

Proposed variation:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP019/019A: Moving Meters with Service Alterations</b>		
Decision:	The Authority <sup>1</sup> rejects DCP019 and DCP019A		
Target audience:	Parties to the DCUSA and other interested parties		
Date of publication:	20 October 2008	Implementation Date:	Not applicable

## Background to the proposed variation

It is often the case that customers who require service alteration work to be carried out on their electricity connection also require their meter to be relocated. It is the responsibility of the customer to arrange any service alteration work with their Distributor, and any meter relocation work separately with their Supplier (who will subsequently coordinate with their Meter Operator (“MO”) to move the meter). In practice, some Distributors currently combine service alteration work with a meter move service, which avoids the customer having to coordinate the two activities, and avoids potential delays in the Distributor’s work where the MO is unavailable to move the meter immediately.

## The proposed variations

**DCP019** (“the Proposal”) seeks to use the DCUSA to give permission to the Distributor to move meters when making service alterations. While this activity in some instances already takes place, DCP019 seeks to formalise a uniform process in the DCUSA setting out potential legal liability and permissions issues. DCP019 contains a clause whereby a Supplier would indemnify the Distributor where loss or damage occurs as a result of that Supplier failing to obtain the consent of the MO or Meter Asset Provider (“MAP”) for any meter relocation work.

The Proposer considers that DCP019 will better facilitate applicable objective (a)<sup>2</sup> and (b)<sup>3</sup> of the DCUSA as it will avoid the need for re-work where jobs have to be aborted due to the unavailability of MOs to move meters, while also improving competition in supply by ensuring an improved customer experience.

**DCP019A** (“the alternative Proposal”) is almost identical to the original Proposal, save for an additional indemnity clause whereby the Distributor would indemnify the Supplier where loss or damage occurs as a result of the Distributor’s failure to relocate the metering equipment in accordance with Good Industry Practice<sup>4</sup>.

The Proposer of DCP019A considers that the inclusion of the additional indemnity clause would provide a fair balance in relation to the original indemnity given by suppliers as set out originally in DCP019. It also considers that the additional indemnity will better facilitate applicable objectives (a) and (b) in the same manner as the original Proposal.

<sup>1</sup> The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> Applicable Objective (a): the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

<sup>3</sup> Applicable Objective (b): the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity

<sup>4</sup> Good Industry Practice is defined in the DCUSA as meaning “the exercise of that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same of similar circumstances”.

## **Recommendation to Ofgem**

Although the majority of Distributors were in favour of implementing DCP019, the Supplier Party Category voted against implementation. The overall recommendation therefore was that DCP019 be rejected.

Similarly, although the Suppliers were in favour of implementing DCP019A, the Distributor Party Category voted against implementation. Therefore, the overall recommendation was that DCP019A be rejected.

Notwithstanding their views on the variations themselves, Parties were also asked to vote separately on the proposed implementation date of February 2009. Parties recommended that this implementation date be accepted.

## **The Authority's decision**

The Authority has considered the issues raised by the original Proposal DCP019 and the alternative Proposal DCP019A, as set out in the final Change Declaration Report dated 15 September 2008. The Authority has considered and taken into account the responses to ElectraLink's<sup>5</sup> consultation which are attached to the Change Declaration<sup>6</sup> and the recommendation of the DCUSA Parties. The Authority has concluded that implementation of either Proposal would not better facilitate the achievement of the Applicable DCUSA Objectives<sup>7</sup>.

## **Reasons for the Authority's decision**

Whilst we have sympathy with the intent behind DCP019 and its alternative DCP019A, in particular the wish to formalise a uniform process within the DCUSA for meter relocation work undertaken by DNOs, we do not believe that it has been clearly demonstrated that either of the Proposals would better facilitate the achievement of the applicable objectives of the DCUSA.

We consider that the both DCP019 and the alternative DCP019A potentially impact on the applicable objectives (a) and (b) of the DCUSA. We have set out our consideration of the proposals against each of the objectives below, and why we consider we are unable to conclude that either of the Proposals would better facilitate the achievement of those objectives.

*Applicable Objective (a): the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks*

Ofgem understands that allowing a Distributor to move metering equipment as part of any required service alteration work avoids the need for any re-work where a job needs to be aborted due to the relevant MO being unavailable. We agree that allowing a Distributor to coordinate and carry out these tasks in tandem helps to improve the efficiency of the system and, potentially, the overall efficiency of the industry. However, for several reasons set out below, we do not believe that Parties have clearly demonstrated that the original proposal would actually achieve this and better facilitate the achievement of applicable objective (a) relevant to the current situation.

