



Making a positive difference
for energy consumers

Gas suppliers, gas transporters,
Meter Asset Managers, Ofgem
Approved Meter Installers,
interested parties

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Date: 20 December 2016

Dear Colleague

Transfer of role in approving Meter Installers: statutory consultation on modifications to the gas supply licence

This letter sets out our position of being minded to accept Supply Point Administration Agreement (SPAA) Change Proposal 16/349: '*Introduction of "OAMI" into SPAA vires*' (CP16/349), subject to a complementary modification to the gas supply licence being given effect. We consider that transferring the governance of the current Ofgem Approved Meter Installer (OAMI) registration scheme such that it becomes a function of the SPAA would be administratively efficient and consistent with our statutory duties, including adherence to the principles of better regulation. SPAA parties have recommended to the Authority that CP16/349 be implemented.

Annex 1 provides statutory notice of our intention to modify the standard licence conditions of the gas supply licence. Parties are invited to make representations on the proposed changes. Given the proximity of the Christmas period, an additional week has been added onto the standard 28 day consultation period. **Responses are therefore invited by no later than 24 January 2017.** Please email responses to Jonathan.dixon@ofgem.gov.uk.

Subject to representations and no appeal being made to the Competition and Markets Authority, we will direct the implementation of CP16/349 and give the licence modifications effect from 31 March 2017, prior to the expiry of the current OAMI contract. This will enable SPAA to extend the contract for an interim period prior to undertaking a competition procurement exercise, which will ensure continuity of the arrangements over the transitional period.

Background

Any person who installs or maintains meter installations must be competent to do so¹. Further assurance of meter operators' competency and adherence to gas industry practices is provided through the Meter Asset Manager (MAM) Code of Practice (CoP) (MAMCoP). Gas suppliers and gas transporters are required by their licences to use only MAMs that have been approved, and in practice this involves being audited as being compliant with the MAMCoP. Previously, Ofgem had the role of approving MAMs. However, in March 2012 this approval role, and governance of MAMCoP, transferred to the SPAA.

¹ In accordance with the Gas Safety (Installation and Use) Regulations 1998

In addition to the above requirements with regards to safety, the Gas Supplier Licence also places obligations on suppliers for a meter to be installed, or subsequently inspected, by a person who is approved by Ofgem. Whereas a MAM has overall responsibility for the whole life cycle of a meter installation, the purpose of the Ofgem Approved Meter Installer (OAMI) scheme is specifically to ensure that the meter is installed in a manner which ensures the accurate registration of gas consumption.

There is a significant degree of overlap between the MAM and the OAMI CoPs, and commonality between the registered participants under both schemes.

The Change Proposal

CP16/349 proposes to expand the vires of the SPAA Executive Committee to manage the approved Meter Installer scheme. This would allow the contract with the current scheme service provider to be novated to SPAA Ltd and/or new contractual arrangements to be put in place as appropriate. The service provider has confirmed its agreement with this approach.

Subject to CP16/349 being accepted, it is envisaged that a further change will be raised in order to introduce a new SPAA product, which would be the approved Meter Installers CoP. It is noted that this document has already been prepared, following a review of the existing OAMI CoPs. However, it is intended that the changes to the document would be subject to consultation as part of the further change process.

Change Board² recommendation

At the October 2016 meeting of the SPAA Change Board, voting parties voted unanimously to recommend the implementation of CP16/349.

Our view

We have considered the views of the Change Board and the Change Report submitted to us on 15 November 2016. We agree with the Change Board members that this change should be considered against SPAA objective c) and that it would be neutral with respect to the other objectives.

c) Promotion of efficiency in the implementation and administration of the supply point administration arrangements.

Given the degree of overlap between the MAM and OAMI CoPs, we consider that there is scope for efficiency gains if they are administered under the same industry governance. This would not only allow the documents themselves to be streamlined, but may facilitate future procurements to cover the requirements of both schemes. This may allow better value for money from the procurement, but perhaps more significantly reduce the regulatory burden as market participants may be able to demonstrate compliance through a single audit. This would also mitigate the risk of the two CoPs diverting from each other and potentially placing contradictory requirements on market participants. We therefore consider that aligning and simplifying these schemes would be consistent with best regulatory practice.

The licence modifications

The requirement to use an Ofgem approved Meter Installer is in the Gas Supplier's licence. Currently, SLC 12.19 refers to an approved Meter Installer as being one which has been approved by the Authority for the purposes of SLC12. We consider that only a minimal modification would be required to instead reference the approval being in accordance with

² Change Board is established and constituted pursuant and in accordance with the SPAA.

the SPAA. We also consider that this change should be made to the definitions set out in SLC1.

