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Dear Steve,

**Review of Metering Arrangements – Initial Findings and consultation on proposed metering industry remedies**

Thank you for providing us with the opportunity to take part in the above consultation. Our responses to the individual questions are contained in Appendix 1.

For completeness, it is worth noting the following important activities that we have previously referred to do not form part of this consultation. We expect that Ofgem will review them at a later date.

*Stranded asset costs*

The early replacement of any meter results in stranded costs, the irony being that distribution network operator's (DNO's) were obliged, under their licence, to provide new/replacement meters until at least the 31 March 2007. Consequently, DNOs continued to install new meters, some of which had certification lives of 20 years. Indeed, 'non-smart' meters will continue to be installed pending the agreement of a UK smart meter specification and the subsequent commencement of meter roll-out.

The price control, covering legacy meters, is well established, understood by the industry and could potentially be used to incorporate a way of Meter Asset Providers' recovering any stranded costs associated with the roll-out of smart metering; in a similar way the adjustment factor is available to cover instances of suppliers carrying out accelerated replacement programmes of prepayment meter technology.

Alternatively, as the widespread stranding of assets was never a factor in the price control then the price control could be lifted to enable legacy meters to be treated in the same way as new/replacement meters.

In an effort to minimise stranding costs, we have suggested previously that it would be helpful to give some thought to suspending the statutory meter change programmes, by putting derogations in place or extending the lives of meters beyond 2020.

*Post emergency metering services (PEMS) / Urgent metering services (UMetS)*

Unfortunately, Ofgem rejected the variation DCP008 we raised through the distribution connection and use of system agreement (DCUSA): Provision of urgent metering service on 24 July 2008, which sought to complete the work of the review of electricity metering arrangements (REMA) from 2001, and put in place an agreed process with regard to both a supplier or their customer contacting the DNOs supply fault information centre (SFIC) when in fact the problem was with the metering equipment.

This does now appear to be a 'goodwill' service, as some suppliers still rely on the DNOs that provide this to be the MOP of last resort, even though the obligation has been lifted.

From a customer service perspective, suppliers need to provide a 24/7 service to their customers to cover any issues with their metering equipment.

*Two year metering inspections*

One supplier has recently applied for a derogation from this requirement and if determinations are made that particular inspections should be carried out by or on behalf of DNOs, then the costs are likely to be substantial dependent upon the number of inspections required. This will result in additional funding being required.

The roll-out of smart meters is going to provide many actual readings when meters are changed, and if two year inspections have not been made then this will result in many estimated readings being corrected, which will impact the data in the Settlements process, the data for network losses together with the under/over recovery position through the distribution price control and subsequent volatility in DUoS pricing.

*Further Observations*

We have previously raised concerns in relation to temporary de-energisation of premises to allow customers to make small modifications to their house wiring. This is customer service related work and should be done under the supplier hub principle, the supplier should arrange appointments to suit customers' needs through the suppliers' contracted Meter Operators.

Additionally, suppliers' have not specifically stated to us that they are using an accelerated change-out programme to replace prepayment meters with new key technology. However, we received notification from E.ON Energy Limited, in a letter dated 27 July 2010 of their intention to cease being the prepayment meter infrastructure provider for Powercard (smartcard) meters on 31 December 2011. Consequently, we have applied to Ofgem for an Adjustment Factor under Special Condition CRC6 of our Electricity Distribution Licence.

I hope this is useful and please contact me should you wish to discuss further.

Yours sincerely,



*for*  
**Tony McEntee**  
**Head of Commercial Policy**

## **Appendix 1 – Consultation Questions and Responses**

### **Chapter One – Introduction to the Metering Market**

**Q1: Do you have any views on our assessment of the current arrangements for the gas and electricity metering markets?**

Ofgem's assessment does reflect the current arrangements for the electricity metering market.

### **Chapter Two – Consumer Protection, Commercial Interoperability and Metering Agents**

**Q1: Do you have any views on our assessment of consumer protection?**

Ofgem's view would appear to be a fair reflection of the impact the removal of the metering price controls has had from a consumer perspective. There is of course still the question of what provisions should be in place for customers with metering problems that occur out of hours.

