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18 September 2015
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Dear Pooja,

Re: SSE response to Ofgem consultation on reviewing suppliers' meter inspection obligation

This response is on behalf of SSE Energy Supply Ltd, SSE Scottish Hydro Electric Power Distribution Plc and SSE Southern Electric Power Distribution Plc (SSE PD). Thank you for the opportunity to comment on your proposals to repeal the meter inspection supply licence condition. SSE takes its obligation to meet the policy objectives of SLC 12 very seriously and we are supportive of the principles of Better Regulation and the proportionate application of regulation. Thus we welcome Ofgem's action to review the meter inspection framework.

We do however have concerns about how information is shared between parties upon change of supplier. If risk ratings assigned to customers (based on an assessment of the meter as well as the customer, and perhaps other elements) by the losing supplier are not captured by the gaining supplier – or the risk ratings differ – it will be impossible to ensure gaining suppliers can effectively prioritise their inspection appointments. Without a coordinated approach to data sharing and/or risk assessment methodologies at an industry level there is a risk that consumers will not be adequately protected. We would welcome Ofgem's involvement in driving the necessary stakeholder engagement so that a workable and consistent approach is adopted in a timely manner.

Importantly, the industry needs to be ready for the associated changes in industry process that will result following the removal of SLC 12 in April 2016. As such, we urge Ofgem to account for this when considering the effective date of any change.

Our comments are providing in the accompanying annex and we would be happy to discuss any of them in more detail.

Yours sincerely,

Patricia Hall

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Annex 1: SSE response to Ofgem consultation on reviewing suppliers' meter inspection obligation

Chapter One

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

Yes, we agree.

Chapter Two

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

Yes, but we believe that industry and consumers would benefit if Ofgem were to mandate a small number of new requirements on the type of information published by suppliers and shared between suppliers and networks operators. These suggestions are detailed in our response to Chapter 5 Q2 on the proposed implementation.

Suppliers and DNOs already share information regarding defects with each other's equipment effectively as a result of the 'duty of cooperation' under the ESQCR and there is potential for extension of current information sharing to enhance the development of risk-based inspection regimes. Hence while we strongly support the principle that each industry party must be responsible for managing its own obligations, we suggest the conclusion that no further Ofgem intervention regarding information sharing potentially misses an opportunity to ensure coordination and minimise costs associated with developing and implementing risk-based inspection regimes.

Question 2: Do you think we have focused on the right options for reform?

Yes

Chapter Three

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

As outlined in our covering letter, the fact that the risk-based models adopted by each supplier could vary if a change of approach is not coordinated at an industry level creates a risk that consumers will not be adequately protected. If risk ratings assigned to customers (based on an assessment of the meter as well as the customer, and perhaps other elements) by the losing supplier are not captured by the gaining supplier or the risk ratings differ it will be impossible to ensure gaining suppliers can effectively prioritise their inspection appointments. We would welcome Ofgem's involvement in driving the necessary stakeholder engagement to ensure that a workable and consistent method is adopted.

Chapter Four

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



Yes, although we believe it should be acknowledged that maximising cost savings across the industry is dependent upon the development of efficient information sharing practices. We believe that Ofgem involvement would be beneficial to ensure appropriate practices are established, since previous experience suggests that coordination across all relevant industry parties may otherwise be hard to achieve.

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

This would take time to coordinate.

Chapter Five

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

Not entirely. We believe that the positive impacts have been captured appropriately but the risks could have been explored further. We agree that this proposal will bring efficiencies through the removal of duplicate regulation and that consumer safety will be improved through industry adopting a risk-based approach. However, it is vital that suppliers' data sharing requirements are properly explored by industry.

While Ofgem state they "expect for industry parties, including distribution network companies, to put in place the necessary commercial arrangements to discharge their related obligations where there are synergies in collaborating with regards to the risks and costs to consumers" we believe there should be recognition that this relies on cooperation from other industry parties and that there is potential for cost saving opportunities to be missed. We therefore recommend Ofgem implements the recommendations proposed in our response to Chapter 5 Q2 or at a minimum monitors development of information sharing practices and retains the option to intervene.

We further believe that an industry wide approach to risk setting would be beneficial in ensuring accuracy and consumer protection. Without agreed methodologies in this space mismatches will continue and consumers will potentially be put at increased risk due to asset failure related to mismatches in approaches between suppliers. We would welcome Ofgem's support in ensuring these activities take place in a timely manner.

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

Yes. We have concerns that the speedy implementation timetable proposed will not allow for suppliers and network operators to work together to agree on data sharing requirements upon change of supplier and the adaptation of an industry wide risk-based approach (as discussed in our response to chapter three and five: question 1).

Additionally, the industry need to be ready for the associated changes in industry processes that will result following the removal of SLC 12 in April 2016. As such, we urge Ofgem to account for this when considering the effective date of any change.



We note Ofgem's proposed approach to market monitoring in paragraph 5.11 is very light touch and suggest there would be benefits to mandating a limited number of new requirements as follows:

- **Suppliers must publish their new risk assessment policies and associated inspection regimes on their websites.** This will demonstrate how the relevant health and safety obligations are being fulfilled, and provide transparency to stakeholders, including DNOs, about the basis on which equipment is inspected. Understanding suppliers' inspection regimes will allow DNOs to develop their policies and procedures to ensure compliance with their own obligations under the ESQCR is achieved in the most economic and efficient way, without unnecessary duplication of effort.
- **Suppliers/MOPs must provide DNOs with the date of last inspection for each meter on an ongoing basis.** This could be part of the Registration Data exchanged through the Master Registration Agreement. Adding an additional data flow for 'date last inspected' which is updated on each inspection would achieve this at a low cost. While the duty of cooperation under ESQCR already requires any party inspecting equipment to report defects noted in another party's equipment, this does not extend to informing other parties of the date of last inspection. It would be beneficial to mandate this as the information will inform DNOs' risk assessment and decisions regarding their own inspection regimes. Lack of visibility of when a meter was last inspected could result in inspection regimes being developed across the industry which result in more frequent inspections by multiple parties than is required to discharge each party's obligations and ensure consumer health and safety in the most economic and efficient way.
- **Suppliers/ MOPs inform DNOs when their equipment is operated, as this would show when an electrically trained person (as opposed to a meter inspector who may have no electrical knowledge) last visited our assets.** This is a valuable piece of information for risk assessment. DNOs are already notified of some instances when equipment is operated (e.g. meter exchange and some instances of de-energisation / re-energisation) through existing industry processes. However, there are other instances of equipment operation (e.g. theft investigation and customer initiated de-energisation / re-energisation) which DNOs are not made aware of. This has the potential to enhance assessment of health and safety risks associated with our equipment.