

British Gas  
1<sup>st</sup> Floor, Lakeside West  
30 The Causeway  
Staines  
Middlesex  
TW18 3BY

By email

Pooja Darbar  
Smarter Metering  
Ofgem  
9 Millbank  
London SW1P 3GE

17<sup>th</sup> September 2015

Dear Pooja,

**British Gas response to Ofgem’s consultation on “Reforming suppliers’ meter inspection obligations”**

Thank you for the opportunity to respond to Ofgem’s above consultation.

We welcome Ofgem’s review of the existing meter inspection framework and agree with the assessment undertaken by Ofgem of the need for reform. We concur with the HSE’s advice that prescriptive health and safety obligations can be removed entirely from the meter inspection licence conditions and we fully support Ofgem’s proposal to repeal the relevant licence conditions.

Consent was granted, to allow British Gas to operate alternative meter inspection arrangements, from April 2013 for a period of three years. We

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support the timeframe being proposed for repealing the existing licence conditions as this will align with the end of the period of consent, introduce consistent arrangements across suppliers at the earliest opportunity and remove the need for any parties seeking reform to progress individual derogations.

During the period of derogation we have demonstrated that a risk based approach to meter inspection can be successfully undertaken without impacting billing accuracy or increasing the level of risk to consumers and have exceeded the annual theft detection targets set by Ofgem.

The detection and successful investigation of theft is an essential element of ensuring ongoing consumer safety. We continue to support the progression of further industry activity in this area to increase incentives upon suppliers to detect and investigate theft, including the introduction of annual theft targets.

Our detailed responses to Ofgem's questions are attached in Appendix 1. Please do not hesitate to contact me if you require any further detail on our response.

Yours sincerely,

Graham Wood

Regulatory Manager

[graham.wood@britishgas.co.uk](mailto:graham.wood@britishgas.co.uk)

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*Chapter 1, Question 1: Do you agree with our assessment of the need for reform?*

- 1.1 British Gas agrees and fully supports the assessment of the need for reform and the proposal to repeal the meter inspection licence condition.
- 1.2 There are three policy objectives of the existing metering inspection licence obligations: improving billing accuracy, detecting theft and health and safety.

*Improving Billing Accuracy and Detecting Theft*

- 1.3 We concur that these two policy objectives have recently been targeted through other policy initiatives and licence reforms, with the inclusion of new licence obligations to obtain meter readings at reduced frequencies and the array of new obligations on suppliers' to detect, investigate and prevent energy theft.

*Health & Safety*

- 1.4 The independent risk assessment that supported our application for derogation, demonstrated that the risk removed by the existing licence condition is extremely low and that an alternative approach to addressing this risk can be successfully achieved.

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- 1.5 We note the HSE's latest advice that the prescriptive health and safety obligations can be removed entirely from the meter inspection supply licence conditions and that suppliers should take a risk-based, dynamic approach to fulfilling their statutory health and safety obligations in legislation.
- 1.6 The operation of a risk-based approach to meter inspection, during the period of our derogation, has successfully demonstrated that a uniform, defined approach to meter inspection is not required and is clearly not the most efficient way to address the policy areas covered by the existing SLC.
- 1.7 The removal of the metering inspection SLC will remove the unnecessary duplication of supplier obligations within these policy areas and assist in the delivery of the expected benefits from avoided site visits, as defined within DECC's smart metering impact assessment.

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*Chapter 2, Question 1: Do you agree with the scope of our review?*

- 2.1. We agree that there should be no differentiation between meters types, particularly with the treatment of traditional and smart meters with regard to the requirement for inspection. This is consistent with

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the case we made within our derogation application and within the supporting independent risk assessment.

- 2.2. There is no evidence to demonstrate that any one meter type provides a different level of risk than another, as all meters are manufactured in association with specific industry standards and are installed, operated and maintained in accordance with relevant legislation and governance arrangements.
- 2.3. We concur with Ofgem's stated principle that all gas and electricity suppliers should face the same regulatory requirements on this subject. Repeal of the existing SLC would achieve this and remove the need for suppliers to seek individual derogations.
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*Chapter 2, Question 3: Do you think we have focused on the right options for reform?*

- 3.1. We agree with Ofgem's view that the current two-yearly meter inspection obligations do not protect consumer interests. Given that a 'do nothing' or 'minimal change' approach would not provide the reforms that are clearly required in this area, we believe that the two options for reform that Ofgem have focussed their attention on are correct.

*Five-yearly minimum frequency (Option A)*

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- 3.2. Whilst it has been extremely useful for British Gas to demonstrate, via the period of its derogation, how this approach provides benefits when compared against the existing two-yearly SLC obligations, we agree with both Ofgem and the HSE that the inclusion of prescriptive and static meter inspection obligations within licence conditions is not consistent with wider health and safety legislation for suppliers to take a risk-based approach to assessing and addressing safety risks.
- 3.3. Given the issue of meter inspection has been under scrutiny since the Supply Licence Review in 2006, it would appear sensible to ensure that the longer term requirements are considered rather than simply progressing short term reform.

