

BY EMAIL



21 May 2012

Steve Rowe  
Smart Markets  
9 Millbank  
London  
SW1P 3GE

Dear Mr Rowe,

**ELEXON's response to the Ofgem request for information relating to a potential derogation from the two-yearly meter inspections licence condition**

This is ELEXON's response to the Ofgem's consultation dated 02 April 2012.

Our response is specifically related to that part of the request by British Gas for a derogation from the Electricity Supply Standard Licence Condition 12.14-12.16 relating to inspection of electricity meters and the relationship of that requirement with the Balancing and Settlement Code (BSC). We have no comments on that part of the derogation request relating to gas meter inspections.

Our purpose in responding is to record some of the current BSC obligations on meter reading and site visits. These obligations are aimed at supporting the continuing accuracy of BSC settlements and are independent of whether or not the requested supply licence derogation is granted, i.e. these obligations will remain in place unless modified.

We welcome British Gas' commitment to continue to meet the BSC obligations on meter reads as given in the Question and Answers published following the industry seminar held on 15 December 2010.

We also welcome British Gas' commitments to obtain valid reads at least once every two years, and to improve theft detection through more targeted inspections. This latter commitment should improve the accuracy of data entering Settlement and, taken together, these commitments mitigate any risk that the derogation may impact their ability to meet their BSC obligations.

We note that British Gas proposes to adopt targeted inspections to mitigate any Health and Safety concerns arising from less frequent meter inspections. However, requiring British Gas to report on a regular basis (Annually) on the number of targeted visits and their findings would demonstrate the effectiveness of this approach to detect theft and address any Health and Safety concerns.

Some of the existing BSC obligations that are relevant are listed in the Appendix to this letter.

It remains our view that it is important for Settlement accuracy, including minimising any cross subsidies between Suppliers introduced through GSP Group Correction, that meter readings are always validated. Validated meter readings, together with theft corrections and meter fault corrections, should always be accurately reflected into Settlements. We believe the industry shares this view.

Data Collectors will continue to be required to discharge the full range of functions specified in BSC Section S, BSCP 504, including the requirements set out for checks when on site visits, and Party Service Line 100.

Over the last 12 months we have seen performance, in the Non Half Hourly market, of over 97% of energy being settled on actual data at the Final Reconciliation (RF) Run.

The purpose of this target is to ensure that we have a high proportion of NHH energy being settled on actual data rather than estimates. This is a key performance metric, and a target that Suppliers, the Performance Assurance Board (PAB) and I have been working towards for many years.

We would like to thank all Suppliers and their agents for the hard work that has gone into achieving this target.

We would not wish to see these achievements threatened. However, to the extent that the BSC is silent on how the BSC obligations are achieved, the means by which Suppliers meet this obligation is not an issue for us. Therefore, if British Gas, or any other Supplier, can continue meeting its BSC obligations without a site visit, we are neutral on the derogation.

Should you wish to discuss any aspect of this further, please contact me ([douglas.alexander@elexon.co.uk](mailto:douglas.alexander@elexon.co.uk) or phone 020 7380 4218).

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Alexander', written in a cursive style.

Douglas Alexander

Metering, Disputes and Compliance Manager

## APPENDIX: SOME RELEVANT BSC OBLIGATIONS

There is a general BSC obligation which relates to the frequency of meter reads in the Non Half Hourly market, although not specifically site visits, in the BSC Annex S-1, paragraph 2.2.1. I quote:

'In relation to each GSP Group, the percentage of total energy attributable to a Supplier in respect of Non Half Hourly Metering Systems settled on the basis of Annualised Advances for each Settlement Day shall be not less than the percentage set out in the table below against the applicable Volume Allocation Run:

| <b>Volume Allocation Run</b>                | <b>Performance Level</b> |
|---|--------------------------|
| Initial Volume Allocation Run               | n/a                      |
| First Reconciliation Volume Allocation Run  | 30%                      |
| Second Reconciliation Volume Allocation Run | 60%                      |
| Third Reconciliation Volume Allocation Run  | 80%                      |
| Final Reconciliation Volume Allocation Run  | 97%                      |

Because Annualised Advances are derived from the difference between two successive meter reads, these performance obligations are effectively a requirement to take meter reads, e.g. 97% of Non Half Hourly Energy needs to be settled on actual metered data, not estimates, within 14 months.

However, the BSC is silent on how these Annualised Advances are achieved so the meter reads could be achieved through remote reads or customer own reads (without needing any site visits by an agent) as well as by site visits by the appointed Data Collector.

There are two exceptions to the above, where site visits are required:

- Where a site is de-energised, the Non Half-Hourly Data Collector (NHHDC) shall visit every 12 months (BSCP504 3.4.1); and
- Where a Supplier wants a site to be treated as Long Term Vacant, the NHHDC must visit at least every 215 calendar days (BSC section S2.8.5, BSCP504 4.15.3), or else the site will stop qualifying.

There are also requirements for the maintenance and testing and inspection of metering equipment set out in the BSC. For example BSC Section L 3.6.2 states:

'The Registrant of each Metering System shall at its own cost and expense (but without prejudice to its rights to charge any other person for such service pursuant to another agreement or arrangement) ensure that the Metering Equipment is kept in good working order, repair and condition to the extent necessary to allow the correct registration, recording and transmission of the requisite details of the quantities of Active Energy and/or Reactive Energy measured by the relevant Metering System.'