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23rd January 2015

Supplier Guaranteed and Overall Standards of Performance – statutory consultation and proposals: response from National Grid Metering

National Grid Metering (NGM) is a subsidiary of National Grid Gas (NGG), providing metering services to around 14 million traditional gas meters and is therefore the largest meter asset manager (MAM) of these meters. NGG also carries the National Meter Manager (NMM) obligation for traditional meters in the transition to smart metering.

NGM continues to have an enduring interest in developments in the metering market, and will be significantly impacted by the transition from traditional metering as it becomes a smaller, more marginal activity.

Whilst we appreciate the objectives Ofgem aims to achieve through the proposed changes to the Guaranteed and Overall Standards of Performance (GOSP), we have a number of concerns regarding the potential impacts implementing these proposals may have and outline these below.

Implementation date

We can see the reasoning for aligning gas metering performance standards with electricity standards and simplifying the structure regarding appointment periods but believe implementing these changes by 1 July 2015 will prove both challenging and costly. Reducing the response time from 4 hours to 3 hours for gas metering attends will require significant systems changes, not only for customer interfaces with NGM but also with the systems our service providers utilise. In addition, as the proposed standards would now also affect smaller non domestic meters, this will impact on not only NGM's Domestic metering system (SAP Rainbow) but also our Industrial and Commercial system (Phoenix). Furthermore, the changes required to back office processes and reporting (for Suppliers, MAMs and service providers alike) to reflect the revised standards will also demand significant investment of time and resource. We are therefore concerned that the extent of systems, process and operational changes may be too significant to implement robustly in the period suggested.

Commercial arrangements

The contracts we have in place with Suppliers as their appointed MAM sets out the services and response times required for delivery of meter works to the existing GOSP standards. Changes to the gas services standards would likely result in Suppliers seeking to modify these commercial arrangements. Sufficient time would therefore be required to undertake the relevant contractual discussions and legal undertakings to put these revisions in place.

In the same way, NGM delivers these meter works services via commercial arrangements with various service providers. The relevant response times and delivery standards which Suppliers will seek to secure will therefore also require NGM to undertake contract negotiations with these service providers to deliver the proposed service standards. Given that the proposals require not only increased service response times but increased liability payments, we anticipate that service providers will seek a significant increase in prices and, in some cases, may not have the capacity to achieve the standards required. As the transition to smart metering progresses, this situation may

be exacerbated as traditional meter populations diminish and density decreases. With the increased demand for meter worker resources driven by smart meter installation demands, we already anticipate considerable challenges in this area.

We are therefore concerned that the systems changes and commercial implications will result in significant cost to deliver the proposals. We can also see that these proposals may have a similar or proportionately greater impact on other MAMs undertaking these services. We would be concerned that these additional costs could be passed on to the consumer where other MAMs are not regulated and therefore able to increase prices Suppliers (and as a consequence consumers) might be expected to pay. We agree that it is fair to increase the burden of cost where service failures are seen but do not believe it is Ofgem's intention to drive further costs into Supplier and MAM operations which could then potentially be passed on to the consumer.

Project Nexus implementation and commencement of smart metering mass roll-out

The forthcoming two years will see a series of significant changes to the way in which gas and electricity supplies and services are managed and delivered. In July 2015, Project Nexus is implemented, followed by the start of User Acceptance Testing of DCC services at the end of the year. The mass roll-out of smart meters is then expected to start at the end of 2016. We believe that the extent of changes already scheduled represent a challenging period for the industry. As a result, we believe that this transition would be more easily achieved by minimising further change, avoiding the risk of additional cost and implementation in a controlled and robust manner. Changing the structure of GOSP and the scope of meters and consumers to which the standards apply may add further complexity and may compromise market participants' ability to deliver them.

Conclusion

We can see how alignment of gas and electricity Standards for prepayment consumers is sensible and could deliver the clarity customers seek. We can also see that adjusting the level of payment customers receive in the event of these standards not being met would incentivise Suppliers and MAMs alike to ensure service standards delivered remain high. We therefore support the increase to £29 per breach as proposed but in the context of aligning the gas and electricity Standards to the existing 4 hour period instead. We believe this compromise would go a significant way towards delivering consistent GOSP performance, reducing current service level failures and protecting customers without driving disproportionate cost into metering services activities. In addition, we also believe these changes could be properly introduced by the 1 July 2015 date that Ofgem propose.

The efficient transition to smart metering will, in part, depend on a clear understanding for all parties on the mechanisms to wind-down traditional metering and delivering robust services through this period of change. We believe that this would be better achieved by avoiding significant additional cost and change where possible whilst still seeking to ensure that consumers are appropriately compensated where services fail to be delivered.

If you have any further questions regarding this response, please contact me on 0121 424 8397 or 07866 840703.

Yours faithfully,

By email

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