When the administration of the MAMCoP was migrated to the SPAA we inserted into SLC30 a new relevant objective (e): the establishment, maintenance and operation of the Meter Asset Manager arrangements. We consider that a similar modification would be appropriate in the case of the approved Meter Installers scheme. In recognition of the potential for future convergence between these schemes, we have proposed to modify the relevant objective (e) rather than provide a new relevant objective in its own right, which could be taken to imply that the two schemes must continue to stand alone from each other.

Next steps

Subject to consideration of any representations to the notice of proposed modifications and having regard to the Authority's principal objectives and statutory duties, we propose to modify the Gas Supply licence as per the accompanying notices, issued in accordance with Section 23 of the Gas Act 1986.

As set out above, interested parties have until 24 January 2017 to make any representations on the proposed changes. Please email responses to jonathan.dixon@ofgem.gov.uk.

After the consultation closes, we will consider any representations made and publish our final decision. If our decision is to direct the modification to the Gas Supply licence we will at the same time direct the SPAA parties to implement CP16/349.

**Rob Salter-Church,
Partner, Consumers and Competition**

Signed on behalf of the Authority and authorised for that purpose

Annex 1: Statutory consultation on amendment to the Gas Supply Licence

NOTICE UNDER SECTION 23(2) OF THE GAS ACT 1986

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 23(2) of the Gas Act 1986 ("the Act") as follows:

1. The Authority proposes to modify all gas supply licences granted or treated as granted under 7A(1) of the Act by amending Standard Licence Condition 1 (Definitions for standard condition), Standard Licence Condition 12 (Matters relating to Gas Meters) and Standard Condition 30 (Supply Point Administration Agreement).

2. The reason why the Authority proposes to make this licence modification is that it is in customer interests that appropriate arrangements are in place in relation to the role of approving gas Meter Installers, including transparent governance to consider changes to the arrangements. This meter installer approval role is largely technical in nature, and is not a core function for an economic regulator.

3. The effect of the proposed modification(s) is to ensure that the role of approving gas Meter Installers resides with an appropriate industry body. It will facilitate the ongoing operation of the approval scheme and the development of suitable governance arrangements. This will enable the meter installer approval arrangements to be amended if appropriate. We consider that transferring the role is in the interest of consumers and is consistent with our broader duties and the principles of better regulation.

4. Relevant licence holders for the purposes of this Notice are all holders of gas supply licences at the relevant time with Section A and Section B of the Gas Supply Licence in force.

5. A copy of the proposed modification(s) and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).

6. Any representations on the proposed licence modifications may be made on or before 24 January 2017 to: Jon Dixon, Office of Gas and Electricity Markets, 9 Millbank, London SW1P 3GE, or by email to jonathan.dixon@ofgem.gov.uk.

7. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

8. If the Authority decides to make the proposed modification it will take effect on 31 March 2017.

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Rob Salter-Church,

Partner, Competition and Consumers

Duly authorised on behalf of the Gas and Electricity Markets Authority

20 December 2016

SCHEDULE 1

PROPOSED MODIFICATION OF THE STANDARD CONDITIONS OF GAS SUPPLY LICENCES

Standard Conditions 1, 12 and 30 of the gas supply licence are proposed to be modified in the manner set out in this schedule.

Condition 1: Definitions for standard conditions

Modify:

"Meter Installer in relation to any Gas Meter, means:

- (a) a person a class or description of persons possessing the expertise to connect that meter satisfactorily so that the gas supplied through it is duly registered; or
- (b) a person whose staff have such expertise;"

To:

"Meter Installer in relation to any Gas Meter, means a person a class or description of persons:

- (a) possessing the expertise to connect that meter satisfactorily so that the gas supplied through it is duly registered, or a person whose staff have such expertise; and
- (b) approved in accordance with the Supply Point Administration Agreement."

Condition 12: Matter relating to Gas Meters

Delete:

"Approval by Authority

12.19 In this condition, a reference to an approved Meter Installer is to a Meter Installer approved by the Authority for the purposes of this condition."

Replace with:

"Use of an approved Meter Installer

12.19 In this condition, a reference to an approved Meter Installer is to a Meter Installer approved in accordance with the Supply Point Administration Agreement."

Condition 30: Supply Point Administration Agreement

Modify:

"30.6 (e) the establishment, maintenance and operation of the Meter Asset Manager arrangements; and"

To:

“30.6 (e) the establishment, maintenance and operation of the Meter Asset Manager arrangements and/or the approved Meter Installer arrangements; and