Interaction Between UMS Regulations & BSC Charge Code Process:

SVG's Discussions & Areas for UMSUG Review

Meeting Name	Unmetered Supplies User Group
Meeting Date	11 February 2014
Purpose of paper	For Information
Summary	The SVG has identified a potential risk to UMS Settlement accuracy. The risk arises from the interaction between the BSC's Charge Code process and the Government's UMS Regulations, which as primary legislation take precedence over the BSC. This paper explains the risk, summarises the SVG's discussion of different options for addressing it, and outlines the four areas which the SVG asks the UMSUG to consider further during 2014. We invite the UMSUG to provide any initial views and suggestions on solutions and our proposed progression process.

1. The issue

1.1 The Supplier Volume Allocation Group (SVG) considers that a potential Settlement risk arises from the interaction between two different, but related, Unmetered Supplies (UMS) decision-making processes. The two decisions are as follows:

1) Each Distributor's UMS Operator's (UMSO's) decision on whether to provide a UMS connection for equipment, in accordance with the Electricity (Unmetered Supply) Regulations 2001 (Statutory Instrument 2001/3263, hereafter referred to as 'the Statutory Instrument' (SI)):

The SI requires each individual UMSO to make this connection decision for its own distribution area(s). The SI sets out criteria for a UMS connection. It also states that a UMS connection shall only be provided with the agreement of the relevant UMSO, Supplier and customer. The SI contains a disputes process which, in the event that agreement cannot be reached, can be used by any of these three parties to seek a determination from the National Measurement Office (NMO). See Appendix 1 for an extract from the SI provisions.

The SI sits under Schedule 7 of the Electricity Act 1989. The NMO introduced guidance on the SI in 2012.[1] The SI provisions are also reflected in the National Terms of Connection (NTC), the Distribution Connection and Use of System Agreement (DCUSA) and BSC Section S8.

[1] The SI refers to disputes being raised with and determined by the Authority (Ofgem). However, the Energy Act 2008 transferred statutory responsibility for the majority of Schedule 7 of the Electricity Act, including the SI and its disputes process, to the Secretary of State (i.e. the NMO) with effect from 2009.

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2) The SVG's decision under BSC Procedure (BSCP) 520 on how the consumption of UMS-connected equipment is estimated for Settlement:

The BSCP contains a process by which applications can be made to the SVG for UMS Charge Codes. A Charge Code is the mechanism by which the consumption of UMS-connected equipment is estimated for Settlement, so if equipment is given a UMS connection then there needs to be a Charge Code.

The BSCP does not specify who should submit these applications; they are usually made by the manufacturer or the customer. The BSCP process is voluntary in that it starts from the point at which an application is received; there is no requirement to submit an application.

Hierarchy and interaction of rules

1.2 Neither the SI itself nor the NMO guidance refer to Settlement or Charge Codes. BSC Section S8 and BSCP520 reflect the requirements of the SI, although in slightly different words. The BSC refers to BSCP520 but does not itself mention Charge Codes, which is a BSCP-level process.

1.3 As primary legislation, the SI takes precedence over the BSC/BSCP rules. This means that it is possible for an UMSO to refuse a UMS connection even if the SVG has approved a Charge Code. Conversely, it is possible for an UMSO to agree a UMS connection in the absence of any SVG-approved Charge Code.

1.4 There therefore needs to be a 'back-stop' Charge Code process to cater for the scenario that one or more UMSOs agrees a UMS connection but no Charge Code is approved by the SVG. Currently this could be for the UMSO(s) to agree their own Miscellaneous Charge Code(s) for their individual area(s). These UMSO-agreed Charge Codes would not be visible to the SVG.

1.5 The following table shows three scenarios in which the SVG's Charge Codes decision and UMSOs' SI connection decisions could diverge:

Scenario	SVG decision (BSCP)	UMSO decision (SI)
1	SVG approves Charge Code	One or more UMSOs refuses to provide an unmetered connection
2	No Charge Code application made to SVG	One or more UMSOs agrees to provide an unmetered connection
3	SVG rejects application for Charge Code	One or more UMSOs agrees to provide an unmetered connection

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'National' versus 'local' Charge Codes and the OID

1.6 The BSCP process was intended to promote Settlement accuracy by providing transparency and consistency in Charge Codes where the same UMS equipment is used in different UMSO areas. It also centralises the administrative resource involved in the Charge Code applications and calculations . This resource would otherwise be borne by UMSOs outside the BSC (either individually, or collectively if they chose to organise another centralised but non-BSC process).

