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Dear Steve

### **British Gas request for changes to its meter inspection licence obligations**

Thank you for the opportunity to comment on these proposals. I write here on behalf of Northern Powergrid and its two electricity distribution licensees, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) Limited.

I note that you have previously consulted on this topic, and have since taken positions on many of the issues. I shall therefore focus on what we see as the two key questions, specifically:

- Have the right factors been assessed in the right way to inform your decision; and
- What conditions should be applied to any consent given?

#### *Factors Affecting the Decision-Making Process*

Broadly speaking, the set of factors that have been assessed seems appropriate. However, we are not yet convinced that the question of the transfer of costs to network companies has adequately been addressed.

Overall we believe that the intention of the obligation on an electricity supplier to perform a visual inspection of any Metering Equipment and associated electric lines and electrical plant under standard supply licence condition 12 does have a valuable role in the assessment of service position integrity, insofar as it relates to public safety. That said, the focus of industry players has developed over the time this obligation has been in place and we would agree that a review of the position in that context is now appropriate.

I would also stress that, in the event of the derogation request being granted, we believe there will inevitably be a transfer of costs to some degree. When taken alongside the other obligations on suppliers under the Electricity Safety, Quality and Continuity Regulations 2002 (ESQCR), such as the duty to share any safety related information, the current obligation to physically inspect service termination equipment at a maximum interval means that the costs incurred by suppliers in respect of public safety cannot possibly be zero. Accordingly, suppliers' costs will undoubtedly decrease if they are relieved of this obligation.

In contrast, distributors rely to a degree, but not exclusively, upon suppliers' inspections as part of their management processes for their equipment on customers' premises. By definition, therefore, distributors' costs will conversely increase as they take steps to close the gap left by suppliers making fewer inspections. We will develop our estimate as we review our risk assessments, but the costs will not be zero.

Although we believe that there needs to be further consideration regarding implementation and process development we are willing to be involved in a process that could ultimately lead to this obligation being removed from suppliers. Accordingly and in all good faith we will shortly commence a project to update our risk assessment for service termination equipment, which will be informed by both the British Gas analysis presented in support of the derogation request and also by the judgement that is ultimately handed down in the currently ongoing resistive heating test cases.

In the short term we will work with both Ofgem and suppliers to move the issue forward. In the medium term, suppliers are one of a group of stakeholders with whom we are consulting to understand their views on our priorities for the forthcoming ED1 price control period starting in 2015. We consider that suppliers other than British Gas will also have an interest in this meter inspection obligation and related supplier/distributor interface issues. Our business plan for this period will have to take account of the suppliers' views. The other stakeholder with whom we expect to consult in order to influence our business plan on both this specific public safety issue and more widely is the Health and Safety Executive.

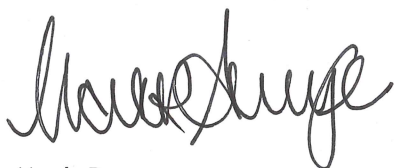
#### *Detailed Conditions of the Derogation*

Broadly, we support the conditions proposed in paragraph 3.3 of the paper. However, in order for British Gas to discharge its duty of cooperation on safety issues and to limit the transfer of costs to distributors, those conditions must be strengthened, specifically:

- Every reference to inspecting meters or detecting theft must be expanded to include associated electric lines and electrical plant, in line with the current licence obligation;
- Inspections or theft detection must be carried out by competent persons; and
- Any defects identified must be reported in a timely manner to the responsible party, in line with regulation 4 of ESQCR. For electricity distributors' assets, this should use the reporting framework recently introduced in the D135/126 flows.

I hope you find these comments helpful. Should you wish to discuss these issues further, please contact either me or Dave Miller ([david.miller@northernpowergrid.com](mailto:david.miller@northernpowergrid.com), 0191 387 7140).

Yours sincerely



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