We understand from respondents that several Distributors already offer meter relocation

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<sup>5</sup> The role, functions, and responsibilities of Electralink are set out in Section 1B of the DCUSA.

<sup>6</sup> DCUSA change proposals, modification reports and representations can be viewed on the DCUSA website at <http://dcusa.co.uk/Public/Default.aspx>

<sup>7</sup> As set out in the Distribution Licence Standard Condition 22.2, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=13701](http://epr.ofgem.gov.uk/document_fetch.php?documentid=13701)

services as part of service alteration work. It is our view that Parties are currently free to enter into meter relocation agreements on a commercial basis and we understand this already happens in some cases. Particularly given the fact that the categories of party could not agree on the appropriate approach, we would question whether the inclusion of the proposed uniform process within the DCUSA would necessarily increase efficiency of the distribution system, more so than if the process was left solely to individual commercial arrangements.

Further, given the discretionary nature of the activity in DCP019, we do not consider that there would necessarily be any further significant impacts on the efficiency of the distribution system given that those Distributors, who identified a commercial opportunity in combining a meter moving service with service alteration work, would likely already be offering such a service under commercial terms.

In terms of the applicable objective (a), Ofgem considers that the alternative Proposal DCP019A would have a similar impact as the original proposal.

With regard to the above, we therefore have been unable to conclude that either of these Proposals would better facilitate the achievement of an efficient distribution system compared to the current situation.

*Applicable Objective (b): the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity*

The majority of respondents were of the view that allowing a Distributor to move a meter as part of any service alteration would likely avoid the need for an additional site visit by an MO, effectively improving the customer experience and subsequently encouraging competition in supply. While we are supportive of measures which may improve the customer experience, we are not clear of the extent to which DCP019 will enable this, over and above any commercial arrangements that may already be in place. As noted above, Distributors are not precluded from offering this service and as we understand it, some are already doing so. We also do not believe that it has been demonstrated that unlimited liabilities would be appropriate in either the original Proposal or the alternative Proposal (see also our comments on unlimited liability below).

In terms of applicable objective (b), Ofgem considers DCP019A to have a less clear, and potentially negative, impact upon the customer experience and competition in supply. Respondents who did not support DCP019A were concerned that the additional indemnity clause as set out in DCP019A may create a disincentive for Distributors to carry out meter moves in conjunction with service alterations due to the indemnity being an unlimited liability, i.e. uncapped and not bound by DCUSA Clause 53.

While we agree that the alternative proposal provides a further indemnity to that which would be taken on by suppliers under both Proposals, it is not clear that Distributors would be as well placed to back off or otherwise cap these liabilities in separate contracts, for instance as suppliers may seek to do in rental agreements with Meter Providers. Consistent with our comments above, we are also sympathetic towards those respondents who questioned the inclusion of an unlimited liability (this is not standard in the DCUSA and we would want to ensure its inclusion was scrutinised thoroughly before considering implementation). We do not believe that it has been demonstrated that unlimited liabilities would be appropriate in these circumstances.

It is also possible that Distributors would cease to undertake the service or would seek to include additional risk premiums, increasing the costs of the service. If Distributors were to cease to undertake meter relocation work because the risk is perceived to be too great, more customers would be left to coordinate the work themselves. This would run

counter to the underlying principle of the Proposal.

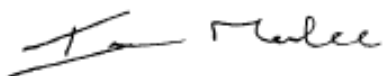
Notwithstanding the above, we wish to be clear that we are supportive of measures which seek to allocate risk to those Parties best able to manage it. However, we are disappointed that respondents did not provide any evidence to suggest the magnitude of the potential risks associated with both Proposals. As such, we believe it is similarly unclear what the impact of DCP019A is upon the facilitation of applicable objective (b).

#### *Conclusion*

We do not consider that it has been sufficiently demonstrated that either of these Proposals better facilitate the achievement of the applicable objectives of the DCUSA, over and above the current situation. However, Ofgem is not averse to the industry working together to develop and agree a common set of standards for meter moves carried out by DNOs, and indeed we believe there could be value in this.

We are disappointed in this case that agreement was not reached by industry over what is predominately an issue regarding commercial arrangements between Parties. We are further disappointed that despite the lack of agreement the Change Declaration Report was given to Ofgem with what we believe to be an incomplete and unclear set of arguments, particularly in regards to the merits of the respective indemnity clauses.

For the reasons set out above, we have decided not to direct the implementation of DCP019 "Moving meters with service alterations", or the alternative variation DCP019A.

A handwritten signature in black ink, appearing to read "Ian Marlee". The signature is written in a cursive, slightly slanted style.

**Ian Marlee**

**Director, Trading Arrangements**

Signed on behalf of the Authority and authorised for that purpose.