1.7 ELEXON's UMS Operational Information Document (OID) states that *"UMSOs may issue Miscellaneous [800 series] Charge Codes without having them published in the BSCCo Charge Code spreadsheet where the equipment is to be used solely within the UMSO's area"*. We believe that the original intention of these Miscellaneous Charge Codes was to cater for equipment which is unique to a particular area (e.g. a town clock) and for which 'national' SVG-approved Charge Codes are not required. However, this intention is not documented in the OID. The BSCP itself does not distinguish between types of Charge Codes or require an application to the SVG.[2]

1.8 Where Scenarios 2 or 3 occur, this could result in one or more UMSOs using 'local' Miscellaneous Charge Codes as a back-stop process. Use of such Miscellaneous Charge Codes by multiple UMSOs in Scenario 2, or by one or more UMSOs in Scenario 3, could be viewed as going against both the original intention of these codes and past custom/practice. However, there would be no breach of the existing BSC/BSCP rules. The OID is a guidance document and as such is not enforceable.

1.9 The OID's reference to equipment being "used solely within the UMSO's area" is also ambiguous, and open to interpretation as to:

- Whether "UMSO's area" means an individual distribution area or an individual UMSO's area (since an individual Distributor, and therefore an individual UMSO, may be responsible for more than one distribution area); and
- Whether "used" means 'installed' or 'UMS-connected' (i.e. whether it is acceptable to use a local Miscellaneous Charge Code in one area for equipment which is installed nationally but which is metered in all the other areas).

[2] Use of 'local' Miscellaneous Charge Codes can result in different UMSOs using separate but identically-constructed Charge Codes for pieces of equipment which are similar but not identical, and which have the same estimated consumption. However, this has no Settlement impact.

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2. SVG's Concerns

2.1 The SVG notes that the interaction between the SI and the BSCP creates a potential risk to Settlement. This risk arises if one or more UMSOs agrees a UMS connection without the SVG having oversight of the Charge Code which estimates the equipment's consumption for Settlement.

2.2 A recent rejected Charge Codes application has highlighted the potential for Scenarios 2 or 3 to occur. SVG Members have expressed frustration that its Charge Codes decision could be overruled or circumvented by UMSOs' connection decisions. This could occur under Scenario 3, or if multiple UMSOs use 'local' Miscellaneous Charge Codes for the same equipment under Scenario 2. SVG Members consider that, it this situation can arise, then the purpose of the BSCP process is unclear and can result in wasted BSC resource as well as potential Settlement inaccuracy. Some Members consider that this also raises questions about the value of the UMSUG's role in reviewing BSCP Charge Code applications, although the SVG notes that there is a difference between the UMSUG's role as an impartial BSC expert group and the decisions of UMSOs as individual organisations under the SI.

2.3 The SVG notes that the SI contains criteria for a UMS connection (see Appendix 1), but that these are designed to be flexible and therefore have an element of subjective judgement. In particular, the criterion for UMS-connected equipment to be "predictable" is open to interpretation as to how this should be applied. The NMO's guidance provides further information (see extract in Appendix 2) but can itself be interpreted in different ways. The SVG notes that the SI provisions can result in a national customer approaching all UMSOs individually for UMS connections, each of whom may have different considerations and views.

2.4 The SVG notes that the SI was deliberately designed to rely on agreement between the UMSO, Supplier and customer. It was therefore never intended to be 'policed' in the absence of any dispute between these parties. Since there has never been a dispute under the SI, it could be argued to be working as intended. However, the SVG considers that Distributors and Suppliers will naturally wish to maintain customer satisfaction as far as possible while working within the rules. It suggests that this may act as an incentive to interpret the SI criteria flexibly in favour of the customer, and therefore as a disincentive to refuse UMS connections and/or to initiate a dispute under the available SI process. Some Members suggest that this could reduce the likelihood of Scenario 1 but increase the possibility of Scenarios 2 and 3. The SVG queries whether a process which is based on agreement but has never resulted in a dispute indicates the absence, or existence, of an issue.