*Repeal (Option B)*

- 3.4. We agree with Ofgem that the existing SLC should be repealed, requiring all suppliers to individually decide how to ensure that they fulfil their overriding regulatory obligations to assess the risks of their metering assets to consumers and employees.
- 3.5. Whilst our independent risk assessment focussed on demonstrating the removal of risk to consumers, it also made reference to the risks linked to employees in undertaking meter inspection activity. These risks were relatively high when compared to the minimal risk removed to the consumer. Removal of a prescriptive inspection requirement would reduce these risks significantly.

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3.6. The progression of option A) would undoubtedly lead to the requirement for a further industry review of arrangements within the next five years. We therefore welcome Ofgem's proposal of Option B) as the preferred option.

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*Chapter 3, Question 1: Are there any important impacts of reforming suppliers' meter inspection obligations that we have not identified?*

4.1 We support the approach to assessment that has been undertaken by Ofgem which have included the consideration of the three policy objectives and other consumer outcomes.

4.2 We do not believe that there are any additional impacts that have not been identified and considered.

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*Chapter 4, Question 1: Do you agree with our assessment of the options?*

5.1. We agree with the assessment of the options and support the preferred policy option for Repeal of the licence condition.

5.2. We provide further comments in response to Q2 below.

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*Chapter 4, Question 2: Do you have any evidence to support your views?*

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6.1. The consultation document assesses options against the three policy objectives: health and safety, theft detection and billing accuracy, along with other consumer outcomes: competition and cost.

*Health & Safety*

6.2. We concur with Ofgem and the HSE that all suppliers should take a risk-based approach to detecting and preventing health and safety risks. Our derogation approach was approved on the basis that the level of risk to consumers would be less than when compared to two-yearly inspection arrangements. The primary mitigation was addressing the health and safety implications, to both consumers and the general public, associated with energy theft – which are not usually identified on routine meter inspection visits. The reporting arrangements which accompanied the derogation consent provide a monthly breakdown of the number of energy thefts we have successfully detected. Each of these detections has removed specific risk to the consumer at that property and where applicable to the wider general public.

*Theft*



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6.3. Our derogation consent included a specific obligation to achieve a specified minimum level of theft detections per annum for both gas and electricity. Our submissions to Ofgem have demonstrated the achievement of these targets for the first two years of the three year derogation. An increase in effective supplier theft detection activity and volumes will continue to improve the safety of consumers. We are concerned that we have not yet seen an industry wide increase in detected theft volumes. The introduction of supplier specific, annual theft detection targets at the earliest opportunity would assist in addressing this concern.

*Billing accuracy*

6.4. Within the derogation reporting framework, we provide information relating to the volume of meter reads we obtain each month. We also provide a percentage breakdown of our gas and electricity portfolios detailing sites which have been inspected within the last 12 months, 12–24 months, 24–36, 36–48 months and greater than 48 months. This information, reported throughout the derogation period demonstrates our commitment to ensuring billing accuracy and provides evidence as to how this can be achieved whilst undertaking a risk based approach to meter inspection activity.

*Impacts on competition*

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- 6.5. We concur with the Ofgem stated principle that going forward, the same requirements should apply to all suppliers. We do however note the important role that the consent of our derogation application and its operation, has had in moving this issue forward over the last three years. We welcome the timeframe of April 2016 that has been proposed by Ofgem for the repeal of the meter inspection SLC, as this aligns with the expiry of our derogation and will provide all parties with the same obligation at the earliest possible opportunity.
- 6.6. Obtaining and operating the derogation process has not been cost-free for British Gas. Specifically, we have significantly increased expenditure on theft detection, to strengthen our capability, and would expect to see a similar response from other suppliers. The supplier licence condition to detect, investigate and prevent theft should ensure that all suppliers invest appropriately on theft detection, now and in the future.

*Impacts on costs to consumers*

- 6.7. We agree with Ofgem that repealing the meter inspection requirements will provide a greater cost-saving potential than option A). The progression of the preferred solution option is the only viable opportunity that the industry will have to achieve the significant DECC smart benefits associated with meter read visit cost reductions.

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**Chapter 5, Question 1: Do you think we have identified the consequent impacts of the preferred policy option?**

7.1 We cannot identify at this time, any additional consequential impacts that need to be considered.

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***Chapter 5, Question 1: Do you see any issues with our implementation approach?***

8.1 We support the implementation approach proposed by Ofgem. As our derogation consent expires at the end of March 2016, we are keen to ensure that the timetable proposed by Ofgem to repeal the existing licence conditions is achieved.

8.2 In the event that the proposed implementation approach is unable to be introduced by April 2016, British Gas will be in a position where we will need to submit for Ofgem's consideration and approval, an application to extend the end date of our derogation. Early certainty on Ofgem's decision and implementation timetable will negate the requirement for any further derogation activity to take place.