilities Division) provides a broad range of gas and electricity meter installation services nationally in both the domestic and I&C sub-sectors. We welcome Ofgem's consultation on metering arrangements and outline below our current concerns in respect of the market as it moves towards smart metering rollout.

One of our biggest concerns, which itself generates a number of issues, is the lack of consistency across gas and electricity. PH Jones believe that in the smart metering world, a dual fuel approach will bring greater efficiencies and a better customer experience. There are, at present, too many differences between the requirements and processes involved in gas and electricity metering and we believe these inconsistencies will complicate and frustrate the smart metering rollout.

Restrictions on metering competition
National Grid continues to deliver metering services for retained networks in-house and this has never come out to competitive tender. Of the networks National Grid sold off, there is only one area where the GDNO was not appointed to provide metering services and that is Northern Gas Networks where PH Jones (I&C) and Enterprise (domestic) were selected. PH Jones would welcome more opportunity for independent metering organisations in gas metering.

Electricity: Permission to Operate (PTO)
PH Jones believes the existing mechanism for giving meter installers permission to operate at individual DNO level is unworkable for the smart metering rollout. National, multi-contract meter installation companies, meter operators and DNOs will be burdened with unnecessary administration in delivering high volume services across multiple DNO territories. We can also expect a significant amount of metering engineer churn between organisations in the sector and plenty of TUPE activity. Under the current PTO regime, a meter worker has to re-apply for his PTO through his employer every time he/she changes employer, even if he/she continues to do exactly the same work on exactly the same network. This requirement has

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little value and the volumes that are likely to exist in the smart metering rollout will be unmanageable all round. There are numerous potential solutions to this problem that could be adopted with industry agreement and we are happy to share our ideas. A PTO system exists in gas is less onerous as the Engineer's qualifications/accreditations are recognised in the process.

Drawback and Supplier In-housing of Metering work

PH Jones are already seeing activity amongst the Big 6 Suppliers, led by British Gas, that suggests they may pursue a strategy to in-house the majority of their metering work. In some cases, Suppliers appear to be considering using their own MOP/MAM licences in their 'home territories' and outsourcing other geographies or outsouricing problematic meter groups such as prepayment. This strategy presents risks to third party MOP/MAMs and metering contractors. We also anticipate that over the next couple of years, dumb metering work could dry up if cyclical replacement programmes are stopped, a 'replace on fail' policy is adopted and Supplier's keep their in-house teams busy doing this work internally. PH Jones are terming this scenario 'drawback' and it leaves competitive metering businesses with no work in the interim and the potential for leakage of crucial skilled metering labour out of the industry. Competitive metering businesses will have to shed staff and possibly cease trading or mothball. When the tsunami arrives in the form of smart metering, will the independent metering resource needed still be there? Some Suppliers are considering installing 'smart as dumb' in this interim period. If this work if contracted out to third parties, they may survive, if it is done by internal Supplier teams (as we suspect it will be), the same risks will still apply.

Engineer Churn

Everyone appears to be in agreement that skilled labour to undertake metering work will be in high demand through the smart metering rollout. That high demand will inevitably result in increased movement of engineers between companies, driving up the cost of that metering resource significantly and presenting a worrying risk to quality. This scenario was in evidence in the mid-1990's when the market deregulated and most Suppliers appointed field sales teams. Between 1997 and 2000, the commission paid per contract to a salesman in the field quadrupled as they moved from company to company. If this were to happen in smart metering, the business case for UK plc's smart metering programme will fall apart. This scenario in the mid-1990's also highlighted that where there is high demand for a workforce and high reward, less scrupulous characters are attracted in flocks. The reputation of doorstep salesmen in Utilities was ruined forever by the actions of such characters and the perception of the energy salesman still suffers. What if the same were to happen in smart metering? The risk is greater, as the safety factors involved are incomparable. The costs to the industry will be significant. This cannot be allowed to happen.

Ensuring Engineer Capability

Quality and Safety are paramount in metering and must be at the top of the Agenda for rollout. Much more consistency is required in this area between gas and electricity. The qualifications for smart metering need to be much better defined, covering gas, electricity and communications elements with a provision in future for the inclusion of water. At present there are too many different qualifications that lead to metering capability at different levels and this creates a confusion risk. The communications element is critical to the operation of the metering system and the area that tends to cause most functional problems. If we fail to effectively manage the communications element, metering systems will repeatedly fail and smart meters will attract a public perception that they simply do not work. The impact on Suppliers would be huge in terms of customer contact volume and cost. The industry cannot afford for this to happen. The qualification/accreditation needs to be as publicly recognised as CORGI was (Gas Safe has not achieved this). A cross industry system needs to be put in place to identify unsafe Engineers and ensure they are not allowed to move between companies and continue to present safety risks. Bogus Engineers may be an increasing problem and a mechanism for addressing this issue needs to be found.