2.5 SVG Members have expressed concern over the types of equipment that could be UMS-connected under Scenarios 2 and 3, and the precedent that this could set. The SVG notes that the SI was introduced at a time when the variety and technological variety/ sophistication of UMS equipment was limited. Some Members question whether its provisions remain appropriate for all modern and evolving types of street furniture, for which there may be a less clear-cut case for providing UMS connections.

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2.6 More widely, some SVG Members view UMS as an anachronism in an age of Smart Metering and/or because advances in technology have reduced both the size and cost of metering. The SVG notes that the Electricity Act allows for UMS, and that the SI criteria include other considerations beside the practicality/cost of metering. However, it considers that it would be inappropriate if the size of the UMS market were to increase as a proportion of Settlement. Some Members have expressed concern that this could happen if Scenarios 2 and/or 3 were to occur regularly.

3. The Materiality

3.1 Although a recent rejected Charge Codes application has highlighted the potential Settlement risk, the risk is not new and has existed since 2001. It is likely to have low overall materiality, since in total UMS represents only 1.25% of Settlement. As such it would fall below the Material Monitoring Threshold used by the BSC's Performance Assurance Board (PAB) to monitor Settlement Risks.[3]

3.2 Using an UMSO-agreed 'local' Miscellaneous Charge Code, rather than an SVG-approved Charge Code, does not necessarily mean that Settlement will be less accurate or that UMSOs are not following the UMS connection criteria in the SI. The exact Settlement impact will depend on the difference in accuracy between the two different Charge Codes, each of which is itself an estimation and may have some degree of inaccuracy. While SVG-approved Charge Codes are based in large part on test-house data, the absolute accuracy with which they represent an entire population of equipment's consumption 'in the field' could only be established through metering. There are two aspects to UMS Settlement accuracy:

- The accuracy of the volume (setting the correct Charge Code value); and
- The accuracy of the volume allocation in any given half-hour Settlement Period.

3.3 Any inaccuracy in UMS Settlement results in cross-subsidies between the UMS and metered markets – affecting Suppliers (who may have differing levels of involvement in UMS) and ultimately consumers.

3.4 The following table revisits the scenarios from Section 1 in more detail and considers their potential Settlement impact:

Scenario	SVG decision (BSCP)	UMSO decision (SI)	Settlement risk of UMSO decision
1	SVG approves Charge Code	One or more UMSOs refuses to provide an unmetered connection	Arguably none, as equipment would be metered in that UMSO's area[4]

[3] There would also be no enforcement action that the PAB could take to mitigate this risk under the BSC, since no BSC/BSCP rules would be broken.

[4] Although this depends on whether the UMS connection would have been provided on a Half Hourly (HH) or Non Half Hourly (NHH) basis, since HH UMS can be argued to result in a more accurate volume allocation than NHH metered profiles.

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Scenario	SVG decision (BSCP)	UMSO decision (SI)	Settlement risk of UMSO decision
2	No Charge Code application made to SVG	One or more UMSOs agrees to provide an unmetered connection using a 'local' Miscellaneous Charge Code	Potential risk to Settlement accuracy – impact depends on accuracy of UMSO-agreed Charge Code No SVG oversight of Settlement accuracy
3	SVG rejects application for Charge Code	One or more UMSOs agrees to provide an unmetered connection using a 'local' Miscellaneous Charge Code (This could be either the same Charge Code rejected by SVG or a different Charge Code value)	Potential risk to Settlement accuracy – impact depends on relative accuracy of the SVG-rejected and UMSO-agreed Charge Codes Risk associated with this scenario could be seen as higher since SVG's rejection suggests concerns over whether equipment's consumption can be estimated accurately for Settlement

4. Options for Change

4.1 Although the BSC and/or BSCP rules could potentially be amended to require UMSOs to use SVG-approved Charge Codes only, this would restrict UMSOs' decision-making under the SI. In the event of a conflict, the provisions of the SI would ultimately take precedence over the BSC/BSCP. The rest of this section therefore discusses the other options considered by the SVG.