**Q2: Do you have any views on our assessment of commercial interoperability?**

With regard to meter rentals it is now time for the remaining element of the price control to be lifted so that rental charges for legacy meters can be treated in the same way as new/replacement meters.

**Q3: Please provide any evidence you have of meters that were removed unnecessarily due to incompatible commercial arrangements.**

Electricity North West is not aware of any examples of this.

**Q4: What are your views on whether a single commercial model is needed? If so, is this something that industry should seek to develop?**

It would seem sensible to at least investigate this option to establish whether a common approach would be possible, perhaps based around nationally agreed terms.

**Q5: Do you consider the implementation of UN297 to have resolved issues relating to asset visibility in gas metering?**

Electricity North West does not have a view on this.

**Q6: Are there any specific aspects of the Review of Gas Metering Arrangements baseline data flows that you consider need to be reviewed?**

Electricity North West does not have a view on this.

### **Chapter Three – Vertical Integration and Network Companies' Obligations**

**Q1: Do you agree with our assessment that the MPOLR requirement remain with GDNs for dumb meters?**

Electricity North West does not have a view on this.

**Q2: At what point of the smart meter rollout would be an appropriate time to remove the MPOLR obligation on GDNs?**

Electricity North West does not have a view on this.

**Q3: We intend to place a Licence Condition on suppliers for domestic credit meters (DCM) and pre payment meters (PPM) to ensure that MPOLR is only used in cases of genuine last resort. Do you consider this to be an appropriate solution to the apparent misuse of MPOLR?**

Electricity North West does not have a view on this.

**Q4: Small and/or out of area suppliers have expressed concern regarding availability of dumb electricity meters. Are these concerns valid? If so, please explain (and quantify if possible).**

Electricity North West does not have a view on this.

**Q5: Would a non-discrimination obligation on suppliers be an appropriate response to concerns related to access to smart meters during the smart metering rollout? If so,**

- a) **Would this obligation be better placed on the Big 6, or on all vertically integrated suppliers?**
- b) **Should the obligation comprise meter provision services; meter installation and maintenance services; or both?**
- c) **Could such an obligation be overly burdensome?**
- d) **Should the obligation contain a sunset or review provision once the rollout of smart meters has been completed?**

A non-discrimination obligation, covering the full service, on all vertically integrated suppliers would seem to be an appropriate mechanism to ensure cost reflective terms for the smaller supplier. This may need to be an enduring obligation as even after the initial roll-out further meters will be required, so a sunset provision would be a useful milestone to have.

**Q6: Are there any unintended consequences of introducing a non-discrimination obligation on suppliers to offer metering services on equal terms; or consequences that we have not considered?**

This question could form part of the sunset provision for reviewing the obligation.

**Q7: Do you consider a MPOLR is required for smart meters?**

Electricity North West does not have a view on this.

#### **Chapter Four – Gas Metering Price Controls**

**Q1: Do you agree that legacy meters (credit and pre-payment) should remain under price control?**

Electricity North West does not have a view on this.

**Q2: What is the impact on customers if we reset price controls for:**

- a) **PPM meters?**
- b) **DCM meters?**

Electricity North West does not have a view on this.

**Q3: We seek views on whether there is any advantage in setting a cost reflective price cap for new and replacement dumb meters, which also accounts for unnecessary meter replacement.**

- a) **We are also interested to understand whether an allowance beyond a purely cost-reflective level would encourage competition?**
- b) **In the transition to smart metering, what consideration should be taken into account when setting a new price control tariff for dumb meters?**

Electricity North West does not have a view on this.

**Q4: What is your view on the total costs for the provision of PPM and how they are passed onto customers?**

Electricity North West does not have a view on this.

**Q5: What are the likely tradeoffs between the implications for the price for providing PPMs, especially for vulnerable customers versus the incentives for PPM smart rollout and cost reflectivity? For example, if we choose not to review the PPM tariff cap, would this weaken and slow the case for investing in smart PPMs?**

Electricity North West does not have a view on this.

**Q6: We are aware that National Grid Metering is renegotiating the MSA contracts.**

- a) **Can you please indicate what your metering arrangements are likely to be going forward?**

Electricity North West does not have a view on this.