

Title: **AMO response to Ofgem's consultation seeking views on the potential transfer of the MAMCOP scheme to SPAA**

Synopsis: To document the AMO response to Ofgem

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## 1. Introduction

### 1.1. Purpose

This document is the response to the consultation from Ofgem dated 5<sup>th</sup> October 2011, seeking views on the “Transfer of Meter Asset Manager Scheme.”<sup>1</sup>.

This response is not confidential.

### 1.2. Background

The Association of Meter Operators (AMO) is a trade association representing the interests of its members. There are twenty members<sup>2</sup> of the AMO who include all of the active electricity Meter Operators and the largest gas Meter Asset Managers. Many of these companies also own significant quantities of metering assets, either directly or through associated companies.

The term MAM is used throughout this document to include both the gas metering term Meter Asset Manager and the electricity term Meter Operator.

### 1.3. Member Involvement

Many of the AMO members are undoubtedly providing their own response directly to Ofgem. This AMO response does not necessarily represent the agreed views of every member on each issue. This response has been prepared by the AMO Consultant on behalf of the AMO members based on views expressed through individual discussion, meetings and written comments provided by members.

The AMO membership is grateful for the on-going dialog with Ofgem, including participation for a number of years in the MAMCoP Scheme Management Board (terms of reference<sup>3</sup>) and attendance at our recent AMO Gas Metering Forum meeting to discuss these proposals. The AMO membership would welcome the opportunity to provide any further clarification or discussion of any of the issues raised by this response.

### 1.4. Key Messages

The MAMCOP should continue to exist as it provides independent assurance to gas Customers, Suppliers, and other industry stakeholders, of the MAMs capabilities.

We support the transfer to SPAA, subject to satisfactory resolution of the following key issues:

- MAM representation
- Funding
- Change process
- Appeal process
- Broad stakeholder participation

We welcome the opportunity to work with Ofgem and SPAA to ensure these issues are addressed and we can develop an even better governance framework.

We seek Ofgem’s views on the future arrangements for the OAMI scheme.

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<sup>1</sup> [www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=105&refer=Markets/sm/metering/crf](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=105&refer=Markets/sm/metering/crf)

<sup>2</sup> [www.meteroperators.org.uk/members.php](http://www.meteroperators.org.uk/members.php)

<sup>3</sup> [www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=Markets/sm/metering/crf/metrology/am/mamcop](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=Markets/sm/metering/crf/metrology/am/mamcop)

## 2. Response to consultation questions

### 2.1. Question One

#### ***Do you consider that a MAM approval scheme remains appropriate for gas metering?***

Yes. We agree that the MAMCOP is still required, relevant and that it is appropriate for it to be managed by the industry rather than the industry regulator.

The review of the MAMCOP document over the past year has highlighted considerable areas that need updating. If the MAMCOP document diverges from legislative (and other code) requirements and current practice, then it is totally undermined. A thorough review of the MAMCOP was initiated in 2010, the resulting changes have been debated over the previous two meetings. The Management Board tried to approve these changes at the meeting on 4<sup>th</sup> October 2011, but Ofgem refused to allow the changes to take effect. Paragraph 1.3 of the Scheme Management Board Terms of Reference state: "Ofgem will endeavour to implement all agreed recommendations of the Scheme Management Board. Ofgem will openly communicate reasons if recommendations cannot be accepted due to legal or regulatory issues." The Board asked for a reason why the revised terms can not be agreed, to date the Board has not received an answer.

The MAMCoP approval scheme remains appropriate, and indeed is a cost effective method of giving customers and suppliers assurance and confidence that the MAMs they contract with are fully MAMCOP compliant, and therefore operate in a safe and efficient manner following established and agreed industry practices. However, as a consequence of the proposed transfer into SPAA, MAMs should become a recognised constituency within the SPAA and have a right to vote on any proposed changes, all issues related to MAMCoP and RGMA changes where they impact on MAMs.

### 2.2. 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?***

Yes. The existing MAM approval scheme is managed by the MAMCOP Scheme Management Board. The Management Board consists of industry representatives. The current Terms of Reference<sup>4</sup> are now somewhat out of date (reference to CORGI rather than Gas Safe, AMO not mentioned, etc.) but the objectives are still correct.

It is disappointing that Ofgem did not discuss the proposed changes, or consultation, until the Scheme Management Board on the day prior to the consultation being issued. A number of representatives at the Scheme Management Board found this discourteous. A discussion in advance of the consultation, may have allowed for alternative proposals and concerns to be raised which could then have been documented in the consultation document.

We do agree that the MAM approval scheme should be managed within the industry. However, as a consequence of the proposed transfer into SPAA, MAMs should become a recognised constituency within the SPAA and have a right to vote on (and appeal) any proposed changes, all issues related to MAMCoP and RGMA changes where they impact on MAMs.

