



By email only

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Reforming suppliers' meter inspection obligations consultation

Dear Pooja,

Thank you for the opportunity to respond to the above consultation. Our answers to the questions posed are set out in the appendix embedded at the end of this letter.

npower believes this is the right time to review this subject and supports the view that existing requirements for inspection of gas and electricity meters are outdated and need to be examined, particularly in light of the smart meter rollout - which will begin to ramp up in the medium term – and changes to associated legislation which have/or will come into effect: the Theft obligations; Theft Risk Assessment Service (TRAS); and the relevant parts of the Energy Efficiency Directive. As you may be aware npower has participated actively in the industry working group established by DECC to take these matters forward.

Customer safety is paramount. While we broadly agree with Ofgem that changes to the existing meter inspection regime could reduce costs for industry and consumers, this must not in any way affect adversely the actual or perceived (by customers) very good safety record of the present arrangements. The consideration of safety must outweigh all others in assessing the impacts of any proposed changes.

With the caveat above, npower supports Ofgem's view that repeal of the meter inspection provisions as they are currently set out in the supply licence conditions will benefit consumers. In addition the asymmetry extant at present, with one supplier operating to a different, five-year, period between inspections, has created market distortion and imbalance that needs to be addressed, so that all suppliers are operating to the same (high and) safe standards, whatever they may be.

However, we believe April 2016 is quite ambitious to fully implement the transition from the current obligations to an entirely new framework, and that therefore a more gradual approach (a so called "soft landing") leading ultimately to full repeal of the current arrangements would be less disruptive to both customers and the industry. It would also allow suppliers to fully assess the impact on safety in a more measured and rigorous way. Our preferred approach, therefore, would be for the industry to move to full repeal as each supplier develops a robust replacement for LC12 as it presently stands. Our rationale for this follows:

- Smart meter roll-out provides an opportunity to revisit the current arrangements as the vast majority of metering assets will be removed and replaced over a fairly short period allowing, essentially a 'clean start' and the ability to assess a different approach in a controlled way. Industry could use, therefore, the experience offered by the roll-out to assess and develop what a broader risk-based approach might look like.



- A safe, enduring and effective regime is needed to ensure continuity and consistency for customers; this will not be, however, something that can be quickly put in place. Without consistency in approach across all suppliers and standardised exchange of the right information, there could be considerable spend by suppliers to mitigate the unknown risk every new gain brings on a change of supply. This could be further exacerbated by increased volumes under the Quicker Switching and customer engagement initiatives.
- The industry arrangements supporting a move to a risk-based approach will need time to develop. Using the example of the TRAS, which will not go live until February 2016, this has taken several years to develop. Although TRAS and the supporting framework was developed from scratch, it provides a useful analogue of the difficulties that could be, undoubtedly, faced in moving too quickly.
- Given that it is also likely that changes will need to be made to the BSC and other codes, which could be part of a transitional approach, taken together, this is why we believe it is perhaps more prudent to apply a transition to full repeal in April 2016. In taking more time there may be benefit for the industry - suppliers and DNOs - to be able better to define what constitutes a standard and comprehensive safety inspection to all equipment onsite, which may sit well within one of the industry codes.

Regarding the ability to access metering equipment, in SLC 12 of the gas licence, there is the reference to the use of warrant where necessary. Should the licence condition be repealed, we believe that existing provisions under the Electricity and Gas Acts for inspecting electricity meters and gas fittings would apply in the circumstances under discussion.

We would welcome the opportunity to discuss our response further. If you wish to arrange a meeting, please contact me using the details at the top of this letter.

Yours sincerely,

Robert Finch
Business Partner
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Appendix 1: npower response to consultation questions

CHAPTER: One

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

Npower response:

In relation to the changing market landscape regarding theft detection, billing accuracy and evolving meter technology, npower understands the need to re-assess Supply Licence Condition (SLC) 12 and is in support of this.

The assessment carried out by Ofgem appears appropriate and covers most areas that require closer scrutiny when considering the current meter inspection regime and how this may evolve as smart metering becomes more prevalent.

There is recognition that the aims of SLC12; theft detection, accurate billing and safety are equally achieved through more robust Industry directives and therefore effectively renders SLC12 'not fit for purpose'.

The introduction of a licence condition repeal should be thought through very carefully to ensure that the industry is in a state of readiness to be able to manage any change from the current regime of inspections to one of a risk-based dependency & philosophy. The change from current state to repeal should be carried out in a manner that suits each supply business model which may include a transitional period for example, a move to a five-year inspection regime or alternative.

For a risk-based approach to work effectively throughout the industry, it will require clarity on a number of points: one of which is for example, customer safety, which must remain of paramount importance in considering any proposed changes. To ensure industry compliance with this aspect, how would Ofgem view and assess consistency across suppliers; ie what would constitute 'success' and hence 'failure'?

