



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 colleague

Transfer of 'Meter Asset Manager' approval role: Decision under section 23(1) of the Gas Act 1986 to make modifications to the Gas Supply Licence and the Gas Transporters Licence

This letter sets out our decision to make licence modifications to transfer the role of approving gas Meter Asset Managers (MAMs) from Ofgem to become a function of the Supply Point Administration Agreement (SPAA).

The Modifications to the Gas Supply Licence and Gas Transporters Licence are published alongside this letter in separate documents which also constitute as notice of the reasons to modify the licences under section 38A of the Gas Act 1986¹. The licence modifications will come into effect on **28 August 2012**.

Background

MAMs are responsible for the provision of services to meter owners, gas transporters, gas suppliers or consumers to facilitate the management of meter assets and associated services.

Gas suppliers and transporters are required by their licences² to use MAMs that are approved by Ofgem. Among other things, an approved MAM should meet the requirements set out in the Code of Practice for MAMs (known as 'MAMCoP'), which was developed by a group of gas industry representatives. The Lloyd's Register is the Ofgem appointed Registration Agent for the certification of the MAM process and the ongoing management of this scheme. Individual MAM applicants directly fund the costs associated with this certification process.

In October 2011, we issued a consultation ('the October consultation') on our proposal that, consistent with our broader duties and the principles of better regulation, it may be appropriate to transfer the role of approving MAMs from Ofgem to the SPAA. The SPAA is a multiparty agreement that gas suppliers and transporters are required by licence to accede

¹ <http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Pages/ModsNotices.aspx>

² Standard licence condition (SLC) 12.19 of the Gas Supply Licence; SLC 8.1A and Standard Special Condition A10.1A of the Gas Transporters Licence.

to. It governs certain operational interfaces between the parties, and provides for certain changes to the agreement to be subject to approval by Ofgem.

In March 2012, we issued our decision that it is appropriate to transfer the role of approving MAMs to the SPAA. We also issued statutory notices of modifications to the Gas Supply Licence and Gas Transporters Licence standard licence conditions (SLC) and standard special conditions. Responses to our March 2012 statutory consultation are available on our website³ and summarised in the section below setting out the reasons for our decision.

Our decision

We have decided for the reasons below to make modifications to the Gas Supply Licence and Gas Transporters Licence, to give effect to the decision (set out in our March document) to transfer the role of approving MAMs from Ofgem to the SPAA.

Responses and reasons for our decision to proceed with the licence modification

The majority of respondents supported our approach and the proposed licence changes. Some respondents continued to consider that the August transfer date is challenging, and sought assurance around potential transitional arrangements should the current contract expire before a new auditor is appointed. Some asked if Ofgem intended to extend its contract with Lloyds. Another respondent considered that the risk of the current contract expiring ahead of a new auditor being appointed could adversely impact competition in the MAM market in the short term (if it prevents renewal of MAM accreditation or allowing new entrants to join the market), and could risk putting suppliers in breach of their licence obligation to use an approved MAM.

We acknowledged in our March document that the timescales for addressing the potentially more substantive issues may be challenging. We also noted that it may be possible to develop transitional arrangements, and to establish arrangements in the short term to enable the arrangements to function broadly as they do at present. We welcome the work that the SPAA Executive Committee has already initiated to develop governance proposals, and the active engagement of interested parties in taking this forward, including the MAMCoP Board. We fully support this approach, and are engaging as appropriate in this process to seek to mitigate any of the risk respondents have raised in relation to the timings of the transfer.

One respondent questioned why the role is being transferred, at a time of change and significant MAM activity resulting from smart meter roll out. Another respondent considered that the change was potentially more appropriate in a time of significant change. As set out in our March document, we consider that there are significant benefits in making the change now and developing suitable governance arrangements. We remain of the view that this will aide transparency and the development of any appropriate changes in the context of the roll out of smart meters.

One respondent supported mandatory membership to SPAA for non-domestic suppliers, to ensure that all technical requirements continue to be provided for in a fully representative forum. Another respondent considered it would be prudent to wait for the completion of the work being taken forward by industry to amend SPAA governance to encourage I&C accession to SPAA before transfer, or to link the two. We acknowledge that there may be interactions between these two areas. We note that the SPAA Executive is leading on both of these areas and expect them to take interactions into account in developing proposals in both areas.