### 2.3. 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?***

#### 2.3.1. Options

The rational and alternatives to SPAA have not been set out in the consultation document. Some comment about alternative options are set out below:

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<sup>4</sup> [www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=Markets/sm/metering/crf/metrology/am/mamcop](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=Markets/sm/metering/crf/metrology/am/mamcop)

### 2.3.1.1. SPAA

The Domestic gas suppliers have a licence obligation to use a MAM who is approved under MAMCOP. Industrial & Commercial (I&C) gas suppliers generally voluntarily chose to use only MAMs approved under the Scheme. Therefore both domestic and I&C suppliers have an interest in the MAMCOP scheme.

From their website<sup>5</sup>: “*The Supply Point Administration Agreement (SPAA) is a multi-party agreement to which all domestic gas suppliers and all gas transporters are required by their Licences to accede. I&C suppliers can voluntarily accede to the Agreement.*” In reviewing the I&C parties there are few of the major I&C suppliers listed.

The current MAMCOP Scheme Management Board ToR includes representation from both Domestic and I&C suppliers.

The new arrangements with SPAA would need to reflect the role of MAMs in the current MAMCOP framework. In particular the current MAMCOP Scheme Management Board includes MAMs in the decision making process. In a SPAA proposal this voting must be maintained. MAMs must have a ability to initiate, influence and, at times, reject proposed changes.

### 2.3.1.2. MOCOPA<sup>®</sup>

Combined metering related schemes. One for scheme for electricity and gas but under common management. MOCOPA<sup>®</sup> currently has many common features to MAMCoP:

- A document capturing requirements
- An audit regime for those that accede to the agreement
- A secretariat supporting the on-going maintenance of the scheme

Many of the parties, particularly Meter Operators/MAMs, are common so are currently audited under both schemes.

MOCOPA<sup>®</sup> is different to the current MAMCOP in several important respects:

- MOCOPA<sup>®</sup> is a multi-party legal agreement between Meter Operators and Distribution Business, underpinned by obligations in DCUSA.
- Currently MAMCOP is a scheme which MAMs comply with the requirements, GTs are only an ‘interested party’ represented on the Scheme Board.
- MOCOPA<sup>®</sup> is a requirements document, MAMCOP is described as a ‘signpost’ document to where requirements are mandated, in principle not setting requirement itself.
- The MOCOPA<sup>®</sup> scheme includes audits of Meter Operators and from 2011 electricity Distributors. The MOCOPA<sup>®</sup> audit scope includes the field staff of the Meter Operator. Whereas the MAMCOP audit scope includes the management activities, but the gas field activities are included under OAMI.

MAMCOP (and OAMI) could be turned into a GT/MAM multiparty agreement, making it similar to the MOCOPA<sup>®</sup> multi-party agreement, together with a common secretariat, change and audit framework.

Wherever MAMCOP finally resides there would be a benefit if both scheme managers could consider combining aspects of the audit of metering companies. This could reduce the costs of the scheme(s) and significantly reduce the auditing overhead on member companies.

### 2.3.1.3. IGEM

MAMCOP is largely technical standards, they just managed the review of MAMCOP. They have good expertise of technical standards, but are not directly involved in the operational metering activity.

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<sup>5</sup> [www.spaa.co.uk/parties](http://www.spaa.co.uk/parties)

#### **2.3.1.4. AMO**

Many of the gas MAMs are members of the AMO, the AMO could consider managing such a scheme. It would include policing our own membership which may lead to conflicts of interest. This alternative is not suggested to be progressed.

#### **2.3.1.5. SBGI**

Many of the gas MAMs are members of the SBGI, the SBGI could consider managing such a scheme. It would include policing their own membership which may lead to conflicts of interest.

#### **2.3.1.6. Gas Forum**

The Gas Forum is established to promote the interests of persons and bodies engaged in shipping and supplying gas. It publishes a code, but this is not mandated and cannot apply any sanctions. So probably not appropriate location.

### **2.3.2. Discussion**

The rationale for governance not being managed by Ofgem is clear in the letter; the case for transferring to SPAA is less obvious. That said, we think it is a reasonable outcome provided SPAA is modified to allow MAMs to participate fully in the on-going development of the MAMCOP. There are a number of alternatives described above, but none appear to be significantly better than the proposed transfer to SPAA. There may be some benefits in establishing closer governance for MAMCOP and RGMA, though both are now mature documents.