CHAPTER: Two

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

Npower response:

The scope of the review is comprehensive in as much as it addresses the all the relevant parts of SLC12 relating to meter inspections .

Consideration should be given to some variation within the timescale for repeal indicated within the document and its apparent and ambitious timeframe of April 2016.

The transition from traditional metering stock to smart metering within GB will be achieved over the coming five years. The attendance at customers' premises for each installation will in itself constitute a safety inspection. This period (smart roll-out) could be used as the transition from the date of repeal spanning the period to the end of roll-out.

There are risks inherent with both electricity and gas meter installations; these risks have different characteristics and therefore have to be managed and mitigated in different ways.

A risk-based approach to safety will generate differences responses across suppliers. Ofgem, HSE and the industry must be assured that there will be no detriment to customer safety in the future. It is, therefore, vital that Ofgem provides clarity for what they see as a 'minimum specification' for risk-based inspections.



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

Npower response:

There are three options in this consultation. However, further consideration to variations within these options should also be considered in light of responses made.

npower would welcome the opportunity to discuss the options further with Ofgem.

CHAPTER: Three

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

Npower response:

There are undoubtedly opportunities to realise savings and enhance service offerings with the removal of current prescribed two yearly inspection site visits.

An industry-wide risk-based approach to safety inspections will necessitate some level of cooperation between suppliers to ensure that relevant and information regarding e.g. last inspection date is exchanged timely and accurately. In the current process this does not exist – its introduction of will have costs associated with it and system driven timescales to achieve.

Suppliers face an unquantifiable obligation in early stages to address exactly how Ofgem expects them to carry out their 'all reasonable steps' obligation. How will Ofgem use any information collected in support of deciding what constitutes "all reasonable steps"? Further guidance will, we believe, be required on what it means in this context

HSE obligations vary depending on whether electricity or gas is the constituent fuel. These must be fully understood in any risk-based approach, as their evaluation and method of application must be applied consistently throughout the industry. How will this be measured? As we have said above, the safety of all parties involved or affected by any change must remain paramount and central to Ofgem's considerations.

If entry to a premises (by warrant, if required) is necessary, will the requisite legislation (Schedule 6 paragraph 7(2)(b) to the Electricity Act 1989 and Schedule 2B paragraph 23(2) to the Gas Act 1986) be applicable in these circumstances?

There is an acknowledgement of the fact that replacing traditional meter with smart will itself be deemed an 'inspection' – with read opportunity and enhanced billing capabilities.

CHAPTER: Four

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

Npower response:

A cautious approach may serve the industry and our customers better: for example, a schedule to align with smart roll-out will ensure a more optimal solution can be developed from the date of repeal and during the smart roll-out period.

The safety aspect of SLC12 is paramount; this aspect has not been adequately explored or discussed within this document, particularly in relation to smart meters where alerts cover a range of activities that may lead to safety considerations. While these are over and above current traditional meter capabilities and therefore an improvement, they cannot identify problems associated with deterioration of equipment or gas leak detection, for example.



Although Theft Risk Assessment Service (TRAS) will take effect from the beginning of March 2016, , realistically there will be a period of orientating as suppliers familiarise themselves with the processes. It will be sometime before it is operating on a 'business-as-usual' basis

Smart installation mandation will achieve reading consistency, eventually, but different Supplier's roll-out rates mean this will not occur until the latter stages of the GB programme.

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

Npower response;

We have anecdotal evidence via complaints of the impact of SLC12 on customers, where suppliers' agents have inspected an installation, often with disruption to a customer merely to comply with the arbitrary two-year limit. The time limit drives behaviour that may not be in a supplier's or customers' interests. The removal of the SLC12 obligation as it stands enables suppliers to integrate and discharge their obligations centred on metering more effectively.

Aligning gas and electricity obligations is a sensible feature of the proposals, thus addressing current variances in how present obligations operate.

CHAPTER: Five

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

Npower response;

How would industry standards be maintained? What is Ofgem's intention to ensure consistency across the market, particularly in relation to health and safety matters?

The intention to ensure customer change of supplier can occur more quickly means that it is imperative that the new supplier is made aware of the date of the most recent inspection and any pertinent aspect that may necessitates some action. A process to exchange this data effectively is not yet in place. In introducing any such process, it must be ensured that it doesn't present any new barrier to quicker switching while not breaching any data protection rules.

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

Npower response;

In a risk-based approach an enduring record of the most recent inspection date is required and could be uploaded and stored in e.g. ECOES & SCOGES?

A policy must be agreed to establish this facility, with the inevitable attendant costs and system development/implementation being factored in to any perceived benefit of SLC12 repeal.
