



Making a positive difference,
for energy consumers;

Gwneud gwahaniaeth gwirioneddol
i ddefnyddwyr ynni

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Date: 4 February 2016

Dear Stakeholder,

Modification of Electricity Supply Licence, Gas Supply Licence, and Gas Transporter Licence

Please find enclosed a decision to modify:

- (i) Standard Licence Condition 12 of the Electricity Supply Licence.
- (ii) Standard Licence Conditions 12 and 17 of the Gas Supply Licence.
- (iii) Standard Licence Conditions 5 and 8 of the Gas Transporter Licence.
- (iv) Standard Special Licence Conditions A50 and D17 of the Gas Transporter Licence.

We gave notice on 16 November 2015 that we proposed to make modifications to the above Licences and by requiring any representations to the modifications to be made on or before 15 December 2015.

The reasons why the Authority has decided to make these licence modifications are to, in the order expressed above:

- (i) Remove clauses in SLC 12 with policy objectives that are more effectively and efficiently met by other supply licence conditions and existing legislation.
- (ii) Remove clauses in SLC 12 with policy objectives that are more effectively and efficiently met by other supply licence conditions and existing legislation, and to update SLC 17 to reflect the proposed amendments to SLC 12.
- (iii) Reflect the changes to SLC 12 of the Gas Supply licence, and to continue to require holders of Gas Transporter licences to keep records of the date of last meter inspection.
- (iv) Reflect the changes to SLC 12 of the Gas Supply licence, and to continue to require holders of Gas Transporter licences to keep records of the date of last meter inspection.

The Office of Gas and Electricity Markets

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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 11A(1)(b) of the Electricity Act 1989, the Authority has decided to modify the Electricity Supply Licence. This decision will take effect on and from 1 April 2016.

In accordance with the powers contained in 23(1)(b) of the Gas Act 1986, the Authority has decided to modify the Gas Supply Licence and Gas Transporter Licence. This decision will take effect on and from 1 April 2016.

If you have any queries please contact Tom Handysides, Senior Policy Manager on 020 7901 7289 or by email 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 to 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 12.14 to 12.16 of the Electricity Supply licence, or from the repeal of conditions 12.8 to 12.16 of the Gas Supply licence.

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, and in developing any data sharing arrangements.

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 12.14 to 12.16 of the Electricity Supply licence and SLCs 12.8 to 12.16 of the Gas Supply licence 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 MoU¹) on common areas of interest on meter safety.
- Monitor the wider market on issues of billing accuracy and theft prevention.

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

¹ www.hse.gov.uk/aboutus/howwework/framework/f-mou_i.pdf