The qualification(s) also need to include a meaningful customer communication and energy efficiency element as this is what will drive behavioural change.

Dumb metering requires competent, qualified engineers that can hang a meter on a wall safely and efficiently. Their driving skills and ability to interact with IT systems have of late become important too. Smart metering requires a different type of engineer. A greater degree of technical ability is required and they need to be expert trouble-shooters, with the analytical skills to quickly and accurately diagnose faults. IT can play some part in supporting this. However, they need a sound understanding of energy efficiency (and probably water efficiency) and they need to be strong communicators, influencers and advocates of the smart meter as a tool for reducing energy consumption.

PH Jones is keen to see clear qualifications that cover the full requirements of a smart metering system and have been working with EU Skills to progress this. In the smart world (where at the moment the electricity meter is ‘the brains’ in the smart metering system) we envisage 2 types of engineer, a dual fuel smart metering engineer and an electricity only engineer. We envisage no option for a gas only engineer for a gas only installation, as they will always have to interact with the electricity meter where it is the ‘brains’. PH Jones are in favour of a stringent Code of Practice for Engineers and a mechanism for preventing Engineers who materially breach the Code or act in an unsafe manner to be prevented from working on gas and electricity networks across the industry.

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Skills shortage
To fulfil the volume demands of the rollout, more skilled metering labour will be required. If the timeframe is accelerated (as is proposed under a change of Government), the skilled resource issue is magnified.

PH Jones would like to see a scheme supported and at least partially funded by Government which increases the capacity in the education/training system for developing people and directs people to these opportunities. Metering businesses are reluctant to invest in training large volumes of staff under the current threat of Supplier in-housing, which is already taking our skilled and experienced resource.

If a skills shortage situation materialises, it will cause the cost of an engineer to spiral further.

Lack of Shared Learning from EDRP Trials
The information coming out of the EDRP trials has been disappointing. It was our understanding that the industry as a whole would learn from the trials, hence the justification for central funding. PH Jones has been involved in one of the trails and has an understanding of the installation challenges encountered. This was exceptionally valuable learning from which we have been able to refine processes, develop diagnostic tools and accelerate the learning of new Engineers, improving Engineer productivity by between 60% and 140%. However, this is a very narrow view of the meter installation challenges we will face as we will be delivering metering services nationally involving multiple different smart metering configurations. PH Jones urge Ofgem to find a way to extract meter installation learning from the trial groups and share this with the organisations that need it to smooth the process of rollout, minimise the cost associated with installation and maintenance, maximise resource productivity and improve customer's perception of smart meter performance.

Communications System Capacity
So far, the volume of smart meters installed on any one day has been very small. During smart metering rollout the volume of meters installed per day in a concentrated geographic area could be very high (especially under a change of Government). Our experience of using mobile network technology with smart meters suggests that a high volume trial is required to ensure that at the point of installation with rollout in full swing, Engineers aren't prevented or delayed in commissioning installations because of 'network busy' problems. Any delay will potentially impact cost, programme completion timeframe and customer perception.

Meter/materials availability
The period of drawback followed by a Tsunami wave of work volume will impact meter manufacturers and consumables/materials suppliers also. PH Jones doesn't believe this has

been fully assessed in terms of its impact on the smart metering rollout. Any delay will potentially impact cost, programme completion timeframe and customer perception.

Meter Disposal
Given the volume of meters replaced and the environmental credentials of the programme, meter disposal is a considerable issue that we have rarely heard discussed. Dependent on the approach taken by Suppliers (street by street or age based replacement) there may be a large volume of dumb meters removed that are young and in good working order and we would like to see a mechanism for their re-use, perhaps in another country. Equally, the disposal of old meters needs to be managed in an environmentally sound manner. PH Jones is happy to manage this process on behalf of Suppliers if that brings environmental advantage.

PH Jones is committed to ensuring the smooth rollout of smart metering by confronting these issues upfront. We are happy to commit resource to help find solutions that are workable in the field and deliver the outcomes required. If we can be of assistance, please do not hesitate to ask.

Kind regards

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