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Dear Pooja,

Ofgem's consultation document dated 23/07/15 proposing the repeal of suppliers' meter inspection licence obligations – National Grid Metering response

I write with reference to Ofgem's consultation document dated 23 July 2015. National Grid Metering (NGM) is a subsidiary of National Grid Gas (NGG), providing metering services to around 14 million traditional meters. NGM has an enduring interest in current and future developments in the metering market, particularly in the transition to smart technologies.

Meter operators, as well as suppliers, rely on a physical inspection of traditional and early smart meters in order to assess their safety and fitness for purpose. NGM is therefore impacted by the requested, especially in light of our future role acting on behalf of NGG as National Metering Manager (NMM) for traditional domestic gas meters.

Each of the questions set out in the consultation document are set out below, followed by our response.

Q: Do you agree with our assessment of the need for reform?

We can understand the need to reform current inspection arrangements, especially in light of the technical developments and opportunities available from smart metering. Smart meters remove the need to visit a premise to obtain a reading. They also provide opportunities to remotely alert regarding theft and tamper detection but we do have some concern that this might result in increased attempts of theft before the ECV, such as meter bypassing or teeing directly into the service.

Both traditional and smart meter installations will be subject to physical deterioration over time, and this can be exacerbated by location. The two year safety inspection is the first line of defence against meter corrosion. More recently, NGM has operated a corrosion based annual In Service Testing programme and replacement programme. As a consequence of independent analysis, we have truncated the asset life of assets located in potentially damp or confined spaces from 20 to 15 years and this has also impacted our age based replacement programme. We therefore agree that risk-based assessment for safety inspection is reasonable if clear criteria are used which have been agreed by industry and are uniformly applied in order to ensure a consistent minimum safety standard is maintained.

Q: Do you agree with the scope of our review?

We believe that any regulation (either new or existing) should be applied consistently but do not necessarily believe that smart and traditional meters should be subject to the same requirements. Traditional installations do not offer the same opportunities for remote information collection and can only therefore be fully assessed by means of an actual inspection.

The growth of competition in the supplier community means it is sensible to remove cost barriers, both to encourage competition and to avoid disincentivising compliance with an agreed risk-based approach. However, to achieve this, an industry-wide approach to risk-based assessment needs to be in place to ensure that more vulnerable meter locations are still consistently monitored. We would encourage the implementation and policing of MISG recommendations and would welcome confirmation of the formal mechanism to do this. We also support the DNO modification proposal (DCP235) obliging suppliers to share service termination data at the point of exchange to a smart meter. All opportunities to verify installations remain robust should be welcomed in order to ensure safety.

Q: Do you think we have focused on the right options for reform?

We would agree that existing legislation and codes provide sufficient sureties if applied consistently and rigorously, but that some degree of reform is appropriate in light of the forthcoming changes to metering. The Minimal Change option described only addresses electricity metering and leaves competition impacts, which we can see would be unwelcome. The Five Yearly option would potentially be relatively ineffective in respect of traditional gas meters when considered against the timeline for the transition to smart metering. We would also suggest that this option does not adequately address the challenge of risk-based assessment relating to installation degradation accelerated by location. We would therefore suggest that Repeal is appropriate if safeguarded by a clear methodology being defined and a reassessment of the risk surrounding traditional meters, should the transition to smart metering be deferred or delayed.

Q: Are there any important impacts of reforming suppliers' meter inspection obligations that we have not identified?

No – we agree with the approach of “proportionate and efficient regulation” but this can only best be achieved when universally adopted and enforced.

Q: Do you agree with our assessment of the options?

Yes – please refer to our answer to Focus on Right Areas for Reform.

Q: Do you have any evidence to support your views?

We agree that safety risks are dynamic and case-specific and believe that NGM's Holistic Asset Management (HAM) methodology can assist here. We established HAM in order to provide an industry framework for the replacement of end of life assets within the NGG portfolio. Generally, industry participants make a significant effort to achieve the targets set, especially those driven by safety. However, we have still been required to take-back and action these exchanges where some have been either unwilling or unable to do so. We believe HAM could assist in supporting suppliers, augmenting their risk assessment and prioritisation methodology in managing traditional meters, considering the assets and risks

inherent within the whole installation as well as taking into account all drivers for replacement.

Q: Do you think we have identified the consequent impacts of the preferred policy option?

We feel that the linkage with DCP235 acceptance could assist in underpinning the repeal of the meter inspection obligation to ensure that all currently available data continues to be shared. We would therefore prefer to see repeal linked to the implementation of this modification.

Q: Do you see any issues with our implementation approach?

An effective date for repeal of 01 April 2016 appears reasonable. However, we remain concerned that the methodology or requirements for assessing meter condition (and therefore risk) has not been sufficiently clarified and accepted at an industry level to provide comfort. Some uniformity of approach and methodology needs to be established to ensure that meter operators are not adversely affected in managing this and that additional costs are not incurred. We would therefore encourage Ofgem to place some incentive or driver on industry participants to deliver improved availability and quality of data, rather than simply posing it as an "industry goal to work towards".

Summary

We can see the logic in the risk-based assessment approach that Ofgem have taken in light of the supplementary legislation implemented recently. We would welcome the definition and establishment of a clear risk based methodology to prioritise inspections and further clarity regarding how these are to be applied before the current inspection obligations are lifted. We would strongly encourage the involvement of Meter Operators in establishing these. We would also suggest that it would be appropriate to reassess potential safety risks regarding traditional meter installations, in the event that the transition to smart metering is not substantially complete by the end of 2020.

We seek explicit confirmation that any information arising from an inspection would be provided, in line with SSC A50 of the Gas Transporters' Licence, which requires the keeping of records pertaining to the date of the most recent meter inspection and the provision of any inspection-related information.

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

Yours sincerely,

By e-mail

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