



Phil Bentley  
Managing Director  
British Gas

*Promoting choice and value for  
all gas and electricity customers*

Other interested parties

Date: 14 December 2012

Dear Phil

**Open Letter - British Gas: Two year metering inspection derogation application**

I am writing on behalf of Alistair Buchanan to your letter dated 4<sup>th</sup> October regarding your request to apply alternative metering inspection arrangements. Having considered the evidence, the Authority has decided to grant this consent, for a three year duration (1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2016) and subject to British Gas meeting certain conditions. We have published today a document<sup>1</sup> setting out the detail of our decision.

We recognise the potential benefits of your alternative inspection arrangements. As you note, there should be material cost savings, which we would expect to be passed on to your customers in due course. The new regime should also be more convenient for customers. Furthermore, application of this alternative regime should pave the way for wider reforms on the back of smart metering, helping realise the significant benefits that have been identified in DECC's impact assessment for the smart metering implementation programme.

At a time of increasing energy costs, Ofgem are keen to do what we can to enable the industry to innovate and find ways of reducing their cost base while improving outcomes for consumers. To this end, we are grateful for your efforts to develop the case for change with respect to an alternative metering inspection arrangements, including your close working with the Health and Safety Executive to assess the impacts of your proposed risk-based approach.

Given that this is the first consent of its kind, we consider it paramount that the consumer experience is a positive one. We therefore welcome the commitments that British Gas has made as a condition of the consent. These are critical to protecting customers' safety and promoting the integrity of meter readings, particularly for vulnerable customers.

Theft represents a significant safety risk and metering inspections are one means of detecting theft. We therefore welcome your commitment to increase your levels of theft detection, in line the levels assumed in your risk assessment, to help maintain and improve current safety performance.

Metering inspections are also a mechanism for obtaining meter readings, along with customer-provided readings and remote readings (ie from smart meters). Meter readings are important because they help to keep customers' bills accurate and help to mitigate the risk of levels of debt building up. We welcome your commitment to obtain valid meter readings every two years. To the extent that this relies on increasing numbers of meter

*The Office of Gas and Electricity Markets*

9 Millbank London SW1P 3GE Tel 020 7901 7000 Fax 020 7901 7066 [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

readings provided by your customers, we will expect British Gas to actively look at how customers can be encouraged, and better understand how, to submit their own meter readings and the importance of doing so.

Where estimated bills are issued, we will still expect British Gas to ensure that they are based upon the most accurate information available. We also expect BG to continue to comply with the industry codes of practice on Back Billing and Accurate Bills. We certainly would not want to see changes with respect of meter readings leading to an increase in billing disputes.

The integrity of meter readings is especially important for vulnerable customers as this can help manage indebtedness. We welcome your commitment to maintain the two-year inspection cycle for all customers on your Priority Services Register (PSR) and to continue to arrange a visit by a meter reader for all other customers who are having difficulty reading their meter.

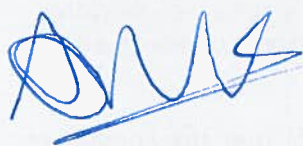
To support this commitment, we are keen that, where eligible, customers are added to your PSR and are able to benefit from the services that are available to them. We welcome the increase in recent years in the number of customers British Gas has on its PSR. Nevertheless, it is clear that there is more work to do here; it remains the case that British Gas has only the third largest PSR per million customers of all suppliers. We will expect British Gas to continue to focus on proactively identifying eligible customers and encouraging them to join your PSR.

We note that alongside the increase in PSR numbers there has not been a corresponding increase in the number of customers registered for quarterly meter reading as per the supply licence. We look forward to seeing an increase the number of these customers registered. We will monitor British Gas' performance in these areas. As you are aware, we intend to review the effectiveness and awareness of suppliers' and distributors' PSR's with the aim of sharing best practice and where possible making tangible improvements.

More broadly, we intend to review the existing metering inspection regime, with a view to implementing new arrangements that facilitate the wider benefits of smart metering. The evidence from your alternative regime will help inform our thinking in this area.

If you would like to discuss any of the issues raised in this letter, please contact Steve Rowe on 020 7901 7468 or [steve.rowe@ofgem.gov.uk](mailto:steve.rowe@ofgem.gov.uk).

Yours sincerely



Andrew Wright

**Senior Partner, Markets**

Cc: Alistair Buchanan, CEO

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<sup>1</sup> <http://www.ofgem.gov.uk/Markets/sm/metering/crf/Pages/crf.aspx>