One respondent considered that the MAMCoP board should continue to manage and resolve technical issues and act an expert group under SPAA. We note that the MAMCoP Board are

³<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=137&refer=Markets/sm/metering/crf>

actively engaged in the development of governance options, and we understand that this is being considered in that context.

A number of respondents provided comments on the licence drafting set out in our March consultation. We have set out in Annex 1 our views on the detailed drafting points that were raised. Where appropriate, drafting changes are reflected in the legal text set out in the schedules to the licence modification notices published alongside this letter.

Effect of licence modifications

The effect of the modifications is that the role of approving gas meter asset managers (MAMs) moves from Ofgem and is instead made under the terms of the SPAA. It will facilitate the ongoing operation of the approval scheme and the development of suitable governance arrangements. This will enable the MAM approval arrangements to be amended if appropriate, to address areas of change industry has already identified and future changes for the transition to smart meters.

Yours sincerely,

Colin Sausman
Partner, Smarter Markets

Annex 1: Drafting comments on legal text included in March consultation

In the table below:

- **'SLC 1'** refers to Standard Licence Condition 1 ('Definitions for standard conditions') of the Gas Supply Licence
- **'SLC 12'** refers to Standard Licence Condition 12 ('Matters relating to Gas Meters') of the Gas Supply Licence
- **'SLC 8'** refers to Standard Licence Condition 8 ('Provision and Return of Meters') of the Gas Transporters Licence
- **'A10'** refers to Standard Special Licence Condition ('Provision and Return of Meters') of the Gas Transporters Licence

	Comment	Respondent	Our views
1.	In the proposed modification of the licence conditions, the definition of Meter Asset Manager refers to "Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code as at 1 August 2007". Although this part of the clause is not proposed to change, it does raise the question of whether the definition includes within its scope work performed on an iGT, where the Uniform Network Code may not be relevant. We would welcome clarity on this issue.	AMO (Association of Meter Operators)	The legal drafting is making use of a definition set out elsewhere (ie in the UNC). We do not consider that this raises any issues in relation to the scope of the definition to cover work performed on an iGT.
2.	Suggest the following change to iA(i) of Supply SLC 8 and Gas Standard Special A10: " approved in accordance with the Supply Point Administration Agreement " means approved by it <u>in accordance with it</u> for the purposes of this condition generally and " staff " includes officers, servants and agents; and"	NGG (National Grid Gas)	We have made this drafting change.
3.	Neither SLC8 nor SSC A10 contains a definition of Supply Point Administration Agreement. Therefore in SSC A10 (and the equivalent provision in SLC8) we suggest deletion of the word "and" at the end of section 1A(i), and after section 1A(ii) insert the following text: "and (iii) " Supply Point Administration Agreement " means the agreement to which the licensee shall be a party and with which it shall comply in accordance with standard condition 14 (The Supply	NGG	We do not think it is necessary to define SPAA in SLC 8 or standard special condition A10.

	Comment	Respondent	Our views
	Point Administration Agreement) of this licence".		
4.	The current set of Consolidated Gas Supplier's Standards conditions on Ofgem's E-Public register (dated 10 Nov 2011) has a different numbering of paragraphs to the Notice published with the statutory consultation. In particular, the register identifies the obligation to use an approved MAM as SLC 12.18 and the (old) definition of approved MAM as SLC 12.19, but the Notice refers to the definition of approved MAM as being SLC 12.18.	SP (Scottish Power)	We have amended this typographical error and the drafting now correctly refers to 12.19.
5.	The definition in Gas Supplier SLC 1.2 is unclear as to whether the MAM is a person or class of persons who (a) has the skills etc and (b) is approved in accordance with SPAA or whether a MAM is somebody with either of these characteristics. The repetition of "a person or a class of description of persons" could be read as implying that both subsets separately satisfy the definition (ie "or"). This may not be what you intend.	SP	We think it is sufficiently clear that (a) and (b) are conjunctive and not exclusive.