Proposed variation:	**Distribution Connection and Use of System Agreement (DCUSA) DCP037: Moving Meters**		
Decision:	The Authority[1] rejects this variation		
Target audience:	Parties to the DCUSA and other interested parties		
Date of publication:	17 April 2009	Implementation Date:	Not applicable

Background to the proposed variation

When Distributors undertake work to relocate a Customer's electricity connection[2], the Customer's meter may also need to be relocated as well. Traditionally, work involving an electricity connection has involved the Customer and the Distributor co-ordinating this work, while any accompanying meter relocation work has required the Customer to contact their Supplier (who will subsequently arrange with their Meter Operator Agent ("MOA") and Meter Asset Provider ("MAP") to move the meter). In practice, some Distributors currently offer to 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 MOA and/or MAP is unavailable to move the meter immediately. DCP037 contains similar principles to those originally raised by DCP019[3].

The proposed variation

DCP037 ("the Proposal") seeks to give permission to the Distributor to move meters when relocating entry/exit points, when requested by either the Supplier or the Customer. While this service in some instances is already offered by Distributors and takes place, DCP037 seeks to formalise a process in the DCUSA most notably by securing relevant permissions for the Distributor to move meters. In particular, the Proposal requires all Suppliers to secure blanket permission from their MOAs and MAPs for Distributors to move meters associated with the move of a service line, when a request has been made by either the Customer or the Supplier.

The Proposal requires Distributors to undertake meter relocation in accordance with Good Industry Practice[4]. It also provides for notification to be provided by the Distributor to the MOA following completion of a meter move in accordance with the BSC. However, unlike DCP019 and DCP019A, the Proposal does not include any additional liabilities on any Party other than that already provided for and as limited by existing DCUSA clauses[5].

The Proposer considers that DCP037 will better facilitate applicable objective (a)[6] and (b)[7] of the DCUSA as it will avoid the need for additional site visits where jobs have to be aborted due to the unavailability of MOA or MAP to move meters, while also improving competition in supply by ensuring an improved customer experience.

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[1] The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.
[2] The drafting is designed to cover a number of practices including mural wiring and service alterations where relocating the entry/exit point makes it beneficial to move the meter as well.
[3] The Authority rejected DCP019 "Moving Meters with Service Alterations" and its alternative DCP019A in October 2008. For further information on these two modification proposals see: www.dcusa.co.uk
[4] The DCUSA defines Good Industry Practice as "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 or similar circumstances".
[5] See DCUSA Clause 53 "Limitation of Liabilities".
[6] Applicable Objective (a): the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks.
[7] 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.

Recommendation to the Authority

The DCUSA Parties' recommendation to the Authority was that DCP037 be accepted. Over 50% of participants voting in each class favoured implementation of the proposed variation.

Notwithstanding views on the variation itself, Parties were also asked to vote separately on the proposed implementation date of 25 July 2009 (the scheduled July DCUSA release). Overall, Parties recommended that this implementation date also be accepted.

The Authority's decision

The Authority has considered the issues raised by DCP037 and the final Change Declaration dated 10 March 2009. The Authority has considered and taken into account the responses to ElectraLink's[8] consultation which are attached to the Change Declaration[9] and the recommendation of the DCUSA Parties. The Authority has concluded that implementation of the Proposal would not better facilitate the achievement of the Applicable DCUSA Objectives[10].

Reasons for the Authority's decision

We support the intent behind DCP037, in particular the desire to formalise a uniform process for meter relocation work undertaken by Distributors (requiring only one visit to a Customer's premises). However, for the reasons set out below, we are unable to conclude that the Proposal would better facilitate the achievement of the relevant objectives of the DCUSA. We consider that DCP037 potentially impacts on the applicable objectives (a) and (b) of the DCUSA. We have set out our consideration of the proposal against each of these objectives below.

Applicable Objective (a): the development, maintenance and operation by the licensee of an efficient, co-ordinated and economical Distribution Networks

We welcome the analysis undertaken by the Working Group in considering the potential environmental impacts resulting from implementation of the Proposal. In particular, we acknowledge the Working Group's conclusion that the reduction in site visits resulting from implementation of the Proposal could potentially result in a reduction in carbon emissions to an estimated total of 33.6 metric tonnes per annum.

Furthermore, as noted in our DCP019/019A decision letter, 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 MOA or MAP 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. However, there are several potential impacts of the Proposal which we do not consider have been sufficiently addressed. These have prevented us from being able to conclude that the Proposal would better achieve applicable objective (a) when compared to the current situation.

The introduction of competition into metering services separated out the roles and responsibilities of Parties operating in the market. Under the "supplier hub" principle, Suppliers not Distributors were placed at the centre of metering arrangements and handed primary responsibility for meter provision and maintenance. The Proposal

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[8] The role, functions, and responsibilities of Electralink are set out in Section 1B of the DCUSA.
[9] DCUSA change proposals, modification reports and representations can be viewed on the DCUSA website at http://dcusa.co.uk/Public/Default.aspx
[10] As set out in the Distribution Licence Standard Condition 9B(9), see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=12773

appears to allow for a situation whereby, upon request by a Customer, a Distributor may relocate a meter without having to notify either the Supplier or the MOA until after the relocation has taken place. While we recognise that in the majority of cases there are benefits to be realised from a single visit, we are concerned that this does not provide for any objections to be fed through to the Distributor where these may be warranted (for example, if the supplier has arranged an imminent change of the meter, where there are complex metering arrangements or where there are specific provisions relating to the meter such as anti-tamper equipment). We believe that not catering for such situations runs contrary to the principle of the "supplier hub" which puts the Supplier at the centre of these processes. Further to this, the meter owner (whether this be the Distributor, Customer or the Supplier) has liabilities under the Electricity Act to ensure the meter is fit for purpose - we would be concerned in the instance that the meter owner and holder of the liability is unable to object to a Distributor handling its meter.

