

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP) 13/237 Gas Smart Metering Retrospective Update Process.		
Decision:	The Authority's ¹ decision is that this change proposal should not be made. ²		
Target audience:	SPAA Parties and other interested parties		
Date of publication:	16 July 2013	Date of Implementation:	N/A

Background to the modification proposal

The Smart Metering Implementation Programme ("SMIP") is a major energy infrastructure project. It is being led by the Department of Energy and Climate Change ("DECC") for the replacement or upgrade of over 50 million domestic and non domestic electricity and gas meters by the end of 2020.

The SMIP has two phases for the implementation of smart meters:

- Foundation Phase³
- Mass Rollout Phase⁴

As part of this programme suppliers have already begun to trial and install smart meters. Some of these meters, despite having advanced functionality, will not be considered as fully compliant smart meters as they do not comply with the government specified Smart Meter Equipment Technical Specification.

The centralised gas industry databases⁵ hold metering specific data. These contain information describing the technical nature of metering points. The SPAA governs the permitted data items (referred to as Market Domain Data or MDD) that are used to populate and update the centralised gas industry databases.

Uniform Network Code (UNC) change proposal (CP) 430 (UNC430)⁶, which the Authority consented to in April 2013, introduced a requirement for the centralised gas industry databases to store data items identifying the type of smart metering system installed at premises.

SPAA CP12/225⁷, was accepted by the SPAA Change Board in February 2013 as a self governance change proposal to support UNC430 by adding new meter mechanism codes to the MDD.

The effect of these modifications is to require that where a supplier has installed smart meters and has not updated the MDD with the relevant smart Meter Mechanism Codes specified in the MDD, it must provide to the relevant gas transporters the:

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 This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ The Foundation Phase began in March 2011 and is intended to assist industry's preparation for the Mass Rollout.

⁴ The Mass Rollout Phase is proposed to start in late 2015 and be completed by end 2020.

⁵ Transporters hold the centralised gas industry databases, which are known as UK Link. Various information about each supply meter point is held in UK Link.

⁶ UNC430 Inclusion of data items relevant to smart metering into existing industry systems
<http://www.ofgem.gov.uk/Licensing/GasCodes/UNC/Mods/Documents1/UNC430D.pdf>

⁷ CP12/225 Add new allowable Meter Mechanism Types

- Meter point reference;
- Meter serial number;
- The appropriate Meter Mechanism Code NS, S1, S2;
- Meter installation date; and
- Shipper short code, Supplier short code.

There is currently no mechanism to retrospectively update the centralised gas industry databases with the correct Meter Mechanism Codes (ie NS, S1, and S2) where smart meter assets were installed prior to 1 June 2013.

The modification proposal

CP13/237 was raised by Southern Electric Gas Limited ("the proposer") to include within the SPAA a new schedule – "the Gas Smart Metering Retrospective Update Process", to require retrospective updates to the smart Meter Mechanism Code data for smart meters installed prior to 1 June 2013. The installing supplier would be required to:

- Provide to either Xoserve or the relevant small Transporter the number of meter points impacted (by 10 June 2013); and
- Provide to the Transporter of those meters the "Meter Mechanism Data Input File"⁸ (by 2 August 2013).

Transporters would be required to acknowledge receipt of the "Meter Mechanism Data Input Files" within 2 working days of receiving it. Transporters would provide a monthly update to the SPAA Executive Committee on the number of meter points that have been successfully updated on Transporter systems. Data updates on Transporters' systems would be required to be completed by 30 September 2013.

The proposer states that CP13/237 will facilitate SPAA objective (b) - the furtherance of effective competition between Gas Suppliers and relevant agents.

Change Board views

CP13/237 was considered at the SPAA Change Board on 16 and 17 May 2013. A significant number of comments were received at the meeting on 16 May 2013 and therefore an extraordinary meeting was arranged on 17 May 2013 to complete the review of the process. The outcome of the weighted vote is set out in the table below:

CP 13/237	WEIGHTED VOTING (%)					
	Domestic Supplier		I&C Supplier		Gas Transporter	
	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	100	0	100	0
IMPLEMENTATION DATE	100	0	100	0	100	0
IMPLEMENTATION TECHNIQUE	100	0	100	0	100	0

In accordance with the weighted vote procedure⁹, the Change Board approved CP13/237 and requests Authority consent.