Some members raised the following concerns with the proposal:

- Responsibilities and ownership will move away from MAMs and more to Suppliers under the SPAA and SPAA is a “Big 6 Supplier” dominated governance arrangement.
- Many MAMs operate with non-domestic Suppliers, many of which are not required to sign up to SPAA (though there have been failed attempts to address voting arrangements in the past).
- There is also the question of funding as there has been no formal discussion to date on how this will be attributed to all parties and whether this will result in additional costs to MAMs.
- SPAA is a document to govern the change of supply process. It is therefore not the correct governance framework for a technical document such as the MAMCoP.
- SPAA may seek reports and this may add to scope and effort required to provide information to SPAA.
- Not all iGTs are involved in SPAA

#### **2.3.3. Way forward**

The majority of AMO members accept the transfer into SPAA, yet there are certain key aspects that need resolution prior to total agreement. The following are those identified at the time of writing:

##### **2.3.3.1. MAM representation**

1. MAMs may, or may not become SPAA Parties, either way they should have a recognised status within SPAA.
2. A MAMCOP Panel should be established with majority MAM membership who act in a similar way to the current Scheme Management Board to review and maintain the MAMCOP “SPAA product”.
3. MAMs (possibly through the existing MAMCOP Scheme Management Board) should be involved over the next few months in developing a suitable change proposal to incorporate MAMCOP into SPAA. This change proposal should at least address these concerns and establish a firm foundation for the future.
4. The scheme auditor should be required to provide an annual report to the MAMCOP Scheme Management Board indicating the results of the auditing exercise, recommending areas for review and focus in forthcoming years. This is a weakness of the current arrangements.

##### **2.3.3.2. Change management process**

1. MAMs and SPAA Parties should be able to propose changes to MAMCOP

2. MAMs (*not* other SPAA Party roles) should form a constituency to vote on changes which impact the MAMCOP “SPAA Product”
3. MAMs should be consulted on all changes within SPAA which impact on MAMs. If the MAM constituency (or individual MAM) objects to a change then there should be the right to appeal that change to Ofgem.
4. If changes were proposed that required extensive reporting by MAMs, then if the MAMs deemed this to be excessive the constituency could reject proposal, until an appropriate compromise could be reached.

#### 2.3.3.3. Broad stakeholder involvement

1. Concerted efforts should be made to ensure that all industry stakeholders, including I&C suppliers and iGTs are included in the MAMCoP debates.
2. The positive contribution from the I&C suppliers should be strengthened.
3. Actions by SPAA Parties, Ofgem and I&C suppliers to enable an appropriate balance in SPAA between all suppliers should be resolved.

#### 2.3.3.4. Appeal process

1. The MAMCOP Auditor should be an independent organisation
2. A key reason for the proposed transfer from Ofgem to SPAA management is to enable an effective appeal escalation process.
3. A MAM approval appeal process must be developed which includes the following key elements:
  - a. If the MAMCOP auditor is unable to resolve an apparent non-compliance with a MAM, which could lead to removal of the MAMs accreditation, and therefore the serious consequences of the company of not being able to trade as a MAM.
  - b. There must be a route to appeal the ‘impasse’ to a SPAA group (possibly representatives from the MAMCOP Scheme Management Board and/or SPAA Parties).
  - c. If that group can not resolve the ‘impasse’ then escalation to Ofgem.
  - d. This process must proceed completely confidentially, so as not to damage the reputation of the affected MAM, until all routes of resolution/appeal have been exhausted.

#### 2.3.3.5. Funding

1. Agreement that funding of the central costs will be borne directly by SPAA Parties.
2. Agreement that direct accreditation costs will be borne directly by the MAM being approved.

## 2.4. 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.***

MAMCOP (and MOCOPA<sup>®</sup>) apply to all metering whether smart, advanced or non-smart. Not sure there is any benefit in mixing MAMCOP with the smart codes – which don’t exist at the moment and will only apply to a sub-set of the whole market.

SPAA has an existing change management procedure and we would expect MAMCOP changes to be progressed through that route. That will put decision-making in the hands of SPAA parties (i.e. suppliers and transporters) but we are satisfied that the nature and purpose of the MAMCOP should make it unlikely that recommendations for change are challenged or rejected. However we think it important that MAMs should have a route through which SPAA decisions can be challenged if they are adversely impacted by them.

One potential advantage might be the unification of the Gas metering industry via a central governing body allowing for more an efficient mechanism by which to manage change. With this in mind, this would help to ensure that the approach to Smart Metering would be unified and will ensure that things run in accordance to proposed legislation.

Another advantage could be the potential to also incorporate the OAMI governance as part of the proposed scheme. This would potentially reduce BAU time lost to audit, accreditation costs and bring a unified standard to both MAMs and field forces.

One disadvantage is that the “neutrality” of Ofgem might not be replicated under SPAA which is essentially a Supplier and Transporter agreement to facilitate change of supplier.

