



Chris Wood
Feed-in Tariff Compliance Manager
Renewable Electricity
Ofgem
9 Millbank
London
SW1P 3GE

E.ON Energy Solutions
Newstead Court
Sherwood Park
Little Oak Drive
Nottinghamshire
NG15 0DR

Paul Watson
T : 07779 452395
Email:
paul.watson@eonenergy.com

By e-mail

12 February 2015

Dear Mr Wood

E.ON response to the consultation on the use of automatic meter readers for biennial meter verification.

We welcome the opportunity to input and comment on the proposed changes to Ofgem's guidance around the use of automatic meter reads for biennial meter verification. In particular, we found Ofgem's workshop held on the 21st January 2015 to be extremely beneficial to all parties that attended. It allowed detailed and open industry discussions between licensees to take place on the proposals in a structured environment and offer considerations/solutions. We agree that a further workshop between licensees, generators and Ofgem on this matter may also be of further benefit. In the context of this consultation we believe there are four main points that require further consideration and resolution:

- 1) There is inefficiency in method two stemming from the Generator's audit potentially being arranged, organised and undertaken by numerous different licensees (currently 33¹). There would be a lack of standardisation in this process which we do not believe is in the consumer's interests. Although FIT licensees could group together to agree one audit process we are unsure how this would be achieved in principle. As such we believe that the FIT generator would be in a better position to arrange for an independent auditor to conduct this on their behalf which would be in their and the consumer's best interest. Also, by the generator tendering this out, there is confidence that the best possible market price for the audit is being achieved. Thereby, the results of the audit would be available to all FIT licensees that administer their FIT payments.
- 2) There are potential cost savings to be made from the proposals due to the fact that a licensee would no longer be expected to physically visit each site every two years. Any efficiencies and savings are certainly in the interests of the scheme and a duty of care to consumers. However, these savings

¹ <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/registered-fit-licensed-suppliers> [as of 11/02/2015]



should not be taken for granted at this stage as they could be eroded if there are unknown inefficiencies in the

implementation of the proposals. We believe that conducting a trial audit prior to employment of any proposals would give a greater degree of understanding regarding what is going to be involved and any associated costs. For the reasons stated above we believe this audit should be conducted by the generator and not the licensee.

- 3) Where generation/Export meters are installed in inaccessible/unsafe locations and contrary to current MCS Metering guidelines. This has led to meters going unread and licensees unable to physically verify the meter readings, incurring additional costs to meet their licence requirements. As a result, generators have not fully met their obligations of terms agreed with FIT licensees. The consultation does not address this issue and in the case of method 3 and the 5% sampling process this issue would still be a practical problem for the licensee.
- 4) An overarching aim of the FIT scheme is to offer households a wide range of cost effective measures to lower their energy and carbon emissions, including improving the energy efficiency of building's. It is a concern that by having meters in locations that are inaccessible/unsafe or without other means available to them it is very difficult for consumers to engage fully with their energy usage. In the 'rent a roof scheme' it is evident that there is also a lack of knowledge by consumers about the requirement to provide FIT licensees with access to the generation/export meters. This likewise would still be a practical problem under the proposals in the case of method 3 and the 5% sampling process.

Question 1: Do you agree with our proposal to allow the use of AMR data for biennial meter verification? Please provide evidence to support your answer.

In principle we have no objection to the use of Automatic Meter Read ("AMR") data for biennial meter verification and are of the opinion that it could result in some potential cost reductions to administer the FIT scheme. Furthermore, it will limit the need to enter premises by inconveniencing homeowners and lead to better customer service. We are concerned however by elements of the proposal which we believe could result in additional costs, such as:

- Sourcing and implementing dedicated metering technical knowledge within the FIT licensee's operation.
- Changes and updates to FIT licensees' IT systems, websites, training and processes.
- The need for FIT licensees to physically visit the generator's site to verify the legitimacy of their AMRs.

As an alternative, we suggest that a FIT generator who wishes to use their AMR data for biennial verification is only allowed to do so if they agree to have an independent audit carried out, on their systems which confirms that their AMR meters meets Ofgem's required



confirm the validity of the generator and the

of the installation. This also alleviates any conflict of interest where the AMR system are the same or associated.

Question 2: Do you agree with the methods of verification and sample size we have proposed? If not, what would you propose and for what reason?

1. The consultation states at 3.1 *'that licensees should be permitted to use one, or a combination of all, of the three methods to meet the requirements to verify meter readings'*. We are unsure how this would work in practice and not be too onerous. For example, if a licensee is therefore required to use a second method available to it if it hasn't been able to verify the meter reading using its first method. In addition, would a licensee be expected to use a third method if the first two were not successful?

The reason we believe clarification of this is vital to meet 'all reasonable steps' to verify the meter reading could involve using three different processes, there is a cost consequence. Running three processes is likely to be more costly and certainly more complex than running one process, as is currently the case.

Method one: We believe that this method could work if the service providers are limited in number and are independent of the generator. If there are numerous services provides the licensee will have to have a variety of systems interacting with different parties which may increase administration costs. If the generator is also the service provider it is difficult to see how this is workable. There would also be a conflict of interest and no confidence that the submitted data has been independently verified.

