



MAMs, IGTs, Suppliers, GDNs,
OAMIs, Consumer Focus, other
interested parties

*Promoting choice and value for
all gas and electricity customers*

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Dear Colleagues,

Transfer of Meter Asset Manager Scheme: consultation on policy proposals and Proposed Modifications of the Standard Conditions of the Gas Supply Licence and Standard Conditions of the Gas Transporter Licence

Ofgem is consulting on changes to the requirements in the Gas Supplier Licence relating to use of an approved Meter Asset Manager (MAM). The proposal is to change the approval requirements for Meter Asset Managers (MAMs).

This letter explains the background to the proposed modification and seeks industry views to the issues raised by it.

Proposal

Gas suppliers are required by standard licence condition (SLC) 12.18 and 12.19 of the Gas Suppliers Licence to use MAMs that are approved by the Authority. Gas Transporters are required by the SLC 8 of the Gas Transporters Licence to use MAMs that are approved by the Authority.

In order for a MAM to meet this requirement it must among other things meet requirements set out in a Code of Practice for MAMs, which was developed by a group of gas industry representatives. The Lloyds Register is the Ofgem appointed Registration Agent for the certification of the MAM process and the ongoing management of this scheme. All MAMs are audited for compliance as a part of the governance arrangements.

In line with our broader duties and principles of better regulation, we now consider that it may be appropriate to transfer the role of approving a MAM from the Authority to the Supply Point Administration Agreement (SPAA).

Background

Prior to metering competition in gas, the roles and responsibilities of transportation, meter ownership and meter asset management were all undertaken by the gas transporter. When metering competition was introduced, it was considered appropriate to provide clarity about the requirements on gas suppliers relating to MAMs to facilitate metering competition and protect consumers. The requirements relating to the approval of MAMs ensured that there was guidance for metering businesses in the areas of safety, system integrity, competency and skill, and installation best practice.

MAMs are responsible for the provision of services to meter owners, transporters, gas suppliers or consumers to facilitate the management of meter assets and associated services. These may include contract management, data management and the coordination of other services such as installation, replacement or maintenance. The provision of asset management services supports meter owners seeking to provide meters into the market in the management of the metering assets and services that they offer to consumers.

As set out above, approved MAMs are assessed and audited by the Lloyds Register to ensure that the MAMs are compliance with the MAM code of practice¹. The code of practice is managed by the Scheme Management Board, operated by the industry. Ofgem's appointment of the Lloyds Register as the Registration Agent is due to expire in August 2012, and therefore provides an appropriate point to review the current arrangements.

The Rational for Reform

The requirement to use a MAM approved by Ofgem was intended to ensure that customers were protected during the introduction of metering competition. Given the length of time that this obligation has now been in place we consider that the requirements for MAMs have now been established and that it is no longer appropriate for Ofgem to carry out this role. We consider that the scheme is not a core function for an economic regulator. The assessment and approval of a MAM is largely technical and hence outside of Ofgem's core expertise. We therefore consider that it would be consistent with the principles of Better Regulation to transfer the responsibility of approving, ongoing management and auditing of MAMs to an appropriate industry body.

We are aware of similar metering governance activities operating outside of Ofgem's direct responsibility: electricity metering agents are required to sign up to the electricity metering agent code of practice (MOCOPA®²). The MOCOPA® governance arrangements are overseen by a Review Panel and supported by Gemserv in the role of Registration Authority. We consider this model provide an appropriate level of governance and incentives for the industry, whilst protecting the interests of consumers.

Proposed Way Forward

We propose to amend the requirement in SLC 12.19 (Approval by Authority) of the gas suppliers licence and SLC 8 (Provision and Return of Meters) of the gas transporter licence to use a MAM approved by the Authority to using a MAM approved by the SPAA³. We are proposing an additional change to SLC 30.6 of the gas suppliers licence to include additional requirements for the SPAA relating to the establishment, maintenance and operation of a MAM approval scheme (We have set out in annex 1 our draft proposals to amend the Gas Supply Licence and Gas Transporter Licence). The SPAA would then need to be amended to provide for this scheme. It is our proposal that the SPAA administrator would then have full responsibility for the governance arrangements and management of such requirements.

We are aware that the range of governance arrangements that the SPAA is responsible for is increasing⁴ and we consider that the SPAA is also an appropriate registration body to operate the MAM approval scheme, due to their synergies from operating the Review of Gas Metering Arrangement (RGMA) baseline data flows⁵ and other relevant schemes.

¹ <http://www.ofgem.gov.uk/markets/sm/metering/crf/metrology/am/mamcop/Documents1/7360-MAMCoP%20V1.0%20-%2019%20September%202005.pdf>

² <http://www.mocopa.org.uk/>

³ Further information available at <http://www.spaa.co.uk/>.

⁴ Ofgem is currently consulting on arrangements for managing theft of gas, with the SPAA having overall responsibility for administering the arrangements.

⁵ The RGMA defines the standards for electronic file formats to be used between Market Participants for metering competition related interfaces, to facilitate competition by providing Interoperability (common language) to enable Market Participants to communicate effectively in the competitive metering market.

The SPAA provides the governance arrangements for processes, which are important to the effective and efficient transfer of consumers between suppliers. The Agreement provides a robust mechanism for making changes to the operational arrangements that are required to enable the flow of gas within the industry. Furthermore, the SPAA is a multi-party agreement to which all domestic gas suppliers and all gas transporters are required by their Licences to accede and comply with.