Changing the SI

4.2 Only a change to the SI could remove the potential Settlement risk altogether. The SVG therefore agrees that, in theory, a change to the SI to give the BSC greater control over Settlement accuracy would be the preferred option. However, there are challenges in pursuing such a change as follows:

- Only the Secretary of State can change the SI;
- As primary legislation, the SI has no industry-led review or change process – it remains in place until amended or repealed by the Government;
- The Government's general position is understood to be pro-deregulation;
- The Secretary of State is likely to require a compelling financial business case in order to consider any change, and this may be challenging to establish given the small overall materiality of UMS to consumers' energy bills;
- While SVG Members have suggested various ways of amending the SI, there has not been consensus to date among Members about what the SI would be changed to say;

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- It could therefore take significant BSC resource to establish appropriate revised wording and an associated business case;
- Even if the Government agrees to a change, it could take significant time for it to be progressed and implemented; and
- If the SI remains based on agreement between the UMSO, Supplier and customer (i.e. is still not designed to be 'policed') then this might reduce the practical impact of any wording change.

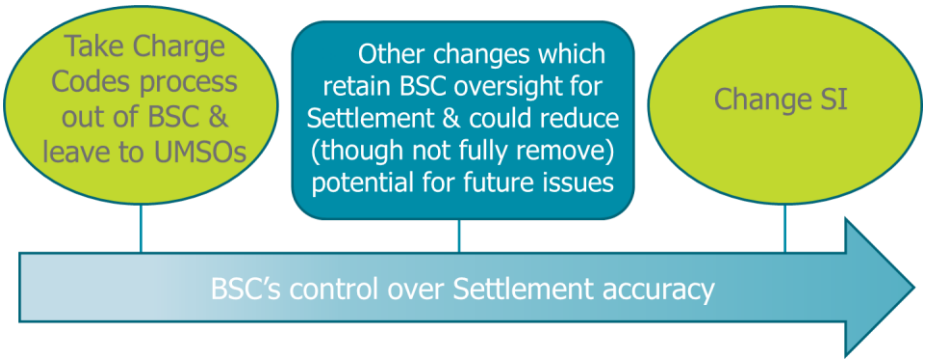
Removing the Charge Code process from the BSC

4.3 Some SVG Members have suggested that, if the SI cannot be changed, then it would be better to remove the Charge Code process from the BSCP altogether rather than potentially waste BSC resource on a process that can be circumvented. This would involve disbanding the UMSUG and leaving all UMSOs to agree their own Charge Codes (either individually or collectively) outside the BSC, including obtaining their own test-house data.

4.4 However, a majority of SVG Members agree that this would not be an improvement on the status quo since it would leave the BSC with no control over UMS Settlement accuracy. It could result in a variety of different UMSO-agreed Charge Codes for the same equipment, with corresponding potential variations in the estimated consumption entering Settlement.

Other options

4.5 ELEXON has suggested to the SVG that we could investigate other changes to the subsidiary processes which fall within the SVG's remit, retain BSC oversight for Settlement and could reduce (though not fully remove) the potential for future issues.



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4.6 We have discussed four potential areas of change with the SVG, as outlined in the following table:

Potential Change	Impacts	Description	Dependencies	Deliver through:	Timing
1	BSCP520 & OID	The OID was originally part of BSCP520, but was removed and made guidance to be easier to change Industry's request for OID changes to be implemented alongside BSC Releases has reduced this benefit In hindsight, BSCP now has little detail on Charge Code process while OID (as guidance) is not enforceable Scope to strengthen BSCP's Charge Code requirements by reinstating some/all of OID as BSCP520 Appendix OID wording on 'local' Miscellaneous Charge Codes is open to interpretation and the intention could be clarified and strengthened in the BSCP	None to implement as 'quick win' In longer-term, content of BSCP/OID may be impacted by other Potential Changes below	Change Proposal	Progress Q1 2014 to implement Nov 2014
2	NMO's SI guidance[5]	The current guidance on the SI's "predictability" criterion is ambiguous and can lead to different views between SVG and UMSOs, and between UMSOs themselves, on whether this criterion for a UMS connection is met SVG needs to consider predictability as part of accuracy of Charge Codes for Settlement, but SI guidance does not make a link between predictability and Charge Codes Scope to investigate a revised, consensus definition of "predictable" that's less open to interpretation and is appropriate/ proportionate for Settlement[6]	Will feed into Potential Changes 3 & 4	Revised wording for handover to NMO	Progress Q1-Q2 2014

[5] The SI guidance can be changed following an NMO-initiated industry consultation, but cannot conflict with the provisions of the SI itself.