Method two: This would be our preferred method but we believe that it would be in the consumer's interest for the generator to instruct an independent auditor to carry this out. The licensee does not have a direct relationship with the homeowner but the generator does. As such, the conducting of an audit of their FIT portfolio meters at the generator's premise would be best organised by the generator themselves, not the licensee. We also think that this would offer the best value for money for consumers due to the reasons given previously.

It is difficult to foresee how a declaration made by the generator without any independent verification would cover the counter fraud measures which are highlighted in the Executive Summary of the consultation. The generator is in effect responsible for *'marking their own homework'*.

We would welcome further clarity on what would happen if a system were to fail the audit. Would the FIT licensee be expected to suspend the whole portfolio or just that site? Would the generator then bear the costs for the supplier to physically verify the meter(s) on site?

Method three: We believe that it would be a good idea to give licensees the option of



new licensees can enter the market without having to have systems in place from day one to accept AMR readings (which could be a barrier for increased competition in the licensee market). Secondly, while existing licensees are putting the systems, training and processes in place they can still physically read the meters to make sure that they are meeting their obligations.

Sample size: We do not have any objection to the sample size proposed but we are concerned that potentially the same sites could be sampled each time, or just certain generator's portfolios targeted. This could lead to some sites/generator's never being in the sample. We believe that Ofgem may want to consider giving further guidance on how the sample size should be dealt with by FIT Licensees.

We are also concerned with how to address the meters that are currently contrary to MCS metering guidelines, located in 'inaccessible/unsafe locations'. The consultation appears to be aiming to continue as is today and not fully address these issues by enabling the use of AMR. But what if one of these meters is in the sample size? Or a FIT Licensee decides to just use method three for verification? No reading will be able to be verified and the installation will have to be suspended. Thereby reverting back to the situation prior to Ofgem's temporary change to guidance on 11 July 2014. This could also lead to the situation where some generators have their installations suspended due to the meter being inaccessible but others, who also have inaccessible meters go on to receive payments without any interruption. We believe this would not be a fair treatment. In addition, generators may place their meters in a location that is inaccessible/unsafe in order to actively avoid being detected for fraud. At the Ofgem workshop on the 21st January 2015 we strongly advocated that meters which have been installed contrary to MCS guidelines in inaccessible/unsafe locations should, as a bare minimum be forced to be moved if the generator wishes to participate in the scheme going forward.

In our response to question 6, we have also suggested how further cost savings could be achieved.

Question 3: Do you agree with the security measures proposed in this section? Are there any other security measures you think are required? If so, please provide reasoning and evidence to support your proposal

We agree with the four level security system proposed and acknowledge that hacking could occur but likely to be a very minimal risk. We believe that the AMR component identification could be covered off in the generator's independent audit.

Question 4: Do you agree with our proposals regarding standardisation of installation and commissioning, methods of communication and data models? If not, what alternatives would you suggest?

As the generation meter belongs to the FIT generator we would therefore suggest that the



requirement to confirm that it has been commissioned correctly should be the responsibility undertaken by the generator and met by an independent audit.

We have no real objections to the means of communication suggested. However, we do believe that the list should not be extensive. The more methods used will result in more costs, as the licensee will have to invest in numerous systems that can accept information from different systems/providers.

It was confirmed at the Ofgem workshop on the 21st January 2015 that the part on data models within the consultation is no longer applicable.

Question 5: Do you think that our proposals for monitoring and fault findings are suitable? If not, what further guidance would you suggest?

We are in agreement that the industry practise of detecting faults through tolerance checking is sufficiently robust to detect any anomalies. The current process is strong enough to substantiate that the readings are a true representations of the actual amount of electricity generated and/or exported.

Question 6: what methods would you propose as alternatives to physically reading non-AMR meters?

To achieve real cost savings in this area we believe that the scheme should be looking at increasing the two year timescale to verify meter readings. The requirement to verify every two years we feel is too taxing and costly particularly as to date there has only been c20 cases of fraud detected from the hundreds of thousands visits made by FIT licensees. There are currently already processes in place; such as tolerance checks and annual declarations which should pick up on any incorrect meter readings or change to installation/meter as backstop.

Our suggestion for both AMR and non-AMR would be to conduct a physical site visit within the first six months (from eligibility date) to confirm that the installation has been installed, is fully working and there is no foul play taking place. It is also at a point in the scheme where any errors can be detected at the start and quickly addressed (opening readings); rather than surfacing many years later in the scheme. Thereafter, the requirement to verify the meter readings (for both AMR and non-AMR) should be increased from the current two year requirement. Our preferred method of verification for AMR is by method two and for non-AMR by photo. With the option to physically visit if required. This allows the FIT licensee to pick the most appropriate solution for their operation.

Costs



At the Ofgem workshop on the 21st January 2015 FIT licensees were asked to give a broad indication of their current costs to read meters and a projection of their costs based on the proposals. To the best of our ability we have put some figures together but we will send these over separately via email and ask that they are treated as confidential.

Grace period

We believe that a minimum grace period of 24 months is required to verify meters that are currently not being read due to being inaccessible/unsafe locations.

Effective from

Any changes cannot be achieved over night. As such we would be interested to understand when any changes will be effective from, once the final decision on the consultation is made.

Yours sincerely

Tracey Wilmot
Head of Down Stream Regulation