One respondent expressed concern about the impact the Proposal could have when a meter has a communications link e.g. associated with smart meters. We agree with this concern. While we would anticipate that Distributors would be unlikely to agree to move a meter where a communications device is attached, or at the very least without contacting the Supplier (who in turn may need to arrange for the MOA or MAP to attend the site and test the communications link), the Proposal does not provide comfort that this would happen. Again, this would be a particular concern where the Customer initiated the relocation such that the supplier's control of the process was removed.

Two respondents considered that where a Supplier is unable to obtain permission from its MOP or MAP for a Distributor to move the asset, the Supplier would need to seek derogation from the obligation, or else risk being in breach of the DCUSA. We also agree with this concern. While we acknowledge that no evidence of the materiality of this concern has been provided by respondents who raised it as an issue, we do believe it is a valid concern which the Proposal has not sufficiently addressed.

As noted in our DCP019/019A decision letter, we remain of the view that Parties are currently free to enter into meter move arrangements on a commercial basis and we understand that this already happens in a number of cases. Given the discretionary nature of the Proposal, we do not consider that there would necessarily be any further significant impacts on the efficiency of the distribution system. We consider that those Distributors that identified a commercial opportunity in combining a meter moving service with other work would likely already be offering such a service under commercial terms. Therefore we would question whether the inclusion of a uniform set of arrangements into formal governance on an optional basis would offer additional certainty, particularly where the flexibility of certain Parties (in this case Suppliers, MOAs and MAPs) is being limited.

We acknowledge the view of the Proposer who considered that undertaking this work would allow it to better develop, maintain and operate a more efficient, co-ordinated and economical network, and that, even in the absence of action by other Distributors, this would be enough to better facilitate this objective overall. Whilst we agree that in some instances, if this relevant objective is better met by one Distributor it may be enough to conclude that the objective is better facilitated overall, for the reasons outlined above, in relation to supplier control, we do not consider this to be the case for this Proposal.

Applicable Objective (b) the facilitation of effective competition in the generation and supply of electricity and (so far as 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 in conjunction with entry/exit point relocation would likely avoid the need for an additional site visit by a Supplier's MOA or MAP, effectively improving the customer experience and subsequently encouraging competition in supply. As mentioned previously, while we are supportive of measures which may improve the customer experience, we are not clear of the extent to which DCP037 will enable this, over and above any commercial arrangements that may already be in place.

We consider it would be inappropriate to obligate suppliers to accept a Distributor meter move service, particularly where the costs and take-up of this service are unknown. We consider that the Supplier should retain the choice as to whether the meter should be moved by the Distributor, or whether to arrange for their own MOA or MAP to carry out the work. While this may necessitate a second visit in some instances, allowing Distributors the ability to provide this service outside of a formal contract and at their own discretion may have a potential negative impact on competition, particularly where accountabilities and liabilities for the maintenance of the meter lie with other parties.

Furthermore, we would question the suggested impact upon competition in supply. It is our view that the Proposal may impact on competition in supply to the extent that costs and levels of service associated with metering is a differentiating factor between suppliers. This may include different levels of service that a Supplier may offer when a Customer requests a meter move, although we recognise this is likely to be indirect and marginal. We consider that Suppliers should have an active choice in how they source their metering requirements and in some instances it may be that they want to agree to a set of commercial arrangements similar to those set out within the Proposal.

However, we are concerned that sufficient evidence has not been provided on the benefits of the proposal or risks that might arise were the proposal not implemented. Further, on the basis of the concerns outlined above, we consider that the modification may have negative impacts on competition and therefore we are not satisfied that it better facilitates applicable objective (b).

Conclusion

We recognise that there are potential benefits in allowing Distributors to move meters when undertaking work on Customers' electricity connections where there are efficiency gains in doing so. We understand that these benefits may accrue to all Parties, but particularly to the Customer, through potentially minimising the disruption to supply (the "the single visit" principle).

As noted above, we consider that it would be inappropriate to obligate Suppliers to accept a Distributor meter move service in all instances, without an avenue for objection. Therefore, on balance we do not consider that the Proposal would better facilitate the achievement of the applicable objectives of the DCUSA over and above the current situation.

This in no way precludes further work in this area and we anticipate that industry will provide an appropriate response to these issues particularly given the commercial freedom that is now available to all parties. Were a related proposal to come to Ofgem for decision in the future it would be beneficial if it contained an assessment of the consumer detriment arising from the current arrangements as well as the expected benefits of the proposal.

For the reasons set out above, we have decided not to direct the implementation of DCP037 "Moving Meters".

Ian Marlee
Director, Trading Arrangements
Signed on behalf of the Authority and authorised for that purpose