[6] Approaches could be to differentiate by type of equipment and/or to use an algorithm. A starting point could be to look at equipment which the UMSUG/SVG has previously determined to be "unpredictable" and why this was the case.

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Potential Change	Impacts	Description	Dependencies	Deliver through:	Timing
3	BSCP520	BSCP contains little detail about the basis on which SVG approves/rejects Charge Codes Scope to clarify/strengthen the division and interaction between UMSOs' and SVG's existing accountabilities under SI/ BSC[7] Scope to review timing of accountabilities in Charge Code process, and whether interaction can be made more efficient (e.g. by getting formal indication of UMSOs' intended SI connection decisions after ELEXON obtains test house data but before SVG makes Charge Codes decision?)	Impacted by outcome of Potential Change 2	Change Proposal	Progress Q3-Q4 2014
4	BSCP520 & OID	Is the BSC resource required to calculate Charge Codes disproportionate to their Settlement materiality? Does the complexity/number of Charge Codes go beyond the requirements of Settlement accuracy? Scope to investigate simplified, but proportionate, Charge Code calculation – this could help to reduce potential for different SVG/UMSO views on appropriateness of specific Charge Codes	Impacted by outcome of Potential Change 2	Change Proposal	Progress Q3-Q4 2014

5. SVG's Views

5.1 SVG Members have expressed different views on the benefits of progressing some or all of the above four Potential Changes.

5.2 The arguments made against progressing the changes are as follows:

- The preferred option of some Members remains to either change the SI or remove the Charge Code process from BSC governance;

[7] An example of where the dividing lines between SI/UMSO and BSC/SVG accountabilities may become unclear is the use of test house data under the BSCP Charge Code process. Although this is not referred to in the BSCP, the OID requires it so that the SVG can consider the accuracy of Charge Codes for Settlement. However, in practice, UMSOs also rely on this to assist them with their connection decisions under the SI because it is relevant to the SI's criterion of predictability. This can lead to a lack of clarity on whether the UMSOs' connection decisions should drive the SVG's Charge Code decision, or vice versa.

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- Some Members question whether it is worth pursuing any changes to the BSCP or NMO guidance, if the SI will still ultimately overrule these;
- Some Members question the extent to which the existing rules are causing practical issues;
- Some Members note that UMSOs may be a small function of distribution businesses and may therefore have limited resource to fulfil any additional BSCP requirements;
- Members note that some of the proposed review areas (particularly Potential Changes 2 and 4) are challenging and as such could involve significant resource; and
- Members note that it has been difficult historically to achieve industry consensus on UMS issues, and some Members consider that this reduces the likelihood of finding agreed solutions.

5.3 The arguments made in favour of progressing the changes are as follows:

- Some Members agree that there are significant challenges in changing the SI, and disadvantages in reducing BSC oversight of Charge Codes;
- Some Members consider that, while only an SI change can fully remove the risk identified, the four identified areas of potential BSCP/guidance changes could help to reduce it and are therefore worth investigating;
- Some Members suggest that Potential Change 1 could reduce the likelihood of Scenarios 2 and 3, since UMSOs may not wish to go against any BSCP restrictions on the use of Miscellaneous Charge Codes (even if the SI ultimately takes precedence);
- Some Members suggest that establishing a shared SVG/UMSO definition of "predictable" for Settlement could help to reduce Settlement risk (e.g. it could reduce the risk of Scenarios 1 and 3 occurring, as well as potentially reducing the risk of Settlement inaccuracy under Scenario 2);
- Some Members suggest that, should there be challenges in changing the NMO's guidance on predictability, there may be scope for the BSCP to establish its own interpretation of this SI criterion for Settlement purposes;[8]
- Some Members suggest that a simplified, consensus Charge Code calculation under Potential Change 4 could help to reduce Settlement risk (potentially under all three scenarios); and
- Some Members suggest that, under Potential Change 4, an approach could be to establish a finite number of Charge Codes and then match new equipment to the closest Charge Code (this could be similar to approaches previously considered by the UMSUG in its 2011 UMS Review).[9]

[8] While it would not be helpful (or reduce the risk) if the BSCP conflicted with the SI/NMO guidance, there is perhaps scope for the BSCP to expand further on the SI guidance for Settlement purposes. This could be looked at under Potential Change 2.

