Workshop 1 Notes: 2nd October

NGM Context Presentation

The following questions/points were raised during NGM's presentation:

B-MPOLR& NMM Roles

1. With regard to proposed role of B-MPOLR, are Ofgem going to remove licence obligation on other Networks (e.g. Licence Condition 10 – Provision and return of meters). Is this a contractual link between NGM (B-MPOLR) and existing MPOLR parties? If obligation remains with MPOLR parties then other Networks will need to manage it. Point made that Ofgem need to respond to this.
2. Point made about difference between other Networks meter portfolio mix and age profile. NGM's portfolio will be older and with a very different proportion of PPMs e.g. NGM – c.10%, others - c.50%.

Smart Roll-out

3. Scepticism over even the Low bound roll-out scenario for smart.

Asset Transfer

4. Would an asset transfer as described work in reverse e.g. NGM ➔ Supplier?
5. With regard to Asset transfer it will be the commercials that will be the key.
6. Will this apply equally to iGTs? Assumption is that anyone can approach NGM regarding this.

Future Workload

7. Issue raised of managing assets beyond 2014 and should a replacement under M-BPOLR be a replacement with a smart meter, even if used in 'dumb' mode.

B-MPOLR Session

The following questions/points were raised during this session:

1. There is a Lack of clarity over obligation - particularly with smart installation. Stakeholders unsure if NGM will install smart. If not how will this work, particularly under PEMS situation?
2. Why are tariff caps for installation post B-MPOLR not appropriate?
3. Issue of cherry picking what is called off through B-MPOLR. Could range from everything to PPMs in remote difficult to access sites – providing for a big cost uncertainty.
4. Point made that there will be a requirement to install PPMs post B-MPOLR timescales as currently defined as the industry smart solution for PPM will probably not be available, at least initially.
5. Obligation under M-POLR to provide meters that are "reasonably available" – would include SMETS 1/2
6. Linked to point made during NGM's presentation regarding Licence and will MPOLR obligations be retained by GDNs going forward.
7. Post 2014, under PEMS there may be an obligation to fit SMETS2 smart meters. If so, how will this be dealt with?

8. The diagram in the Consultation document that shows timelines should also include the periods where NGM see that the price cap continues to apply. Linked to this point, why do we not have tariff caps on meters installed post B-MPOLR sunset?
9. Generally six months for a sunset period was considered to be OK. Some thought that this may be too short due to technical teething issues.
10. Stakeholders express the need for clarity around the end to end process and the proposals around the charging mechanism.
11. Likely to be differences between PPM and DCM mix due to roll out based on different strategies:
    a. Asset Life etc.
    b. Termination charges
    c. Technical constraints
    d. Technical considerations
    e. Cherry picking

NMM

The following questions/points were raised during this session:

1. Various queries were raised in relation to the obligation to install smart meters post smart roll-out start and the role of the NMM. The view was that there is a good chance that there will be a significant traditional meter stock around, even after 2020.
2. The role of NMM was generally accepted to be reasonably well understood, except the link to smart post rollout start mentioned in 1 above.
3. Whole issue of PEMS replacement process post beginning of smart roll-out was raised. In emergency situation would NGM be expected to replace a traditional meter with a SMART replacement, bearing in mind that PEMS will be subject to a commercial agreement? Post roll out Suppliers will be obligated to fit a SMART meter in every instance of a meter change. This implies that NG will be obliged to do the same under the PEMS agreement.
4. Assumption that NMM will be done by 2020 is not realistic due to number of meters changed to SMART, due to
    a. Access issues
    b. Technical problems
    c. Unwillingness of some customers to switch to smart.
5. This timing issue falls squarely into the 'Uncertainty' category. How this might be dealt with should be explored under the 'Uncertainty' topic planned for Workshop 3.

Asset Transfer

The following questions/points were raised during this session:

1. How will the commercial arrangements upon transfer work? What if the supplier has a contract with the existing asset owner; they transfer in the asset to the NMM or they acquire a customer who has had their asset transferred into NMM and then different tariffs / terms apply?
2. Has this asset transfer into NMM role been reviewed by Ofgem lawyers with regard to Competition Law implications? This is essential as it effectively creates a monopoly situation in this legacy world.
3. It the opportunity to transfer assets a one off or a continual opportunity to 2020?

4. There was ambiguity amongst the Workshop attendees if this transfer was to apply to only MPOLR assets or any assets from any market participant. If the latter interpretation, what is the rationale given that these parties are playing in a commercial space with commercial risks?
5. If smart is delayed, those who transfer in would lose income stream, so why would they want to do?
6. Commercial issueswere raised linked to such a transfer: price / value (by far the biggest consideration), warranty, age profile, termination conditions, liabilities, consistency, transparency etc.
7. Logistical issues: could NGM deal with all the types of asset that such a transfer might attract? There could be issues in getting accurate records transferred; post transfer invoice validation done; what happens to any related spares stock; issues around date of transfer so that a customer is not billed twice as part of this transfer process.

Tradition Meter Displacement Rates

1. Low scenario is probably too aggressive and the profile will be more back loaded and go past the stated end date of end 2019. This view was based on following rationale:
    a. SMART design from DECCC not yet finalised;
    b. DCC/Security issues
2. There is risk that DECC may push for to achieve 2020 timescales, with associated increase programme costs.
3. In the absence of any better view regarding roll-out then the lower band rate seems an appropriate one to use in this process. However, it may be worth having an earlier review/re-opener to realign if displaced rates outturn to be very different.
4. There is likely to be a propensity for PPM to be back loaded in displacement process for a combination of reasons:
    a. Harder to access
    b. Technical issues
    c. Cost more
    d. More likely to be single fuel PPM. Most likely to target dual fuel first.
    e. DCC not established as yet, so there could be communication issues as well.
    f. No SMART PPM infrastructure as yet agreed.
5. Gas act requires NGM to maintain their PPM meters post 2014. Questions in this area were linked to point already raised regarding any obligation on NGM to install SMART on fault which could result in customer delays due to lack of Smart Meters being available from relevant party.
6. Cross subsidy of credit /PPM meters may affect profile roll out.
7. Communications coverage is a large factor in roll out strategy.
8. HAM will provide some information, but roll out strategy will be based on other things.
9. Delayed roll-out will benefit NGM as assets will be on the wall longer.
10. Electricity meter will be key driver for gas replacement.
11. Lots of exemptions to SMART, may grow and so increase legacy period duration.

Future workloads

1. Back loaded PPM may have increased maintenance issues later.
2. If supplier wanted a SMART installation in all scenarios it would affect maintenance.