

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP) 12/212 'Gas only smart meter installations'		
Decision:	The Authority's ¹ decision is that this change proposal be made. ²		
Target audience:	SPAA Parties and other interested parties		
Date of publication:	11 July 2013	Date of Implementation:	To be confirmed by Electralink

Background to the change proposal

The Smart Metering Implementation Programme ("SMIP") is a major energy infrastructure project 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.

For a smart meter to be able to communicate within and outside of the home, a communications hub would also need to be installed in the home. DECC noted that "the communications hub will require a power source taken from the unmetered mains electricity supply"³.

Some premises where smart meters will be installed have different suppliers for their gas and electricity supply. When a gas supplier decides to install the gas smart meter before the electricity supplier has installed the electricity smart meter (a "gas first installation"), the gas supplier would be required to connect a communications hub to the electricity supply. The gas supplier would need to de-energise the electricity supply at the customer's premises to carry out works to install, maintain or remove the communications hub. On completion of these works, the gas supplier would need to re-energise the customer's electricity supply.

On 6 June 2013 we approved a Distribution Connection Use of System Agreement (DCUSA) change proposal, DCP127⁴ - 'Gas First Smart Meter Installations'. DCP127 allows a gas supplier to accede to the DCUSA. Further, it provides a generic solution which would permit, subject to defined conditions, a gas supplier's agent to de-energise a customer's electricity supply and carry out works required to install, maintain or remove a gas first communications hub.

Gas suppliers would need to accede to the DCUSA if they choose to use the generic permissions introduced by DCP127 when carrying out a gas first installation. They may however choose to put in place separate arrangements, such as bilateral contracts with the electricity supplier and distribution network company. Currently there are no provisions in the relevant industry codes to clarify the routes that are available for gas suppliers that decide to carry out a gas first installation.

The modification proposal

British Gas ("the proposer") has proposed CP 12/212, the legal drafting of which notes that any gas supplier who wishes to de-energise and re-energise an electricity supply to

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 See paragraph 65:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42953/6129-consultation-second-version-smets.pdf

⁴ DCP127 decision letter is here:

<http://www.ofgem.gov.uk/Licensing/ElecCodes/DCUSA/Changes/Documents1/DCP127D.pdf>

install, remove or maintain a smart meter communications hub, must have already either:

- become a signatory to the DCUSA, or
- put in place appropriate arrangements with the relevant DCUSA parties.

The proposer believes that CP 12/212 will better facilitate SPAA objective (b) – “the furtherance of effective competition between Gas Suppliers and between relevant agents”. The proposer notes that “in order to facilitate competition in gas, suppliers must be able to install gas smart meters independently of the electricity supplier, where different suppliers provide gas and electricity supplies to a property”.

Respondents’ views

CP 12/212 was considered at the SPAA Change Board on 16 May 2013. The outcome of the weighted vote is set out in the table below:

CP 12/212	WEIGHTED VOTING (%)					
	Domestic Supplier		I&C Supplier		Gas Transporter	
	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	66	34	70	30	0	0
IMPLEMENTATION DATE	47	53	49	51	0	0
IMPLEMENTATION TECHNIQUE	47	53	49	51	0	0

In accordance with the weighted vote procedure⁵, the Change Board approved the CP 12/212 change solution and requests Authority consent.

The outcome of the voting on 16 May was that the implementation date and implementation technique should be rejected⁶. CP 12/212 was subsequently considered at the SPAA Executive Committee (EC) on 22 May 2013. Following the SPAA EC determination, the Authority has been asked to consent to implementation of CP 12/212 in the next SPAA release following that consent.

The Authority’s decision

We have considered the views of the Change Board and the contents of the Change Report dated 30 May 2013 and have concluded that:

- implementation of the change proposal will better facilitate the achievement of the relevant objectives of the SPAA⁷, and
- consenting to the modification being made is consistent with the Authority’s principal objective and statutory duties.

Reasons for the Authority’s decision

We have made our decision by assessing CP 12/212 against the SPAA objectives. We consider that CP 12/212 will better facilitate objectives (b) and (d). We consider that there is a neutral impact on the remaining objectives.

Various issues were raised by stakeholders on the first version of legal drafting for CP 12/212. Some of these issues were relevant to DCP127 (such as around roles and responsibilities and the ability of the electricity supplier to identify who is responsible for

⁵ The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

⁶ The Change Proposal noted the Proposed Implementation Technique as “Big Bang” and the Proposed Implementation Date as June 2013.

⁷ As set out in Standard Licence Condition (SLC) [30.5 of the Gas Supply Licence](#).

the communications hub), rather than specifically being issues with CP 12/212. We fully considered these issues when deciding on DCP127 so do not consider them further here. One issue raised was whether the legal drafting, which required gas suppliers to accede to the DCUSA, would be *ultra vires* to the SPAA. A second version of CP 12/212 legal drafting was submitted by the proposer, which dealt with this concern by ensuring that it wouldn't be mandatory for gas suppliers to accede to the DCUSA. This version of legal drafting attracted two further comments. These comments indicated rejection of the solution and implementation date in line with each party's vote on DCP127. As noted, we have previously considered the issues raised by DCP127, which are not relevant to CP 12/212.

(b) the furtherance of effective competition between Gas Suppliers and between relevant agents

Our decision on DCP127 concluded that it removed a potential restriction to competition in the supply of gas. CP 12/212 provides additional clarity to SPAA parties about the available routes for installing a gas first communications hub during a gas first installation. The proposed change would make clear to SPAA parties that there is a mechanism to facilitate gas first installations within the DCUSA. We consider that this modification proposal would marginally better facilitate SPAA objective (b) in terms of furthering effective competition between gas suppliers, by increasing clarity and information available to gas suppliers that are party to the SPAA.

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

Standard Licence Condition 33⁸ requires gas suppliers to roll-out smart meters to all homes and small businesses by the end of 2019⁹. For some gas suppliers, this will require them to install smart meters in homes where they are the gas supplier only (ie where they do not also supply electricity). Where that gas supplier chooses to carry out gas first installations, CP 12/212 provides clarity on the options available thus allowing them to make better informed choices on the arrangements they use to install those meters. This will help them to meet their obligations under licence condition 33. As such, we consider that objective (d) is marginally better facilitated.

Decision notice

In accordance with Standard Condition 30 of the Gas Supply Licence, the Authority consents to change proposal CP 12/212: 'Gas only smart meter installations' be made.

Maxine Frerk
Partner Retail Markets & Research

Signed on behalf of the Authority and authorised for that purpose

⁸As set out in Standard Licence Condition (SLC) 33 of the Gas Supply Licence- Smart Metering System- Roll-out, Installation and Maintenance.

⁹ We expect this to be changed to end of 2020, following the Secretary of State's announcement on the completion date on 10 May 2013 <https://www.gov.uk/government/speeches/written-ministerial-statement-by-edward-davey-smart-metering>