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5.4 On balance, the SVG has agreed collectively that:

- Potential Change 1 (reinstating some/all of the OID in the BSCP) should be progressed as a quick win/minimum change; and
- The UMSUG should consider the other three areas and report back to the SVG on its investigations and views.

5.5 We have also updated the BSC Panel, at its request, on the SVG's discussions. The Panel has agreed that, since all of the proposed review areas fall within the SVG's and UMSUG's Terms of Reference, it does not require any further direct oversight of this work at this time.

6. Next Steps

6.1 Our next scheduled UMSUG meeting is in May. For Potential Change 1, we would need to raise a Change Proposal (CP) by 25 April for it to be implemented in the November Release. We suggest using a subset of UMSUG Members during February/March to review our initial suggestions for what OID content should be moved to BSCP520 and what should remain as guidance. This would also involve reviewing our suggestions on how best to clarify the intention of 'local' Miscellaneous Charge Codes within the BSCP. We would then use the whole UMSUG to review the proposed BSCP/OID content by correspondence (and, if needed, teleconference) in April before raising a CP.

6.2 For Potential Change 2, we suggest using a subset of UMSUG Members to help review our potential straw man solution during March and April. This could then be discussed at the next UMSUG meeting in May.

6.3 We suggest progressing Potential Change 2 before Potential Changes 3 and 4, as its outcome will affect the progression of these other changes. We therefore propose to progress the other two changes during the second half of the year – again utilising a subset of UMSUG Members to review our straw men for discussion at the August and November UMSUG meetings.

6.4 We invite UMSUG Members' initial views and suggestions on the proposed areas for change and appropriate progression process. We also welcome any volunteers from the UMSUG to assist with developing solutions for some or all of the four areas.

6.5 We will provide verbal updates and reports to the SVG as this work progresses.

[9] Some SVG Members note that this approach is likely to be unpopular with manufacturers looking to distinguish the energy-savings of their equipment from their competitors'; other SVG Members question whether this is a relevant consideration for Settlement. The SVG has discussed the extent to which there may be a potential disjoint between manufacturers' desire for complex, tailored, Charge Codes and customers' (e.g. County Councils') wish to use simple generic Charge Codes. SVG Members have expressed differing views on the extent to which the SVG-approved Charge Codes are ultimately being used in customer inventories.

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7. Recommendations

7.1 ELEXON invites the UMSUG to:

a) **NOTE** the Settlement risk identified by the SVG;

b) **NOTE** and **DISCUSS** the concerns raised by, and the options for change considered by, the SVG;

c) **NOTE** the four potential areas of change which the SVG asks the UMSUG to consider further during 2014; and

d) **PROVIDE** any initial views on potential solutions in each area, any suggestions on the appropriate progression process and any UMSUG Member volunteers to assist in developing straw men solutions in each area.

List of Appendices:

Appendix 1 – Extract from the SI

Appendix 2 – Extract from the NMO's guidance on the SI

List of Attachments:

None

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Appendix 1: Extract from the SI

Circumstances permitting unmetered supply

3. (1) Subject to sub-paragraphs (2) and (3), an unmetered supply may be given where—

(a) the electrical load is of a predictable nature, and

(b) either—

(i) the electrical load is less than 500W; or

(ii) it is not practical for a supply of electricity to be given through an appropriate meter at the premises due to—

(aa) the anticipated metering costs in the particular case being significantly higher than the usual metering costs associated with that size of electrical load;

(bb) technical difficulties associated with providing such a meter in the particular case; or

(cc) operation of law so as to prohibit or make excessively difficult the provision of such a meter in the particular case.

(2) Subject to regulation 4, an unmetered supply shall only be given where the authorised distributor, authorised supplier and the customer have agreed to such a supply.

(3) An unmetered supply which does not fall into the categories given in sub-paragraph (1) and which is first given prior to the date on which these Regulations came into force and which has been so supplied since that date, may continue to be an unmetered supply where the authorised distributor, authorised supplier and customer concerned agree to such continuation.

Disputes

4. (1) Any dispute between the authorised distributor, the authorised supplier and the customer as to whether or not regulation 3 applies in particular circumstances—

(a) may be referred to the Authority by any party to the dispute; and

(b) on such reference, shall be determined (by order in writing to the parties) by the Authority or, if it thinks fit, by such person as it may appoint.

(2) A person making an order under paragraph (1) shall include in the order the reasons for reaching the decision with respect to the dispute.