Another disadvantage is that we do not currently understand the scope of the remit if approval is to be transferred to SPAA. Currently, we have an audit which gives us accreditation for three years [cycle], and annual surveillance visits. There are no reporting requirements. SPAA may wish to introduce reporting (as it does now for supplier activities) which may impact on our costs and resources.

## 2.5. Question Five

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

Support the proposal that the management board or expert group administration, procurement of auditors, legal and other management costs should be paid for by SPAA parties. The direct costs of the audit should be directly paid for by the applicant (MAM), as now, assuming these costs are appropriate.

This provides a good balance of costs in the scheme. Any costs for managing the scheme charged to MAMs are ultimately reflected back to suppliers/customers. Keeping the entry costs low, reduces the barrier to entry and encourages effective competition in metering services.

## 2.6. Question Six

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

The supplier is the licensed entity, not the MAM; therefore we believe this question should be answered by the impacted suppliers.

Ofgem may consider if they wish to mandate the I&C suppliers to also use a MAM approved under MAMCOP. The I&C suppliers already voluntarily use an approved MAM, but this may be appropriate time to introduce a mandate.



## 3. Related Issues

### 3.1. Ofgem Approved Meter Installers

Ofgem scheme to approve Meter Installers<sup>6</sup>

Ofgem approved meter installers are registered entities who conform to one or more of the codes of practice in relation to meter installation.

This page holds a register of all Ofgem approved meter installers as well as the relevant documents enabling entities to demonstrate their conformity to one or more of the codes of practice. ...

As part of this scheme Ofgem publish a number of technical documents such as “Code of Practice for Low Pressure Diaphragm and Electronic Meter Installations with Badged Meter capacities not exceeding 6 m<sup>3</sup>/hr (212 ft<sup>3</sup>/hr)”. This and its related CoPs were last published in October 1998 and are woefully out of date, the current document was produced by Ofgas the regulator which predated Ofgem. It is believed that various revisions have been prepared although they have not been adopted. The scope of the document heavily overlaps the other industry (IGEM, GasSafe, BS, MAMCOP) documentation and is therefore it is difficult to maintain consistency.

There is not an OAMI scheme management board so the only route to monitor this issue has been through the MAMCOP Scheme Management Board. Which have both been under Ofgem control.

At the MAMCOP Scheme Management Board on the 4<sup>th</sup> Oct it was indicated that one of the reasons for the proposal to transfer the MAMCOP Scheme to SPAA from Ofgem is that they now do not consider they have the authority to manage the Scheme. The question was raised if they do not have the formal ability to manage the MAMCOP scheme, what is the status of the OAMI scheme? As the MAMCOP and OAMI scheme are closely linked, should both schemes be considered together, and both be transferred to SPAA? Or should OAMI be removed completely on the basis that the MAM shall only use competent meter operatives?

Many AMO members are also OAMIs. The burden of multiple audit regimes is considerable. Combining the OAMI audit with the MOCOPA<sup>®</sup> and gas safe field audits would optimise the management of the audits. This benefit will increase as we move to dual fuel trained meter operatives as part of the smart meter roll-out.

The AMO would welcome Ofgem views on the continuing value of the OAMI and the burden this places on industry participants under the principles of ‘good governance’. Also would seek clarity on the authority under which Ofgem believes it can continue to manage the scheme, now that Ofgem does not believe it can effectively manage the MAMCOP scheme. If the scheme is to continue under Ofgem management, whether a OAMI Scheme Management Board will be created.

### 3.2. Register of gas meter readers

Ofgem also maintain a list of ‘Register gas meter readers’, from the Ofgem<sup>7</sup> website:

Registered gas meter readers are responsible for reading gas meters (including any volume conversion systems fitted) to an agreed programme and transferring the data collected to the relevant parties. Whilst reading meters, either by manual or remote means, registered gas meter readers shall comply with the guidance given in the documents below. A list of registered gas meter readers is also provided.

The guidance is now long out of date. Should this list also be removed, or the requirements brought up to date, or transferred to a different governance arrangement? There is nothing comparable for the electricity market.

The AMO would welcome Ofgem views on the continuing value of the Register of gas meter readers and the burden this places on industry participants under the principles of ‘good governance’. If there is any value, then this could perhaps become another “SPAA Product”.

<sup>6</sup> [www.ofgem.gov.uk/Markets/sm/metering/crf/metrology/am/oami/Pages/oami.aspx](http://www.ofgem.gov.uk/Markets/sm/metering/crf/metrology/am/oami/Pages/oami.aspx)

<sup>7</sup> [www.ofgem.gov.uk/Markets/sm/metering/crf/metrology/am/gmr/Pages/gmr.aspx](http://www.ofgem.gov.uk/Markets/sm/metering/crf/metrology/am/gmr/Pages/gmr.aspx)