



Making a positive difference,  
**for energy consumers;**

Gwneud gwahaniaeth gwirioneddol  
**i ddefnyddwyr ynni**

Direct Dial: 020 7901 7289

Email: [tom.handysides@ofgem.gov.uk](mailto:tom.handysides@ofgem.gov.uk)

Date: 4 February 2016

Dear Company Secretary

### **Modification of Gas Transporter Licence**

Please find enclosed a modification of standard licence conditions 5 and 8 of the gas transporter licence.

We gave notice on 16 November 2015 (the Notice) that we proposed to make modifications to conditions 5 and 8 of the Licence. We asked for any representations to the modification to be made on or before 15 December 2015.

The modification to SLC 5.8(g) removes the reference to SLC 12 of the Gas Suppliers' licences. This is because we have decided to remove standard conditions 12.8 to 12.16 of the Gas Supply licence, which required gas suppliers to inspect their gas meters at least once every two years, because their policy objectives are now more effectively and efficiently achieved through other supply licence conditions and existing legislation. We have decided to retain the requirement for the sharing of the date of last inspection, and therefore have updated the reference in SLC 5.8(g) to SLC 17.12 of the Gas Supply licence. The modification to SLC 12 of the Gas Supply licence does not affect other legal obligations which may require a gas supplier to inspect a meter.

The modification to SLC 8.6 removes the requirement for Gas Transporters to notify the relevant shipper, for transmission to the relevant supplier, of the date by which the next meter inspection should be carried out for that supplier to meet the requirements of SLCs 12.8 to 12.16 to carry out inspections every two years. This condition is no longer required because we have removed the requirement for gas suppliers to undertake these fixed period inspections.

We received 14 responses to the statutory consultation. Those marked not-confidential have been published alongside this letter on our website. We have considered those responses when making our decision on the proposed modification. A summary and discussion of those responses can be found in Appendix 1.

In accordance with the powers contained in 23(1)(b) of the Gas Act 1986 we have decided to modify conditions 5 and 8. This decision will take effect on and from 1 April 2016.

**The Office of Gas and Electricity Markets**

9 Millbank London SW1P 3GE Tel 020 7901 7000 Fax 020 7901 7066 [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

**The Office of Gas and Electricity Markets**

Cornerstone, 107 West Regent Street, Glasgow, G2 2BA Tel 0141 331 2678 [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

**The Office of Gas and Electricity Markets**

1 Caspian Point, Caspian Way, Cardiff Bay CF10 4DQ/ 1 Pentir Caspian, Ffordd Caspian, Bae Caerdydd CF10 4DQ  
Tel 029 2044 4042 [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

If you have any queries please contact Tom Handysides, Senior Policy Manager on 020 7901 7289 or by email [tom.handysides@ofgem.gov.uk](mailto:tom.handysides@ofgem.gov.uk).

Yours faithfully

Rob Salter - Church, Partner  
Duly authorised on behalf of the  
Gas and Electricity Markets Authority

## **Appendix 1 – List of respondents and summary of responses**

We received 14 consultation responses from stakeholders. The non-confidential responses are published on our website alongside this letter.

### **Respondents**

British Gas  
Carbon 2018  
Citizen's Advice  
Danske Commodities  
EDF  
Energetics  
EON – electricity supply  
EON – gas supply  
First Utility  
Good Energy  
Interserve  
Npower  
SGN  
SSE

### **Summary of responses**

Most responses were supportive of our proposals. We received no substantive comments on our revisions to the licence. Some respondents took the opportunity to comment on our final policy proposals, which we consulted on earlier in the year. In particular, respondents raised the risk of billing inaccuracy, issues relating our chosen implementation date, and our role. We have considered the responses received when making our decision on the modification.

#### Billing inaccuracy

##### *Respondents' views*

Some respondents felt that removing the two-yearly meter inspection obligation could lead to inaccurate bills for customers with traditional meters. They suggested this could increase the risk of backbilling, including unexpectedly high bills when their traditional meters are exchanged for smart meters.

##### *Our response*

As noted in the November 2015 consultation, we believe that licence conditions 21B.4 and 21B.5 meet the objectives of billing accuracy in a more effective and efficient way than a static meter inspection interval. These conditions go further in requiring a meter read at least once a year, and allow suppliers flexibility in how they choose to obtain the meter readings.

We do not think it is good regulatory practice to retain the meter inspection conditions to provide a backstop in case of non-compliance with other conditions. If we receive evidence of non-compliance with any licence conditions, including SLC 21B, we will take suitable action.

We will not be amending the modification text to exclude traditional meters from the repeal of conditions 12.8 to 12.16 of the Gas Supply licence.

3 of 4

**The Office of Gas and Electricity Markets**  
9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 **www.ofgem.gov.uk**

**The Office of Gas and Electricity Markets**  
Cornerstone, 107 West Regent Street, Glasgow, G2 2BA **Tel** 0141 331 2678 **www.ofgem.gov.uk**

**The Office of Gas and Electricity Markets**  
1 Caspian Point, Caspian Way, Cardiff Bay CF10 4DQ/ 1 Pentir Caspian, Ffordd Caspian, Bae Caerdydd CF10 4DQ  
**Tel** 029 2044 4042 **www.ofgem.gov.uk**

## Implementation date and our role

### *Respondents' views*

One respondent raised a concern about our implementation date of 1 April 2016. They felt this to be an ambitious timescale for industry to put into place new processes, and that a transition period would be appropriate. Some respondents also noted their wish for us to play an active role in facilitating industry groups on a common risk framework.

### *Our response*

This modification does not necessarily require a change to suppliers' processes, should they consider their processes to be robust and appropriate. Suppliers should be able to satisfy themselves of their existing obligations under health and safety legislation, which could include a risk-based approach to matters of safety. The repeal of SLCs 12.8 to 12.16 will therefore not introduce any new requirements. If a supplier does not have appropriate risk information about their metering portfolio, they may choose to reflect this in their operations to satisfy themselves of their legal safety obligations.

Industry parties may wish to develop a common understanding of the risk indicators for metering, if they believe that this would be an efficient way to support the discharging of their responsibilities. The responsibility for meter safety in a supplier's portfolio would nonetheless remain with that individual supplier. We believe that industry is the best placed party to lead and assess these issues, and we will not be taking an active role in driving this forward. We will however continue to play our part where this falls within our remit, for example in making decisions on modifications to industry codes.

As part of our broader role in monitoring the outcomes of the meter inspections review, we will continue to:

- Respond to issues raised by customers and industry.
- Engage with DECC and the HSE (through our MoU<sup>1</sup>) on common areas of interest on meter safety.
- Monitor the wider market on issues of billing accuracy and theft prevention.

The modification will therefore come into effect on 1 April 2016, as laid out in the November 2015 statutory consultation.

---

<sup>1</sup> [www.hse.gov.uk/aboutus/howwework/framework/f-mou\\_i.pdf](http://www.hse.gov.uk/aboutus/howwework/framework/f-mou_i.pdf)