

## Representation

### Draft Modification Report

#### **0424: Re-establishment of Supply Meter Points – prospective measures to address shipperless sites**

**Consultation close out date:** 02 November 2012

**Respond to:** enquiries@gasgovernance.co.uk

**Organisation:** **Corona Energy**

**Representative:** Richard Street

**Date of Representation:** 02 November 2012

#### **Do you support or oppose implementation?**

Not in Support

#### **Please summarise (in one paragraph) the key reason(s) for your support/opposition.**

Corona Energy does not support this modification as we believe it is inappropriate that such provisions are being placed in the UNC, which governs Shipper and Transporter activities. The modification makes the incorrect assumption that suppliers are able to regulate the activities of Meter Asset Managers (MAMs) through bilateral contracts. This is not the case, which is why Ofgem led the development of the Meter Asset Manager Code of Practice (MAMCoP) to regulate the activities of all MAMs, in particular in areas of safety such as this. As suppliers do not have a dominant contractual position to control MAM activity (due to the monopoly of the metering sector by National Grid), they will be exposed to significant costs which they will be unable to influence. Furthermore, where a site has been reconnected by the customer, the supplier will have no commercial relationship at that site (the statutory status of the meter will become a consumer provided) and so will be exposed to costs it has no contractual right to recover. It should be noted that the modification assumes that suppliers can direct a MAM to remove a meter from site and so avoid illegal reconnection occurring. The reality is that the situation is unclear on whether MAMs are permitted to remove the asset or whether the meter must be left at the premises to avoid accusations of theft of the meter asset.

We note that the MAMCoP, which governs the activities of all MAMs in the market is now being placed under SPAA governance of which the proposer is a signatory and has the right to raise changes to it. This issue can therefore be progressed by the proposer with the correct parties rather than attempting to place unfair burdens on Shippers to resolve situations they have no control over.

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## **Are there any new or additional issues that you believe should be recorded in the Modification Report?**

### **MAMCoP**

The modification report should indicate that this issue should properly be addressed via the MAMCoP.

It should also recognise that in the I&C market the majority of meters (over 75% according to National Grid Metering and 92% according to industry figures) are provided by National Grid Metering (NGM) which is a monopoly. This has been recognised by Ofgem recently in its ROMA work. As such suppliers, let alone shippers, are unable to exert influence over the market as the market norms are set by the incumbent monopoly.

It is therefore unrealistic for I&C shippers to be expected to exert control over the behaviour of MAMs.

Were Ofgem confident that suppliers and shippers could and should exert control over MAMs in such areas then it would have had no reason to have created the MAMCoP during RGMA as these obligations could have been contained in the UNC.

### **Obligations on MAMs to remove and keep safe other MAMs Assets**

In addition, the modification should indicate the lack of clarity around the issue of meter removal from isolated and withdrawn sites which means that suppliers are unable to ensure that meters are removed from a site.

This modification appears to attempt to require that each time a meter is removed that the MAM that removes the meter must take the meter from the site. CE is aware that MAMs including the MAM owned by the proposers parent company have been in dispute around the removal and warehousing of removed meter assets.

As the largest owner of onsite meter assets in the country it should be noted that the proposers parent has a considerable commercial interest in forcing its removed assets to be warehoused by its competitors. As such CE hopes that the proposer is purely misguided in using the UNC to attempt to encourage this behaviour and that this is not an attempt to use the UNC for commercial gain.

Either way, the resolution of the issue over whether meter assets should be left onsite for the collection by the asset owner or whether they should be removed and warehoused, should be addressed under the proper code. In this case the appropriate code is the MAMCoP and not the UNC.

## Effect on Competition

The report should also note that as many of the larger suppliers in the domestic market (often known as the Big6) are currently creating their own MAMs, they will be able to gain a competitive advantage though increased regulation in this area as they will be able to exert control over their in-house MAM that smaller suppliers are unable to exert over other MAMs.

In order to retain a competitive market in both the supply market and the metering market it is therefore essential that this obligation (to remove a meter from site when removed from the wall during an isolation) is reflected in the governance of the metering market.

### Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

As this modification places significant risk on the Shipper, over which it has no effective control, then it will result in unwarranted costs being placed on Shippers reducing the accuracy of cost targeting and so be detrimental to relevant objective (d).

This modification also fails relevant objective (f) -the promotion of efficiency in the implementation and administration of the network code and or/uniform network code as it places obligations into the UNC which should be in the MAMCoP.

### Impacts and Costs:

*What analysis, development and ongoing costs would you face if this modification were implemented?*

Corona Energy would face potentially significant costs to its business both in terms of risk premiums and costly disputes with MAMs over their activity at sites.

Corona Energy is aware that MAMs are already often in dispute with each other over the safe disposal or return of retired/removed assets.

This issue should not be addressed through the UNC under the guise of addressing a theft issue but should be resolved through the governance of meter workers and Meter Asset Managers. The place for this resolution is therefore the MAMCoP.

This modification is likely to result in an increase in costs for suppliers and shippers without providing any route for the meter worker/MAM issues to be resolved.

It will also lead to shippers and suppliers entering legal disputes with both customers and MAMs over the rights of shippers and suppliers to pursue both parties for loss where a meter is reconnected. CE therefore requests that Ofgem provide a legal view on a supplier's right in this instance in its decision letter. This legal view needs to consider the implications on deemed contracts and the re-registration of sites following a change of tenancy.

**Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

If this modification were to be implemented, then a significant lead time would be required to allow suppliers to align their processes and incorporate suitable risk premiums into their prices.

**Legal Text:**

*Are you satisfied that the legal text will deliver the intent of the modification?*

We have not reviewed the legal text.

**Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

No.