This policy option would improve transparency and management relating to approving changes, as the SPAA includes formal change control procedures. In some cases, changes to the SPAA require Authority consent⁶, and as it is a designated code under the Energy Act, any opposing issues, where relevant, would be referred to the Competition Commission. The benefit of this approach is that the process would be more transparent for users, and create a greater ability to modify the approval scheme and the code of practice document for MAMs.

As well as the need to manage and review the existing requirements of the MAM approval scheme, we recognise the importance of having fit for purpose metering codes in preparation of the smart metering rollout, and consider that our proposed steps will better facilitate the rollout of smart meters.

Relevant issues

In 2010, Ofgem commissioned the Institute of Gas Engineers and Managers (IGEM) to review the MAM code of practice. The review included a number of industry stakeholders who made a number of recommendations for amending the code of practice. We are mindful that the governance arrangements may need to change as a result of the transfer and therefore it is appropriate that the new scheme administrator considers how take in account potential developments in the requirements for approving MAM identified in this review.

We are also aware that there are a number of structural issues to consider as a result of transferring the MAM approval scheme to the SPAA. The development of the scheme and associated governance arrangements would be, under our proposal, the responsibility of the SPAA. However, we highlight below a number of issues that may need to be considered welcome the views of interested parties on these:-

1. **MAMs involvement with the SPAA:** The extension of the scope of the SPAA will mean that MAMs can now be affected by changes to the SPAA. It is therefore appropriate to consider whether there is a need for any changes to the governance arrangements to enable participation from MAMs. There are potential methods of achieving this for example by placing requirements relating to the MAM approval scheme within a distinct part of the SPAA and limiting MAMs' involvement to this area.
2. **The MAM approval scheme governance board:** The SPAA is currently governed by the SPA Executive, supported by a number of expert groups. We consider that it may be appropriate for the SPAA to include an expert group to govern the day to day activities of the scheme, which would report into the SPA executive as a decision making body.
3. **Auditing regime:** The existing MAM approval scheme is audited via Lloyds Register to ensure MAMs are complying with the code of practice. We anticipate that some form of auditing would still be required; however, the new arrangements would need to be established and procured by the SPAA.
4. **Cost to operate the scheme:** The costs of operating the SPAA are recovered from gas suppliers. The individual costs apportioned based upon their market share.

⁶ See paragraph 4.7 of the SPAA Change Process Guideline; <http://www.spaa.co.uk/guidelines>

We propose that the costs of operating the MAM approval scheme be covered by the existing SPAA mechanism, whereas any auditing activity continues to be funded directly by the applicant.

Consultation

We welcome your views on our proposal for the future of the MAM approval scheme, and in particular any advantages or disadvantages that may occur as a result of this transfer.

Question One: Do you consider that a MAM approval scheme remains appropriate for gas metering?

Question Two: Do you agree that it is more appropriate for the MAM approval scheme to be managed by the industry rather than directly under Ofgem?

Question Three: Do you agree with our policy proposal, to transfer the MAM approval scheme to the SPAA? If not, please set out what your preference would be and why?

Question Four: Are there any advantages or disadvantages to our approach that we have not taken into consideration in this consultation, particularly in the context of the smart metering roll out? If so, please set these out.

Question Five: How do you consider the scheme should be managed and funded in terms of a Management Board and audits?

Question Six – Do you consider that the proposed licence drafting is appropriate to give effect to the proposed scheme transfer and ongoing governance?

Next steps

We welcome responses to this consultation. These should be sent (preferably in electronic form) by no later than 5pm on 16th November 2011 to:

Steve Rowe
Smarter Markets
Ofgem
9 Millbank
London SW1P 3GE
Steve.rowe@ofgem.gov.uk

Unless marked confidential, all responses will be published on our website at www.ofgem.gov.uk. You may request for your response to be kept confidential. Ofgem shall endeavour to respect this request in so far as this would be compatible with Ofgem's statutory functions and any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

Having considered the responses to this consultation, Ofgem intends to set out its decision on whether to modify the licence obligations for gas suppliers and gas transporters. We anticipate that the licence modification process would need to take place by April 2012 to give sufficient time to transfer the scheme and implement within the SPAA by August 2012. Any questions on this document should, in the first instance, be directed to:

Steve Rowe
Smarter Markets
Ofgem
9 Millbank
London SW1P 3GE
Steve.rowe@ofgem.gov.uk

Yours sincerely,

Colin Sausman
Partner, Smarter Markets

Annex 1: Draft proposals to amend the Gas Supply Licence and Gas Transporter Licence

Draft proposals to amend the Gas Supply Licence

[Amend definition in SLC 1.2]

Meter Asset Manager in relation to any Gas Meter means:
(a) 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 as defined in Section M, paragraph 1.2 of the Network Code as at 1 August 2007, or a person whose staff have such expertise; and
(b) approved by the Supply Point Administration Agreement.

[Amend SLC 12.19]

Approval by Authority

12.19 In this condition, a reference to an approved Meter Installer is to a Meter Installer approved by the Authority for the purposes of this condition.

[Introduce new paragraph after SLC 30.6(d)]

30.6 The relevant objectives referred to in sub-paragraph 30(a) are:
(e) the establishment, maintenance and operation of a Meter Asset Manager scheme.

Draft proposals to amend the Gas Transporter Licence

[Amend SLC 8.1A]

1A. For the purpose of paragraph 1, "Meter Asset Manager" means:
(a) 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 as defined in Section M, paragraph 1.2 of the Network Code of Transco plc as at 1 August 2007, or a person whose staff have such expertise; and
(b) approved by the Supply Point Administration Agreement.