

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposals (CP): 11/198 – Inclusion of Meter Manufacturer’s Codes and Descriptions in the MDD Fast Track Process		
Decision:	The Authority ¹ consents to these changes being made		
Target audience:	SPAA Parties and other interested parties		
Date of publication:	12 October 2011	Implementation Date:	November 2011 SPAA release

Background to the change proposals

Meter manufacturers are required to register as Market Participants² in the Market Domain Data (MDD)³ before they can operate and trade their products in the gas market. In order for meter manufacturers to be added to the MDD, a party to the Supply Point Administration Agreement (SPAA) is required to raise a Change Proposal⁴ to the SPAA. SPAA parties then have to approve the change.

There are two ways of raising changes to MDD. They can either be raised through the standard SPAA change process or the MDD Change Process. When using the MDD Change Process, Change Proposals can be processed and implemented within a three week period, subject to no appeals being raised. The MDD Change Process is set out in Schedule 18 ('Market Domain Data') of the SPAA and is used to change specific defined data in the MDD. The specific defined data is listed in Schedule 18. Data items not listed in Schedule 18 need to be processed using the standard SPAA change process.

The SPAA and its products are subject to three formal releases per year. Using the standard SPAA change process results in changes to MDD taking between 3-5 months to implement subject to appeal.

Currently Schedule 18 does not allow for meter manufacturer codes and descriptions to be added to MDD through the MDD Change Process. Therefore to add a meter manufacturer to the MDD the full SPAA change process has to be used. This results in meter manufacturers having to wait anywhere between 3 to 5 months to get registered as a market participant, during this time they are unable to operate or trade in the market.

Meter manufacturers already registered in the MDD are however able to register new meter models through the MDD Change Process. The proposer of this change proposal argues that this may mean that already registered meter manufacturers have a competitive advantage over a meter manufacturer that has not yet been registered in MDD.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² Defined in the Schedule 29 of the SPAA as 'any organisation that participates in the gas market'.

³ Market Domain Data are data that are required to be commonly used by market participants, they have pre-defined values associated with them which are set out in Schedule 18 of the SPAA.

⁴ Defined in the SPAA as 'a notice in writing from any Party or Parties in accordance with Clause 9, proposing an amendment to this Agreement'.

The proposer also argues that the rollout of Smart Metering⁵ will lead to an increase in competition in the meter manufacturing market. They point out that by requiring these meter manufacturers to go through what effectively is a 3-5 month 'registration' period to register as a market participant in MDD could be considered a barrier to entry. This could ultimately have a negative influence on fair and open competition in the metering market.

The change proposals

CP11/198 seeks to amend Schedule 18 of the SPAA to allow Manufacturer Codes and Manufacturer Descriptions of Market Participants to be covered by the MDD Change Process. This will mean that meter manufacturers will be able to register themselves in MDD within three weeks.

Respondent's views

CP 11/198 was considered at the SPAA Change Board on 18 August 2011.

All voting members, six of whom represented Domestic Suppliers, six represented I&C Suppliers and 1 Transporter representative were in favour of CP 11/198 being implemented. This equated to 100 per cent of the weighted votes cast by relevant parties.

The threshold for a change proposal being accepted by relevant SPAA parties is 65 per cent⁶.

There was unanimous support for the proposed implementation dates.

The Authority's view

We note the unanimous support from those who voted on the proposal and the absence of any consultation responses to the industry consultation. We also note the proposer's argument that this will remove a barrier to entry and therefore could facilitate relevant objective (b) of the SPAA⁷ by aiding competition. The proposer also argued that the reduced timescales involved in registering a meter manufacturer would facilitate relevant objective (c) of the SPAA by increasing efficiency in the process of registering in MDD.

We agree that CP11/198 engages relevant objectives (b) and (c) and consider that the proposal is neutral in relation to relevant objectives (a) and (d).

Relevant objective (b) – The furtherance of effective competition between Gas Suppliers and between relevant agents

We agree that supplier agents such as meter manufacturers are likely to benefit competitively from this proposal as it allows meter manufacturers to register into MDD in a much shorter time scale, enabling them to start operating and trading their products much earlier. This may result in greater competition in the metering market which will

⁵ This is a Government led project which aims to introduce smart energy meters into all domestic properties by 2019 and non-domestic properties by 2014.

⁶ The SPAA change control procedures are set out in clause 9 of the agreement.

⁷ The relevant objectives of the SPAA are set out in standard licence condition 30 of the gas supply licence conditions - <http://epr.ofgem.gov.uk/index.php?pk=folder430788link>.

ultimately benefit suppliers as there will likely be more products available sooner which may have a downward impact on cost as a result of the increase in competition.

We therefore agree that CP11/198 will help to facilitate relevant objective (b).

Relevant objective (c) – Promotion of efficiency in the implementation and administration of the supply point administration arrangements

We consider that CP11/198 will not only increase the efficiency for meter manufacturers when it comes to them registering in MDD, but it will also increase the efficiency of processing these changes.

We therefore agree that relevant objective (c) would be better facilitated by this Change Proposal being implemented.

Decision notice

For the reasons set out above, and in accordance with Standard Condition 30 of the Gas Suppliers Licence, the Authority consents to change proposal CP11/198: 'Inclusion of Meter Manufacturer's Codes and Descriptions in the MDD Fast Track Process' being made.

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Signed on behalf of the Authority and authorised for that purpose.