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(3) An order under paragraph (1)—

(a) shall be final and shall be enforceable—

(i) in England and Wales, as if it were a judgement of a county court, and

(ii) in Scotland, as if it were an extract registered decree arbitral bearing a warrant for execution issued by the sheriff.

(b) may include a provision requiring any party to pay a sum in respect of the reasonable costs or expenses incurred by the person making the order.

Appendix 2: Extract from the NMO's guidance on the SI

Circumstances permitting unmetered supply

3. Regulation 3 prescribes the conditions under which an unmetered supply of electricity may be given, subject to paragraphs 2 and 3.

It is important to note the Regulations make provisions where an unmetered supply may be given. The Regulations do not state that an unmetered supply must be given. Where a customer of an authorised supplier is to be charged for the quantity of electricity consumed, the default position (from Schedule 7 to the Act) is that an appropriate meter must be used. The presumption should therefore be that a metered supply will be provided and the onus is on the customer to provide evidence as to why an unmetered supply would be permitted. However many unmetered supply customers use the latest techniques to provide an accurate estimate of consumption and this does not mean that an unmetered supply should not be given in these circumstances.

An unmetered supply requires the agreement of the authorised distributor, the authorised supplier and the customer. When reaching this agreement the parties should consider all available evidence to establish if an unmetered supply is appropriate for the equipment in the particular circumstances. To rationalise the processes surrounding connection agreements for unmetered supplies, consideration should also be given to Section 4 of the NTC.

3(1)(a) Predictable nature

For an unmetered supply to be provided the electrical load must be predictable. In assessing the electrical load, consideration should be given to any ancillary loads (such as heaters or fans) which may be temperature dependent and therefore generally much less predictable than the "useful" load.

It is not appropriate for a supply of electricity to be unmetered where the consumption pattern is unpredictable as this would clearly result in difficulties in the calculation of the customer's bill, and its accuracy.

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The NMO considers that in the context of these Regulations, predictable shall be assumed to mean a load that can be consistently understood throughout its usage period, such that billing can be correctly estimated or accurately calculated based on pre-defined operational profiles or based on event records. The NMO considers that to maintain settlement accuracy, there should be a maximum permitted variation of +/- 3.5% which means the calculated usage should be equivalent in accuracy to that of a metered supply.

In determining if a load meets this criterion NMO encourage a pragmatic approach to equipment which will, for the majority of time, require a constant load but may have small variations in load from time to time that are insignificant in terms of overall kWh consumption taken on an annual basis.

The definition of "predictable" included in this guidance is intended to assist stakeholders to determine if other items of street furniture are suitable for connection to unmetered supplies. When the load is less predictable, then it may be necessary for the supply to be metered. However NMO also encourages parties to adopt a pragmatic approach for small, loads (e.g. vehicle activated signs where a speed warning sign "flashes") where the cost of metering would significantly outweigh the value of the electricity consumed. In this situation it may be possible for the parties to agree a number of "burn hours" based on the estimated number of "flashes" over a time period to provide a reasonably accurate estimate (if necessary, erring on the high side) of consumption. This is particularly the case for customers who have a good record of maintaining an accurate inventory.

For the avoidance of doubt, the supply of electricity to all premises suitable for occupation does not meet this definition of predictable and should therefore always be metered.

Similarly, supplies to electric vehicle charging points should be metered in all cases because of the size of the load and the inability to predict the usage of such points.

NMO believe that temporary connections for festive lighting should generally be given an unmetered supply, as the usage is fairly constant and for a limited time. Temporary connections for other purposes (e.g. market traders, fairs, exhibitions, etc) may not be as predictable and it may be necessary to consider other supply options such as the installation of a dedicated, metered feeder pillar.

[…]

3(1)(b)(i)

500 W

The "500 W rule" refers to the load rating of the equipment although it is the quantity of electricity consumed that needs to be predictable. This is the product of the load (in kW) and the hours of operation. Strict application of this rule could result in situations where equipment with a predictable load which is seldom used, but at times consumes over 500 W, is metered. Conversely, lower loads operating continuously would consume more energy over time but could be unmetered.

NMO understands the 500 W threshold was chosen because, on a continuous supply basis, the figure resulted in an annual consumption close to that of an average domestic customer when the regulations were being developed.

