

Steve Rowe  
Smarter Markets  
9 Millbank  
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13 June 2012

Dear Steve,

### **BRITISH GAS'S REQUEST FOR CHANGES TO ITS METER INSPECTION LICENCE OBLIGATION**

ScottishPower is pleased to respond to your consultation of 2 April 2012 on changes to BT's meter inspection licence obligation. This response is on behalf of all ScottishPower's interests. ScottishPower Energy Networks has also responded from its perspective as a distribution network operator.

With the advent of smart metering, the operational requirement for suppliers to visit customers' premises to obtain meter readings will be reduced. It has been widely been accepted that smart metering will deliver many benefits to both suppliers and customers, including access to more frequent meter readings, the ability to detect failure or tampering with metering apparatus more quickly, a reduction in the number and frequency of visits to the customer's premises and increased billing accuracy. It is therefore timely to consider the question of the inspection regime, with a view to ensuring that a 5 yearly regime becomes the norm for smart meters as they are rolled out. This could lead to useful cost savings for consumers and we therefore support Ofgem's intention to undertake a more general review in this area.

British Gas's request is not strictly linked to smart meters, but proposes a more risk based and targeted approach to undertaking meter inspections, with the obligation moving from the current 2 years to 5 years for all meter types. British Gas believes that this alternative regime will improve safety, while reducing costs and inconvenience to customers.


We broadly support the alternative meter inspection regime proposed by British Gas, although we agree with Ofgem that approval of such a regime should be contingent on British Gas giving a number of undertakings prescribed by the regulator. We consider that these undertakings should include assurances on the continued protection of vulnerable customers by maintaining the 2 year meter inspection obligation, the regular and timely collection of valid meter readings and specific annual reporting requirements.

However, it is important to note that savings are unlikely to be passed on to customers unless British Gas's competitors are also able to benefit from the alternative meter inspection regime, and that it may be harder to deliver a really effective alternative to the 2 year frequency in the absence of smart functionality.

Accordingly, we think Ofgem should give consideration to whether it may be more appropriate to delay the introduction of the alternative meter inspection regime until (i) the smart meter mass roll-out is under way and (ii) the regime can be applied to all suppliers equally.

Our answers to the consultation questions are in Annex 1 attached. Please do not hesitate to contact me if you have any queries about this response.

Yours sincerely,

A handwritten signature in blue ink that reads "Rupert Steele". The signature is written in a cursive style and is positioned above a thin horizontal line.

**Rupert Steele**  
Director of Regulation

**Ofgem consultation on British Gas's request for changes to its meter inspection licence obligation**

**ScottishPower response**

**Chapter 2: Ofgem's assessment**

***Question 1: Do you consider that the factors that we have considered are relevant and provide a robust framework for assessing the proposal?***

ScottishPower concurs that the factors Ofgem has considered within its review are relevant; however, we also believe that the review needs to take account of the wider impacts such a change in the meter inspection regime will have on other suppliers' obligations and costs. (We provide detailed comments in our response to Question 4.)

With regard to the factors that Ofgem has considered, we believe that the issue of Health and Safety will always be the primary consideration when proposing to relax the temporal requirements of the meter inspection regime. The detailed impact assessment provided by British Gas on safety and the direct engagement by Ofgem with the Health and Safety Executive goes some way to providing assurance to the Industry that a comprehensive review of the risks has been undertaken.

We think it will be easier to provide an alternative to the 2-yearly regime in the case of smart meters.

***Question 2: Are there any other relevant factors that we would need to consider, if we were to extend the consent to include advanced meters?***

We do not believe that there are any other relevant factors that Ofgem needs to consider.

***Question 3: Do you agree with our assessment of BG's proposal and whether the proposal provides a sufficient level of protection for consumers?***

We agree with Ofgem's assessment of BG's proposal and that it provides a sufficient level of protection for consumers.

***Question 4: Do you consider that we have identified all of the relevant factors for assessing the potential implications for competition?***

As mentioned previously, ScottishPower believe that any change in meter inspection regime needs to take account of the wider impacts on other suppliers' obligations and costs.

Ofgem has considered the implications of moving the gas meter inspection regime for British Gas to at least once every 5 years. The relevant gas licence condition requires that a meter inspection is made at least once every 2 years, regardless of whether the meter has remained under an individual supplier's registration ownership over that period of time. Should the proposed change to the meter inspection frequency be approved, in the event of a change of supplier, there will be increased instances of the new supplier immediately

taking on the responsibility for obtaining a meter inspection. This obligation and associated costs will reside with the new supplier

Ofgem considers that this impact is not material because (i) only a proportion of customers will transfer from British Gas with this 'liability', and (ii) it merely brings forward a cost to the new supplier rather than creating a new cost. Point (ii) would be true if customers gained from BG were retained indefinitely by the gaining supplier. In practice, such non-sticky customers may switch again after a relatively short period, with the possibility that, under the new arrangements, an additional meter inspection will have been required before they leave. This means the cost impact may be rather greater than Ofgem has assumed.

We believe this risk must be closely monitored to detect any emerging evidence that such transfer of meter inspection obligations between suppliers is distorting competition in the market, so that Ofgem can immediately conduct a further review of these arrangements.

It is important to note that savings are unlikely to be passed on to customers unless British Gas's competitors are also able to benefit from the alternative meter inspection regime, and that it may be harder to deliver a really effective alternative to the 2 year frequency in the absence of smart functionality.

Accordingly, we think Ofgem should give consideration to whether it may be more appropriate to delay the introduction of the alternative meter inspection regime until (i) the smart meter mass roll-out is under way and (ii) the regime can be applied to all suppliers equally.

### **Chapter 3: Alternative metering inspection framework**

***Question 1: For each of the conditions we have proposed, do you consider that they are appropriate and provide a sufficient level of protection for the consumer?***

We believe that the conditions proposed are appropriate.

***Question 2: Is it appropriate to time limit the consent and include a sunset clause condition?***

We believe that it would be appropriate to undertake a review of the revised regime in order to establish that:

- the intended benefits to customers have been achieved;
- no additional safety concerns have been introduced; and
- no adverse impacts to competition exist, specifically in relation to other supplier costs (see our response to Chapter 2, Question 4).

Accordingly, a sunset clause is appropriate.

***Question 3: What do you consider is an appropriate definition of vulnerable customers for the purpose of the conditions?***

We consider that the EnergyUK definition of a vulnerable customer should be used.

***Question 4: Do you consider that linking the levels of theft detected to the conditions is appropriate, and if so, is it appropriate to set a tolerance to the level of theft detected?***

As outlined in our response to the Ofgem theft consultation, neither the industry nor Ofgem has been able to provide a definitive value for the level of theft of gas that is taking place. Therefore, until it has been more accurately determined what the true value of theft is, and how this is split between the domestic and Industrial and Commercial market sectors, it would be inappropriate at this time to link the levels of theft detected to the conditions.

***Question 5: How do you consider that any risk management systems and processes should be monitored?***

No comment.

***Question 6: We welcome your thoughts on whether there is any other specific data that we should be requesting as a part of the annual reporting.***

Annual reporting should include information on the number of customers who have churned where a meter inspection will fall due to the new supplier.

***Question 7: Do you agree with our proposal to review more generally the regulatory framework for the smart meter inspections?***

ScottishPower supports Ofgem's intention to undertake a more general review of the meter safety inspections obligations to ensure that the regulation continues to be fit for purpose.

ScottishPower  
13 June 2012