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Dear Sirs

Co-operative Energy response: Reforming suppliers' meter inspection obligations

We welcome the opportunity to respond to your consultation dated 23 July 2015.

We have structured our response in line with the order in which your questions were raised.

Chapter 1 – The Policy Issue

Question 1 – Do you agree with our assessment of the need for reform?

We agree that there is a need for reform and support the findings of the Meter Inspections Sub Group Committee's (MISG) work in this area. We recognise the potential for cost savings in the region of £2.8b from avoided site visits and the benefits in this area arising from the smart meter roll out.

Chapter 2 – Reform Options

Question 1 – Do you agree with the scope of our review?

We believe the scope of the review has not sufficiently considered the impact on smaller suppliers or an appropriate timescale for implementation.

For smaller suppliers, an extension of the derogation or the subsequent move to a risk based approach is a significant departure from the existing licence conditions.

The timetable to operate the proposed new arrangements is going to be extremely challenging for industry, with the exception of British Gas.

Question 2 – Do you think we have focused on the right option for reform?

We appreciate the benefits of moving to a risk based approach and think it is the correct approach to managing assets. However, the industry, and in particular



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smaller suppliers, require sufficient time to transition to the new arrangements and this is not currently provisioned for.

Chapter 3 – Approach to assessment

Question 1 – Are there any important impacts of reforming suppliers' meter inspection obligations that we have not identified?

The ability for smaller suppliers to be ready for implementation in April 2016 has not been addressed.

We are currently unsighted in respect of how successful Centrica's risk based approach has been, but we are aware that prior to implementing this approach they spent the best part of 18 months a) collating data and evidence to inform their risk based approach, b) developing internal processes and controls and c) operationalising contracts to deliver the new arrangements.

The timetable to operate these proposed new arrangements is going to be extremely challenging for industry, particularly smaller suppliers, with the exception of British Gas.

Any phasing of implementation should consider a) the risk to consumers, b) the current performance of its arrangements and c) the time taken for the industry to implement and operate any new arrangements.

Chapter 4 – The preferred option

Question 1 – Do you agree with our assessment of the options?

We agree that there are benefits in repealing the current licence conditions and moving to a risk based approach. However, we caution that smaller suppliers in particular require sufficient time to transition to the new arrangements and suggest that a transition period beyond that of April 2016 is required.

Question 2 – Do you have any evidence to support your views?

The Theft Risk Assessment Service (TRAS) and the National Measurement Office's In-service Testing Governance Arrangements were similar approaches in nature to that which is proposed in your consultation in the sense that they provide assurance in respect of metering functions. These arrangements took several years to develop and implement, therefore it is surprising that moving to a risk based metering inspections from the current prescriptive 2 year arrangements is planned to be operational within 7 months. Given that Centrica's derogation was granted almost two years ago, it is not clear why the proposal is being fast tracked now.

The TRAS was rolled out across industry and subject to detailed consideration in respect of design, implementation and operational impacts. The TRAS model worked well and perhaps should be considered as a template for rolling out

industry wide risk based inspections. As industry ramps up its smart meter rollout there will be millions of new metering assets installed, of which little is understood about the failure modes and in service performance issues across the asset life.

If either of your proposed options are implemented, there would be merit in a common industry approach being developed, similar to that developed by the TRAS. We encourage the development of a centralized standard risk assessment and reporting mechanism.

Chapter 5 - Implementation

Question 1 – Do you think we have identified the consequent impacts of the preferred policy option?

As we have stated elsewhere in our response, we feel you have not identified the impacts of the proposed timescales upon smaller suppliers nor considered the substantial lengths suppliers will need to go to comply with the proposed change.

If each supplier is required to define their own risk methodology this will result in a lack of consistency across suppliers. It is likely that individual suppliers will be required to invest significant capital developing their own methodology.

Question 2 – Do you see any issues with our implementation approach?

We envisage that suppliers will need a period of at least 18 months to a) collate data and evidence to inform their risk based approach, b) developing internal processes and controls and c) operationalising contracts to deliver the new risk based arrangements.

We feel that a common industry approach to risk assessment and reporting should be developed.

If you require any further information please contact steve.rowe@cooperativenergy.coop in the first instance.

Yours sincerely,

Steve Rowe
Head of Regulation and Compliance

