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### **Reforming suppliers' meter inspection obligations**

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to respond to this consultation. The rollout of smart meters represents a fundamental shift in how suppliers and customers will interact with installed meters. As such we believe it is appropriate and timely to review suppliers' meter inspection obligations to reflect this development and to assess whether existing requirements are efficient and effective in meeting their policy objectives. However, it is important to ensure that health and safety is central to any reform to ensure that customers remain appropriately protected by any reform; whilst also ensuring that the direct/indirect costs imposed on suppliers and consumers in meeting meter inspection requirement are minimised.

The issue of meter inspections was identified by the Competition and Markets Authority (CMA) as potentially giving rise to an Adverse Effect on Competition (AEC) due to a derogation from the requirement to inspect meters every two years, being applied to a single supplier (British Gas). Whilst we recognise that granting such a derogation to only one supplier has a distorting effect on competition, we do not consider that simply removing British Gas's derogation is an effective way to remedy the AEC, as this will reintroduce avoidable costs which will ultimately be met by consumers. We are therefore supportive of Ofgem's review of the meter inspection arrangements and see it as a more effective way in which to re-establish a level playing field in terms of the obligations faced by all suppliers.

We support Ofgem's proposals to repeal the prescriptive meter inspection obligations in the Supply Licence. We agree that the existing requirement for suppliers to adopt a risk based approach in complying with health and safety legislation, along with recently amended theft detection and billing accuracy obligations, protects consumers more effectively than the existing inspection requirements. Nevertheless, we believe that some form of regulatory oversight will still be required to ensure that all industry participants apply due diligence to their obligations in order that customer safety is fully protected and that no adverse effects on competition occur at time of change of supplier. To this end it is assumed that the approaches taken by the various industry participants will be subject to regulatory audit.

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We recognise that repeal of the prescriptive supplier obligations could have an impact on how networks discharge their safety obligations. It has become apparent that historically networks relied on suppliers to provide a free service to discharge their obligations in respect of their assets within consumers' premises (although it is not clear that all suppliers were aware of this). If networks wish to require this service going ahead, we believe that it should be a chargeable service with standard terms set out in the Distribution Connection Use of System Arrangements (DCUSA), with rates agreed bilaterally between suppliers and networks. This will provide price visibility and ensure that networks are able to identify the most cost effective and efficient solution to discharge their obligations.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Ashley Pocock on 07875 112854, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink, reading "Paul Delamare".

**Paul Delamare**  
**Head of Customers Policy and Regulation**

## Attachment

### Reforming suppliers' meter inspection obligations

#### EDF Energy's response to your questions

## CHAPTER: One

### Q1. Do you agree with our assessment of the need for reform?

Yes, EDF Energy agrees with the reasoning emerging from the assessment of the clear need for reform.

One clear driver for change is that currently SLC 12.14-16 only applies to non half-hourly meters and will therefore become obsolete during the course of the smart meter rollout as smart meters are considered to be half-hourly metering.

Furthermore, at meetings of the Meter Inspection sub Group (MISG) it became apparent that the Health and Safety Executive (HSE) were of the opinion that each and every party who has responsibility for the maintenance of on-site equipment should be managing their inspection obligations by means of a risk based management approach. It was made clear that such an approach was necessary regardless of any prescriptive licence condition requirements.

It is also widely acknowledged that the additional licence requirements set out in SLC 21B.4 (minimal meter reading requirements) and SLC 12A (theft detection and investigation initiatives) to a great extent obviate the need for a prescriptive two year inspection requirement. Whilst it could be argued that smart metering will reduce site visit frequency, the regular provision of accurate consumption data, coupled with "over the air" alerts received via the wide area network (WAN) will serve to provide timely warning of potential safety issues arising from theft, damage etc. Furthermore there is indeed a great deal of duplication sitting between the various regulatory requirements and industry codes of practice.

Considering the context of competition, we agree with the view that allowing a market to develop wherein only a single supplier benefits from a less onerous site safety inspection regime could indeed serve to stifle competition and lead to an AEC. In this respect, we concur with the CMA's provisional findings and the need to re-establish a level playing field; however, we disagree with the potential remedy whereby all suppliers are required to undertake two yearly inspections.

EDF Energy was an active participant in the MISG review process and fully supports the need for industry to agree upon a consistent approach to meter safety inspection requirements. In common with the other stakeholders EDF Energy seeks to reduce the regulatory burden and ensure that all parties are obliged to observe common meter inspection requirements.

## **CHAPTER: Two**

### **Q1. Do you agree with the scope of our review?**

Yes, EDF Energy agrees with the scope of the review and furthermore agrees that in order to have a consistent approach generally to matters relating to health and safety, the scope should apply to meter installations of every type, ranging from the simplest of legacy meter types to smart and advanced metering of every type, irrespective of market sector.

It will clearly be necessary for suppliers to ensure that their individual risk management processes take into account the differing levels of risk that apply to different categories of meters. For example, simple legacy meter types are unable to provide over the air readings or alerts and so clearly present a different risk profile to smart metering.

