

Emma Kelso

I agree that it is always worthwhile to keep industry arrangements under review, however given the imminent roll-out of smart metering I am not convinced that the industry has the capability to implement any radical changes to the arrangements for managing meter installations and maintenance at this time. Any system changes that are required to support a modification to commercial and regulatory arrangements will place a further risk on the deliverability of the smart meter project. Further risks will arise from confusion over new roles and responsibilities, and the consequential data quality problems.

I also think it is important to see the cost of these services in the context of the overall costs of supplying energy. Metering and meter reading costs currently represent a small fraction of the consumer bill, less than 5%. It would take a dramatic reduction in these costs to have a noticeable effect on the consumer – this is unlikely to be achieved with change to the regulatory arrangements. Given the need to invest in smart meters it is unlikely that these costs will fall in the short term, although one of the rationales for smart metering is that they should reduce costs in the longer term.

It is also important to consider any developments in the context of an increasing amount of dual fuel metering systems. In order to deliver the smart meter project in a cost effective manner a single technician needs to visit a site, install an electricity meter, a gas meter and a comms system in one go. Unification, clarification and simplification of the regulatory regimes around meter operations for both fuels would be extremely valuable.

With respect to some more specific comments on the current arrangements for metering and meter reading:

1. Gas IDNOs – These have effectively been set up as regulated monopolies with far more onerous contractual arrangements than imposed by NGC with regards to meters. The current commercial arrangements require that any supplier wanting to change the meter asset belonging to an IDNO would be asked to pay full lifetime compensation for the early retirement of the IDNO asset. Ofgem should consider forcing out such anti-competitive practices by IDNOs in the same way as it has with NGC. Clearly this is a big problem for the roll-out of smart meters but is currently a problem for any supplier wishing to install a pre-pay meter at a premises connected to an IDN. This cuts across most suppliers codes of practice regarding offering a range of products to consumers and in relation to management of debt.
2. Gas MAP/MAM Arrangements – Despite the fact that there has been a separation of the MAP and MAM roles, in practice the appointment of a MAM usually means that a new meter asset is installed (i.e. also new MAP). This is inefficient in terms of capital allocation and is clearly resulting in a large number of perfectly good gas meter assets being removed. The origin of this problem lies with the fact that NGC was allowed to develop its own MAM manual (to suit itself) rather than having to conform with what suppliers needed. New MAMs have developed their own MAM manuals, largely copying the NGC version.
3. Return of Meters – In the electricity industry a supplier removing a meter is required to return it to the MAP. In gas the obligation is on the owner to collect it (again reflecting the fact that the MAM manual was written by NGC – the company that was doing much of the MAM work). Conformity between the two industries would be helpful, especially in the light of dual fuel smart meter assets.
4. Gas meter database – It is our experience that the gas meter database is up to 80% inaccurate in some specific customer categories. Clearly this is totally unacceptable but again reflects the rather disparate way in which gas industry processes have been put together (largely to make things easy for the incumbent supplier, transporter or MAM).
5. Variety of Network Codes – another example of gas industry participants being able to write their own rule books with consequential additional costs being imposed on suppliers (and hence customers).
6. Certification and Regulation of MOPs (elec) and MAMs (gas) – Rules regarding who can install meters and who can't need to be clearly defined and communicated, especially given the need to train around another 5,000 dual fuel installers to meet the requirements of the smart meter project. Of particular concern is the way in which current MOPs (elec) have been able to modify and interpret cross industry agreements (BSC/MOCOPA/DCUSA) with the effect of keeping competitors out of the market.

I look forward to hearing from you in the future.

Regards

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