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A 500 W load operating on a continuous regime (8760 hours per annum) will consume 4380 kWh, which is broadly the quantity of electricity consumed by a domestic customer.

The Regulations do not define where the 500 W "limit" is to be measured – i.e. at the load point or at the supply point. For the purpose of this guidance the following definitions shall apply:

"Supply point" – means the point of connection to the authorised distributor's network.

"Load point" – means the point at which the load of the equipment consumes electrical energy.

For the purposes of these Regulations, the NMO adopts the interpretation that the 500 W is measured at the load point and is assumed to mean the maximum operating load of the equipment in question (i.e. the actual power consumption of the load when operating in-service and taking into account any losses attributable to power factor characteristics, etc).

A common example of this would occur where a number of lamps may be situated on a single column so that the total wattage exceeds 500 W but the individual lamps are below this limit, or where a number of lighting units of predictable load are fed from a single point of supply which, when aggregated, exceeds the 500 W limit.

It is generally not practical to meter individual lamp columns and the inclusion of the word "or" in the Regulations has the effect that these applications may be considered for an unmetered supply provided they meet the definition of "predictable". Likewise the aggregated load from a series of columns fed from a single supply point may also be considered for an unmetered supply provided they also meet the definition of "predictable".

'And, either, or'

The Regulations specify that an unmetered supply may be given if the load is of a predictable nature and, either the load is less than 500 W or it is not practical for the supply of electricity to be given through an appropriate meter for the reasons detailed in (aa), (bb) or (cc). The "tests" for financial, technical and legal viability are therefore not required for loads below 500 W.

The word "or" has the effect that a predictable load significantly higher than 500 W could be provided with an unmetered supply if the anticipated metering costs, technical difficulties or the operation of law, would mean that it was not appropriate for the supply of electricity to be given through an appropriate meter.

The key factor in determining whether an unmetered supply is appropriate is therefore the predictability of consumption, and wattage is a secondary condition. However predictability is dependent on accurate inventories being maintained.

[…]

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Disputes

4. Regulation 4 prescribes the procedure to be adopted in the event of a dispute between the authorised distributor, the authorised supplier and the customer as to whether or not regulation 3 applies in particular circumstances.

4(1)(a)

The Regulations recognise that disputes may arise as to whether a particular proposed unmetered supply falls within the prescribed circumstances. Any party to a dispute between the customer, supplier and distributor as to whether the proposed unmetered supply falls within the scope of regulation 3, may refer the matter to the Secretary of State (i.e. NMO) for determination if they wish.

NMO is aware that, in practice, the supplier will generally not be involved in the discussions as to whether a new connection may be provided with an unmetered supply. Disputes as to whether an unmetered supply may be provided will therefore generally be between the customer and the DNO.

Where the dispute is raised by the customer, NMO has limited resources and will continue with the policy adopted by Ofgem that this should initially be referred to the DNOs (or suppliers) internal complaints procedure. As outlined previously the Regulations prescribe the circumstances where an unmetered supply may be given – not that it must be given. If the dispute has not been resolved when that process has been exhausted, only then should the dispute be referred to NMO.

NMO expects the DNOs (or suppliers) procedures to be timely so the process is concluded in time for an unmetered supply to be granted prior to the completion of the project (i.e. the customer should not be "forced" into a metered supply). Any refusal to provide an unmetered supply should disclose the basis for that decision.

4(1)(b)

NMO, or a person appointed by NMO to carry out the task, must decide the outcome of any dispute referred to it. The determination must be written and in the form of an order, which is legally binding.

When determining a dispute NMO (or the person appointed by NMO) will follow the procedure outlined in section 23 of the Electricity Act, 1989 and NMO's own internal quality procedure. This generally requires NMO (or the appointed person) to write to all parties advising them of the dispute and requesting they submit evidence in support of their position. This information will then be reviewed and used as a basis for the determination.

4(2)

The reasons for the decision on a dispute must be included in the written determination.

4(3)(a)

The written determination is final and enforceable.

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NMO will publish written determinations on the NMO website to establish precedents for specific examples. This guidance may be revised following any such determinations.

4(3)(b)

The Regulations provide for the determination to require any party to the dispute to pay the reasonable costs or expenses incurred by the person making the order.

NMO may charge for any disputes that it is asked to determine on depending on the resources required by NMO, or the person appointed by NMO, to issue the determination.

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