

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP) 10/172: Amendments to mandate the flow of data from Meter Asset Manager (MAM) to Meter Asset Provider (MAP)		
Decision:	The Authority ¹ directs that this proposal is made ²		
Target audience:	SPAA Parties and other interested parties		
Date of publication:	15 October 2010	Implementation Date:	June 2011 scheduled release

Background to the change proposal

The SPAA provides the formal governance framework for the Review of Gas Metering Arrangements (RGMA) baseline. RGMA determines how suppliers communicate with their metering agents. The registered supplier for a gas supply point is responsible for appointing a MAM and a MAP for the provision and maintenance of the associated gas meter. In some cases the supplier may pass on the responsibility of appointing a MAP to the MAM.

A MAM is defined in the Standard Conditions of the Gas Supply Licence³, as “a person or a class or description of persons possessing the expertise satisfactorily to design, install, commission, inspect, repair, alter, reposition, remove, renew and maintain the whole or part of the Supply Meter Installation; or a person whose staff have such expertise”. The definition of a MAM is referenced in the SPAA as having the same meaning as in the Standard Conditions of the Gas Supply Licence.

The SPAA defines a MAP as the provider of the metering asset and clarifies that it does not have any responsibility for maintenance of that asset. The MAP is required under the SPAA to provide the asset with a warranty, but the definition does not indicate that the MAP must own the asset.

An agent providing services to a supplier may be a MAM, a MAP or both. Suppliers can either appoint agents to manage the MAM and MAP functions or they can themselves manage these functions in-house. In addition a supplier may itself perform the roles of the MAM⁴ and/or a MAP.

Under the RGMA baseline, when there is a change of supplier, change of MAM or removal of the meter asset, there is no requirement for either the old or the new MAM to inform the MAP of this change.

This design may owe its origin to the historic common practice of the MAM and the MAP being the same organisation. However, developments in the market are increasing the

¹ The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ A copy of the gas supply standard licence conditions can be found here: <http://epr.ofgem.gov.uk/index.php?pk=folder430788>

⁴ MAMs must be accredited by Ofgem by showing that they are compliant with the MAM Code of Practice (MAMCoP). Ofgem has outsourced the administration of this accreditation scheme to Lloyd’s.

instances of the MAM and MAP being separate organisations. Providing the MAM and MAP are the same entity then there is no need for an additional data flow to notify the MAP of a change of supplier, change of MAM or removal of the meter asset. However, should the MAM and MAP be separate entities then there is a risk that the MAP will be unaware of any of these changes.

The change proposal

This change proposal mandates a data flow from the MAM to the MAP when there is a change of supplier, change of MAM or removal of the meter asset informing the MAP of the change. If this is after a change of MAM, then the new MAM will be responsible for sending this data flow. Whilst the current arrangements enable communications between a MAM and MAP, these are not mandatory. The modification proposer argues that the voluntary arrangements have not proven reliable. Under this change proposal, there will be no requirement for a data flow if the new MAM and the MAP are the same entity.

The proposer considers that this change will further objectives (a), (b) and (d)⁵ as set out in Condition 30.6 of the Gas Supply licence. The proposer is of the view that the availability of this data will result in greater transparency and therefore more effective communication between the MAP and the supplier. They consider that this change will increase the consistency and efficiency of meter asset provision and the change of supplier process, resulting in decreased cost and risk for both suppliers and MAPs.

Consultation

MAMs and MAPs are not parties to the SPAA and therefore do not have a formal role in commenting or voting on change proposals. As the proposal would have a significant impact on MAMs and MAPs we consulted on this change to seek views, in particular from MAMs and MAPs⁶.

We received nine responses in; eight were in support of the proposed change proposal and one response was opposed. Responses were received from suppliers, MAMs and MAPs.

The main reason given for supporting the proposal is that it will provide MAPs with access to more accurate information. The majority of respondents consider that this will in turn reduce the risk of lost assets, thereby facilitating competition between MAPs. One supplier noted that without the modification the cost of metering would be higher as their MAPs will face greater risk in recovering charges for their assets. A MAP considered that the arrangements in gas are significantly inferior to those in electricity. They stated that the modification "has the potential to improve the overall accuracy of the gas metering information and ensure that confidence of MAPs and their investment is increased".

The one respondent who was opposed to this change considered that the change would be expensive and complex; this in turn would hinder competition as the added complexity would create a barrier to entry. The respondent considers that the current arrangements are working effectively and that Ofgem should carry out further research to investigate whether the change would result in any efficiency gains.

⁵ The objectives are set out and assessed in the 'Reason for Authority decision' section of this letter.

⁶ <http://search.ofgem.gov.uk/search.aspx?aid=6581&pckid=755724950&pt=6018936&sw=10/172>

This respondent further stated that the current arrangements do not envisage the MAP as an active participant in the market. However, this view is at odds with the other responses we received. We consider that the report from SPAA and the subsequent consultation responses provide sufficient evidence that there are likely to be efficiency gains; therefore we do not intend to commission any further research at this stage.