### **Q2. Do you think we have focused on the right options for reform?**

Yes, given the very clear steer given by the HSE at the MISG meetings, it is accepted that irrespective of whether licence conditions prescribe the need for a periodic site visit, all industry parties should be establishing the necessary policies and procedures to support a risk based approach to site safety inspection management. Ideally this needs to be driven from a consistent risk based model.

Nevertheless, there has to be a recognition that individual customer bases will differ due to factors such as locality, market sector, equipment types and fuel mix. These disparities may lead to differences in the individual inspection regimes adopted by the various suppliers, even if they use a common methodology.

However, each supplier should be able to justify their approach by demonstrating that it has appropriately taken account of all of the various legislative and regulatory requirements and that an appropriate risk analysis process has been completed.

A common feature of every supplier's risk based approach will be the requirement to accurately record and retain information relating to site visits. The key data item in this respect will be the date of the last site visit, which should be passed on at the time of any "Change of Supplier" event. This is currently only passed on in relation to gas meters and so clearly a process will be required to deal with electricity meters.

Whilst individual supplier's perceptions about the site visit frequency may differ in accordance with their individual risk assessment, we believe it is important to establish basic minimum practices in terms of site safety check requirements. Establishing such practices will allow suppliers to determine whether or not a newly acquired customer's installation requires a site visit, based upon the individual risk profile they have determined, and the date of the last site visit provided by the previous supplier.

Irrespective of risk assessment outcomes, we believe that every opportunity should be taken to carry out a site safety inspection. We are of the opinion that whenever suitably qualified operatives have cause to visit a site on behalf of a supplier, a site safety inspection should be carried out and details should be passed to the supplier concerned to enable their records to be updated.

## **CHAPTER: Three**

### **Q1. Are there any important impacts of reforming suppliers' meter inspection obligations that we have not identified?**

EDF Energy has not identified any additional impacts arising from the proposed reforms to the supply licence conditions.

## **CHAPTER: Four**

### **Q1. Do you agree with our assessment of the options?**

EDF Energy is generally in agreement with the assessment of the options.

However, we do question the assumption made in paragraph 1.64 of appendix 2, which states that smart meters have the functionality to send messages if current and voltage exceed certain thresholds. Whilst this is true for voltage it is only true to an extent for current. This is because SMETS 2 does not define a true over-current requirement. It defines a requirement for load limiting functionality wherein if load exceeds a certain configured threshold an alert can be triggered.

We believe this functionality is not intended for safety purposes and its presence is required for the purpose of load management. Should load limiting functionality be configured, then the meter could provide an alert. However, if the load management threshold is set to a value that is less than the total load capacity of the meter, then an alert indicating a load limit event would not be truly indicative of an unsafe condition.

Whilst load limiting could be set to a value close to the rating of the meter, this would serve to prevent the functionality being used for its true purpose of load management.

We would suggest that if Ofgem believe there is a requirement for over-current (i.e. overload) alerts, then a change request should be submitted to make the necessary amendments to SMETS 2. Technically, this should be a fairly simple change, since it would only require a change to firmware design. Furthermore, there is already a non mandatory provision within the GB Companion Specification for an over-current alert. At present this is an optional provision, which could be changed into a mandatory requirement if necessary.

### **Question 2: Do you have any evidence to support your views?**

SMETS 2 does not specify a requirement for over-current alerts. Please see section 5.5.6 Load Limiting in SMETS 2 version 1.58. This section does not refer to over-current requirements.

## **CHAPTER: Five**

### **Q1. Do you think we have identified the consequent impacts of the preferred policy option?**

Currently, network operators rely on suppliers' SLC12 two-yearly inspection obligations to provide assurance as to the safety of their installed equipment at consumer premises, although there are currently no commercial arrangements in place to support this practice.

However, it was clearly stated by the HSE at the MISG, that the network operators should have such contractual arrangements in place if they wish to continue to place such reliance on a supplier's inspection regime, and clearly this requirement is recognised in paragraph 5.10 of the consultation document.

It should be recognised that there may be cost implications arising from such contractual arrangements, and in this respect much will depend upon the required terms and conditions. We believe that if suppliers are providing this service then they should have the ability to charge the networks for this. This will enable price discovery and ensure that networks identify the most cost effective and economic solution to discharge their obligations.

We would suggest that consideration be given to the establishment of a national standard contract, under the auspices of DCUSA. This should govern the contractual terms and conditions by which suppliers provide for a risk based site safety management regime on behalf of network operators, but exclude price terms. Such a transparent arrangement will avoid confusion and provide for a level playing field for all suppliers; whilst recognising that the cost base of suppliers will vary by region.

### **Q2. Do you see any issues with our implementation approach?**

We are concerned that if suppliers were to adopt substantially different risk assessment approaches then this might lead to competition issues. For example, if supplier A determined that a 5 yearly inspection is required for a particular site, whereas supplier B determined that a ten year frequency is appropriate then clearly supplier A might be at a disadvantage when acquiring customers from supplier B.

Consequently, we believe that some form of governance with auditory requirements will be required to ensure that all parties observe the spirit of the HSE requirements and establish adequate and realistic risk assessment regimes.

**EDF Energy**  
**September 2015**