BY EMAIL

7 January 2011

Andrew Wright
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Ofgem
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Dear Mr Wright,

ELEXON's response to the Ofgem request for information relating to a potential derogation from the two-yearly meter inspections licence condition

This is ELEXON's response to the Ofgem request for information open letter dated 18 November 2010.

Our response is specifically related to that part of the request by British Gas for a derogation from the Electricity Supply Standard Licence Condition 12.14-12.16 relating to inspection of electricity meters and the relationship of that requirement with the Balancing and Settlement Code (BSC). We have no comments on that part of the derogation request relating to gas meter inspections.

Our purpose in responding is to record some of the current BSC obligations on meter reads and site visits. These obligations are aimed at supporting the continuing accuracy of BSC settlements and are independent of whether or not the requested supply licence derogation is granted, i.e. these obligations will remain in place unless modified.

So we welcome British Gas' commitment to continue to meet the BSC obligations on meter reads as given in the Question and Answers published following the industry seminar held on 15 December 2010. (We have published these Questions and Answers on our website.)

We also welcome British Gas' commitments to obtain valid reads at least once every two years, and to improve theft detection. This latter commitment should improve the accuracy of data entering settlement and, taken together, these commitments mitigate any risk that the derogation impacts their ability to meet their BSC obligations.

Some of the existing BSC obligations that are relevant are listed in the Appendix to this letter.

It is our general view that it is important for settlement accuracy, including for minimising any cross subsidies between suppliers introduced through GSP Group Correction, that meter readings are always validated, and that together with theft corrections and meter fault corrections are always accurately reflected into settlements. We believe the industry shares this view.

Data Collectors will continue to be required to discharge the full range of functions specified in BSC Section S, BSCP 504, including the requirements set out for checks when on site visits, and Party Service Line 100.

As we noted in our industry newsletter, Newscast issue 329 published this week:

> 'We are starting 2011 on a very positive note: the Non Half Hourly (NHH) market as a whole is settling over 97% of its energy on Annualised Advances (AAs) at the Final Reconciliation (RF) Run. This is the third consecutive month the industry has achieved the 97% target.
>
> The purpose of this target is to ensure that we have a high proportion of NHH energy being settled on actual data rather than estimates. This is a key performance metric, and a target that Suppliers, the Performance Assurance Board (PAB) and I have been working towards for many years.
>
> We would like to thank all Suppliers and their agents for the hard work that has gone into achieving this target.'

We would not wish to see these achievements threatened. However, to the extent that the BSC is silent on how the BSC obligations are achieved, the means by which suppliers meet this obligation is not an issue for us. Therefore, if British Gas, or any other supplier, can continue meet its BSC obligations without a site visit, we are neutral on the derogation.

Should you wish to discuss any aspect of this further, please contact my colleague Beth Brown (beth.brown@elexon.co.uk or phone 020 7380 4324) who is our Market Compliance Manager.

Yours sincerely

Steve Wilkin

Market Advisor

Cc:

Graham Wood, British Gas
Steve Rowe, Ofgem

APPENDIX: SOME RELEVANT BSC OBLIGATIONS

There is a general BSC obligation which relates to the frequency of meter reads in the Non Half Hourly market, although not specifically site visits, in the BSC Annex S-1, paragraph 2.2.1. I quote:

> 'In relation to each GSP Group, the percentage of total energy attributable to a Supplier in respect of Non Half Hourly Metering Systems settled on the basis of Annualised Advances for each Settlement Day shall be not less than the percentage set out in the table below against the applicable Volume Allocation Run:

Volume Allocation Run	Performance Level
Initial Volume Allocation Run	n/a
First Reconciliation Volume Allocation Run	30%
Second Reconciliation Volume Allocation Run	60%
Third Reconciliation Volume Allocation Run	80%
Final Reconciliation Volume Allocation Run	97%

'

Because Annualised Advances are derived from the difference between two successive meter reads, these performance obligations are effectively a requirement to take meter reads, e.g. 97% of Non Half Hourly Energy needs to be settled on actual metered data, not estimates, within 14 months.

However, the BSC is silent on how these Annualised Advances are achieved so the meter reads could be achieved through remote reads or customer own reads (without needing any site visits by an agent) as well as by site visits by the appointed Data Collector.

There are two exceptions to the above, where site visits are required:

- Where a site is de-energised, the Non Half-Hourly Data Collector (NHHDC) shall visit every 12 months (BSCP504 3.4.1); and
- Where a Supplier wants a site to be treated as Long Term Vacant, the NHHDC must visit at least every 215 calendar days (BSC section S2.8.5, BSCP504 4.15.3), or else the site will stop qualifying.

There are also requirements for the maintenance and testing and inspection of metering equipment set out in the BSC. For example BSC Section L 3.6.2 states:

'The Registrant of each Metering System shall at its own cost and expense (but without prejudice to its rights to charge any other person for such service pursuant to another agreement or arrangement) ensure that the Metering Equipment is kept in good working order, repair and condition to the extent necessary to allow the correct registration, recording and transmission of the requisite details of the quantities of Active Energy and/or Reactive Energy measured by the relevant Metering System.'