One respondent raised two concerns. Firstly that this change would place an obligation on the supplier to require their nominated MAM to comply with the SPAA requirements; known as the 'supplier hub principle'. The respondent felt that an additional change in the Meter Asset Manager's Code of Practice (MAMCoP), placing an obligation on MAMs would be beneficial. We note that the MAMCoP currently obliges MAMs to adhere to the RGMA baseline. This change proposal includes a change to the RGMA data flows, that are part of the baseline, and therefore we believe there is sufficient obligation placed on MAMs by this change.

Their second concern is that a standalone June 2011 implementation date would not be cost efficient and the change should be bundled up with other related changes, in particular those related to the introduction of smart metering. We consider that at present it is difficult to be certain what system changes may be needed to support smart metering, at a detailed level, and therefore what benefits may arise from postponing implementation of the modification. We note that this change would result in an existing flow becoming mandatory and that the method of communicating this flow has not been specified. Therefore suppliers will be free to implement this modification in the most cost-efficient manner available. Our preference is that this change be implemented as soon as practicable. For this reason, we are directing that this change be implemented in June 2011.

We note that several responses mentioned that changes in market structure, including those resulting from the rollout of smart metering, may result in suppliers seeking a clearer division between the roles of MAMs and MAPs whilst not restricting an organisation from continuing to act as both MAM and MAP. We welcome any change proposals that will seek to clarify these roles and address any issues that may arise should the MAM and MAP roles evolve further.

The Authority's decision

The Authority has considered the change proposal and has taken into account the views of the SPAA expert group, the decision by the SPAA Change Board (17 June 2010) to accept this change proposal and the responses to the subsequent Ofgem consultation. After considering these responses and the Change Declaration issued to Ofgem on 9 July 2010, the Authority has concluded that:

1. Implementation of the change proposal will better facilitate the achievement of the relevant objectives of the SPAA⁷; and
2. Directing that the modification be made is consistent with the Authority's principal objectives and statutory duties⁸.

⁷ As set out in Standard Condition 34 (4) of the Gas Suppliers Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=4257

⁸ The Authority's statutory duties are wider than matters which the Change Board must take into consideration and are detailed mainly in the Gas Act 1986.

Reasons for the Authority's decision

We consider that the change proposal will better meet relevant objectives SLC 30.6(a), SLC 30.6(b) and SLC 30.6(c). The proposer also considered that this change would better meet objective SLC 30.6(d) – “the promotion of efficiency in the implementation and administration of the supply point administration arrangements”; we have considered these arguments under objective SLC 30.6(c).

SLC 30.6(a) "the development, maintenance and operation of an efficient coordinated and economical change of supplier process"

We consider that this change will increase transparency in the change of supplier process. Recent market developments have increased the incidence of separate MAM and MAP agents. The modification ensures that MAPs will be informed of the new supplier and will be able to contract with them, resulting in a more co-ordinated and efficient change of supplier process. This should eliminate instances of a MAP not knowing who the new supplier is and having to use resources to identify the new supplier. This should decrease costs for MAPs and remove the need for the MAP to pass this cost through to suppliers and ultimately consumers.

SLC 30.6(b) "the furtherance of effective competition between gas suppliers and between relevant agents"

If a MAP is unaware of the identity of the MAM and/or supplier for one of its meters, then there is a risk that the meter may be lost or removed without the MAPs knowledge. We consider that this change will reduce the likelihood of this occurring and therefore decrease both costs and risk for MAPs. MAPs may therefore be able to negotiate cheaper contracts with suppliers and MAMs and therefore be more competitive. MAPs may also be able to reduce the transactional costs associated with a change of supplier, and therefore should be able to provide a more cost effective service. Cost and risk can be barriers to entry in the MAP market, reducing them should facilitate entry for new MAPs.

SLC 30.6(c) "so far as is consistent with sub-paragraphs (a), (b) and (c), the efficient discharge of the licensee's obligations under this licence"

This change proposal should make it easier to put in place contractual arrangements between MAMs, MAPs and suppliers. We consider that this will facilitate effective communication between these parties and allow a quicker resolution of identified metering faults, which must be rectified in accordance with gas supply licence condition 12. If the MAP is unknown to the MAM and supplier, then fault resolution may not be possible and the asset may have to be removed, thus making fulfilment of the licence conditions a more onerous task.

Decision notice

In accordance with Standard Condition 30 of the Gas Suppliers Licence, the Authority now directs that change proposal CP10/172: 'Amendments to mandate the flow of data from Meter Asset Manager (MAM) to Meter Asset Provider (MAP)' be made.

Emma Kelso

Associate Partner, Retail and Market Processes

Signed on behalf of the Authority and authorised for that purpose.