⁸ Guidance on the "Meter Mechanism Data Input File" is contained as an appendix as part of the legal drafting for schedule 35

The Authority's decision

We have considered the views of the Change Board, the contents of the Change Report dated 11 June 2013 and the minutes of the Change Board dated 16/17 May 2013. We have concluded that on the basis of the dates included in the proposal:

- implementation of the change proposal will not better facilitate the achievement of the relevant objectives of the SPAA¹⁰, and
- consenting to the modification being made would not be consistent with the Authority's principal objective and statutory duties.

Reasons for the Authority's decision

We have assessed the change proposal and taken into account the unanimous vote of the Change Board. We have assessed the proposal against the objectives below. Whilst we consider there are potential benefits against objectives (a) and (b), we have decided that it would not be appropriate to consent to a change that would introduce an obligation for suppliers to take certain actions by a date that has already passed. This is discussed further below.

We have concluded, on balance, that the proposal will not further the SPAA relevant objectives and should not be made.

(a) the development, maintenance and operation of an efficient, coordinated and economical change of supplier process

The impact of not having meters correctly identified is that were a customer with a smart meter to switch supplier, the new supplier would receive incorrect information as to the nature of the metering system installed at the premises. This could result in additional cost for suppliers and metering service providers in identifying the type of metering assets installed at premises.

We agree that CP13/237 would give greater certainty to suppliers that information they receive when registering a new customer will be correct and up to date.

We consider that the availability of additional and accurate data in the relevant registration system would enhance the efficiency of the change of supplier process and therefore better facilitates objective (a).

(b) the furtherance of effective competition between gas suppliers and between relevant agents.

We would expect that the effect of CP13/237 would be to increase the accuracy of information that is held on the registration system relating to smart meters installed prior to 1 June 2013. As a result, the customer's new supplier would have access to more accurate information about the metering system installed at their customer's premises. This would have the potential to support their service offering to customers and may be expected to improve the customer experience during the change of supply process.

⁹ The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

¹⁰ As set out in Standard Licence Condition (SLC) 30.5 of the Gas Suppliers Licence. (see link note 9)

We would also expect that accurate information about metering systems would aid suppliers and metering agents to better manage the processes relating to the arrangements for contracting for the rental and maintenance of meters.

We consider that measures that facilitate improvements to the effectiveness of the change of supply process can be expected to promote effective competition in gas supply and between relevant agents and therefore better facilitate objective (b)

(c) the promotion of efficiency in the implementation and administration of the supply point administration arrangements and

(d) so far as is consistent with sub-paragraphs (a), (b) and (c), the efficient discharge of the licensee's obligations under the licence.

The legal drafting includes a deadline of 10 June 2013 for the installing supplier to provide data to Xoserve or the small Transporter. This deadline had already passed when we received CP 13/237 for decision. If some suppliers had not completed this action by 10 June, then in approving CP 13/237 there would appear in the SPAA an obligation that cannot be met by those suppliers.

There is no evidence available to us to indicate that all SPPA parties have completed the required action by the 10 June 2013 date.

We consider that it would be inappropriate in this case to approve a modification that introduces a mandatory obligation for a deadline for action by parties to the SPAA that is set before the date that the modification introduces the requirement.

Further, there is a deadline of 2 August for suppliers to provide the Transporter with the "Meter Mechanism Data Input File". This deadline appears to be quite tight. However, we understand that suppliers were engaged in the development of the legal drafting and note that no respondents raised issues regarding the proposed timescales when commenting on CP 13/237. We have seen no evidence that industry parties would or would not be able to meet these deadlines. However, we consider that there is a risk that industry parties may not have enough time to retrospectively update all relevant meter points. Were a supplier to fail to meet the deadline they would be in breach of the requirements of the SPAA.

Whilst we consider that there are benefits as discussed above, we have decided, on balance, that in light of our concerns with the effect of the proposed legal text it would not be appropriate to consent to this change. We urge industry to give consideration to further potential SPAA changes, if appropriate, in light of the benefits we have discussed above.

Decision notice

In accordance with Standard Condition 30 of the Gas Suppliers Licence, the Authority has not consented to change proposal CP13/237: Gas Smart Metering Retrospective Update Process.

Maxine Frerk
Partner Retail Markets & Research

Signed on behalf of the Authority and authorised for that purpose