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16th November 2011

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Dear Colin,

National Grid Gas response to Ofgem's Consultation 'Transfer of Meter Asset Manager Scheme' (Reference number 128/11)

Thank you for the opportunity to respond to the above Consultation

National Grid Gas (Distribution) (NGD) is broadly supportive of Ofgem's proposed governance arrangements pertaining to the Meter Asset Manager (MAM) approval scheme.

We acknowledge Ofgem's view that given the maturity of the competitive metering market, it seems appropriate that MAM approval and process management should become an industry responsibility. In terms of governance and administration, we agree that the Supply Point Administration Agreement (SPAA) appears to be a logical choice.

From a wider perspective we welcome the potential expansion of SPAA into new areas. NGD believes that of the broadening of its scope is likely to broaden interest and increase participation in SPAA and safeguard its long term future as a standard industry retail governance framework.

We have provided the following responses to Ofgem's consultation questions:

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

NGD's opinion is that a MAM approval scheme is an important component in safeguarding the integrity of the gas metering market particularly from a safety perspective. We strongly support the continuation of this principle.

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

NGD agrees that it is timely and appropriate for changes in MAM approval scheme governance to be considered as set out by Ofgem.

We believe that SPAA governance of the MAM approval scheme which includes the Meter Asset Managers Codes of Practice (MAMCoP) has the potential advantage that through the change process (where Ofgem are required to make a decision on 'mandatory' change proposals) 'difficult to resolve' issues would hopefully be addressed to conclusion. We understand this has proven to be an issue within the existing MAMCoP Scheme Management Board (SMB).

It is important that the 'technical' forum (currently the SMB) under which MAMCoP is reviewed and developed is sustained. This would most likely need to be established as a sub group of the SPAA Executive Committee (EC). There may be organisations e.g. IGEM, Gas Safe, etc who may be best placed and qualified to chair such a group. In terms of chairmanship with the exception of the SPAA EC (which has its governance framework specified in the Agreement), each SPAA group has its own individual Terms of Reference which are approved by the EC. The Terms of Reference would specify the membership of the group, the role / appointment of chair, the scope of the group and the decision making process. Essentially these could set out whichever arrangements are deemed most practical – meaning that chairmanship would not necessarily need to be limited to SPAA Parties or the SPAA administrators.

Representation across the interested parties (MAM's, manufacturers, HSE, Gas Safe, technical groups etc.) at any relevant sub-group would be essential. Failure to achieve this could run the risk of compromising the agenda and result in the loss of technical capacity.

A further consideration which would need to be addressed is the risk that areas covered by the MAMCoP such as the provision of sufficient pressures at the meter or consumers appliance may move from being a technical safety and environmental matter to becoming a commercially driven issue which may have the potential to compromise the Transporters performance. We would need relevant safeguards with respect to this.

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?

NGD is not opposed in principle to Ofgem's proposals. However, we believe that given the 'engineering' centric nature of the existing MAM approval scheme, it is essential that thorough consideration is given to the full implications of incorporating this within the SPAA framework.

We note Ofgem's comments regarding "synergies from operating the Review of Gas Metering Arrangements (RGMA) baseline data flows". While we understand the association, we would caution that the MAM approval scheme is significantly different in scope to that of RGMA, being largely engineering related with an emphasis on safety.

It would be critical that MAM approval and auditing is made under a robust regime involving suitable competent and qualified individuals.

One concern would be around the standing of the MAMCoP document and its legal status. The MAMCoP was originally established to ensure that new entrants to the gas metering market were required to follow industry agreed processes and procedures. Consideration would need to be given to effective governance over MAMCoP content, management of the auditing process, enforcement of deficiencies and the drivers for compliance. While the SPAA governance framework has some safeguards in this respect, the extent to which they are sufficient given the status of the MAMCoP as an engineering, safety related document would need careful scrutiny.

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.

NGD are not aware of any such advantages and disadvantages. In particular we are not aware of the extent to which revised governance of the MAM scheme could be expected facilitate smart metering roll out.

We have no particular view on whether MAMs should be permitted to participate as SPAA parties possibly through an 'associate membership' or similar although it would appear appropriate that they have an involvement in the development of arrangements which directly affect them.

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

Transporters do not currently fund SPAA Ltd. Given the apparent extent of Ofgem's aspirations, there appears to be no reason to amend the existing SPAA funding arrangements and we envisage that the new regime could be readily incorporated within the scope of the existing funding framework.

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

The suggested legal drafting with respect to the Gas Suppliers Licences appears to be appropriate.

However, with respect to the Gas Transporters Licence we would draw attention to the need for relevant changes to be made to Standard Special Condition A10 of the DN and NTS Licences.

With reference to the Network Code, the current licence refers to the Network Code as at 2004 (which was when the Review of Gas Metering Arrangements (RGMA) programme was implemented). Given that the definition of Supply Meter Installation has not changed since then we are unclear as to the rationale for the 2007 date.

In section 1A(a) Ofgem refers to 'person'. We would comment that this definition does not include 'partnerships'.

We would challenge the reference in (b) 'approved by the Supply Point Administrative Agreement'. The agreement is not a 'person' so it is unclear how this entity can approve.

We hope the above information is helpful. If you require any further information please do not hesitate to contact me.

Yours sincerely

Chris Warner
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