

PUBLIC CONSULTATION PAPER

PROVISIONAL AND SUBJECT TO REVISION

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New Retail Areas Stakeholder Group: Metering working paper

Minutes of Meeting for Discussion on Metering

Friday, 15 October 2010

10.00am - 12.30pm

Present:

- Richard Khaldi**, Water Industry Commission for Scotland, Chairman
- David Walters**, Water Industry Commission for Scotland
- Steven Lynch**, Blyth Construction Utilities
- James Bream**, Business Stream
- Paul Smith**, Business Stream
- Gary Craig**, Central Market Agency
- Mick Merrick**, Dominus Data Limited
- David Macinnes**, Dyno
- David Pearson**, Ofwat
- Tony March**, Osprey Water Services
- Paul Packett**, Procurement Scotland
- Alistair Ross**, Satec Limited
- Neil Hemmings**, Scottish Water
- John McCall**, Scottish Water
- Jessie McLeman**, Scottish Water
- Will Barber**, Sensus
- Martin Fearon**, Veolia
- Jim Black**, WaterWatch Scotland

In Attendance:

- James Saunders**, Shepherd and Wedderburn LLP
- Kyle McAra**, Shepherd and Wedderburn LLP

Welcome (Richard Khaldi)

1. Richard Khaldi (RK) opened the meeting by giving a short introduction as to the purpose of and the background to the meeting.
2. The Group then approved the minutes from the meeting on metering held on 14 June 2010.
3. RK explained that datalogging would be dealt with first before moving on to metering issues.
4. It was noted that these proposals were not in relation to datalogging for Scottish Water's use, but datalogging for customer use fitted on Scottish Water revenue meters.
5. RK noted that the focus of the Commission's proposals were firstly to ensure Scottish Water's meters are not interfered with and, secondly, to encourage licensed providers and third party companies to provide datalogging solutions.

Terms and Conditions and method statements

6. RK referred the Group to the Commission's proposals on datalogging, which contain draft terms and conditions for datalogging activities on Scottish Water's revenue meters. RK explained that under a

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simplified system, licensed providers and third parties can provide datalogging services by signing up to an agreement incorporating these terms and conditions.

7. It was noted that Scottish Water accreditation would necessarily involve adherence to the terms and conditions. The terms and conditions would constitute the main contract and there would also be a supporting method statement as part of the accreditation process.
8. Regarding clause 4 of the terms and conditions and the proposed technical standards, it was noted that these will not be technical standards in a strict or typical sense for the party undertaking datalogging services, but would oblige them to ensure no interference with the operation or integrity of a Scottish Water revenue meter and to assume responsibility for such interference.
9. Regarding clause 6.2 of the terms and conditions, it was noted that costs relating to interference would be recovered directly by Scottish Water from the body undertaking datalogging installation and not through the licensed provider. This ensures that whoever conducts the installation of a datalogger is responsible for the outcomes of that installation. It was also noted that the purpose of clause 6.2 is to ensure the general infrastructure surrounding the Scottish Water meter is maintained correctly, for instance in relation to manhole covers.
10. It was noted that the potential for damage to meters might be quite small. The hypothetical situation where you have both a licensed provider and a third party conducting an installation was also discussed, particularly as to whether there might be a problem of liability under the terms and conditions.
11. Finally, it was questioned whether multiple method statements would be issued through time or whether this would be a one-off occurrence. RK noted there would only be one that would cover all eventualities. However, it is envisaged that there would be an annual review of the method statement in order to keep it in line with any technological developments. RK noted that next step is to finalise the technicalities regarding the form, content and guidance for method statements.

Operational problems

12. It was noted that one of the biggest problems for a third party provider of datalogging services arises during installation when there is already a datalogger present.
13. RK noted that under the proposed system, if there was already a Scottish Water datalogger present, then licensed providers and third party companies would be notified. However, they would need to engage with the customer to ascertain the existence of independent dataloggers as it is not Scottish Water's duty to check for existing third party dataloggers.
14. It was noted that upon installing dataloggers on sites with existing datalogging equipment, an installer might require technical information that is only available to the owner of the existing equipment. With regard to Scottish Water's loggers, RK confirmed that the Commission would discuss having this information available to accredited installers.
15. It was suggested that there might be dataloggers on site that no one is aware of and that this may need to be addressed. In this regard it was noted that various systems are fitted by customers looking to obtain information on usage for themselves. RK stated that historic dataloggers will be identified through time.
16. It was noted that one way of assessing whether there are dataloggers present would be to carry out a site survey prior to work starting, which could also save a significant amount of money. Without a site survey problems and delays usually appear regarding datalogger installation, often caused by a lack of customer knowledge of their existing equipment. Aside from this, the licensed provider or other third party has a responsibility to the customer to install a datalogger by a timeframe. As such, it may be good practice to employ a site survey.

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17. RK questioned the Group as to whether it thought it necessary to require a site survey as part of the proposals. It was noted that site surveys should form part of best practice and by included in installers' method statements as a result. This combined with the requirement not to interfere with Scottish Water meters should result in site surveys being employed as a matter of good practice.

Flags system

18. It was questioned whether there would be a single entity storing data regarding installed dataloggers. It was noted that CMA would be implementing a scheme where every relevant datalogger is recorded. There would be either a Scottish Water or Non-Scottish Water flag to indicate where there is a datalogger present.
19. A question was asked to whether, when a customer changes or contemplates changing licensed provider, the incoming licensed provider will be able to tell there is a datalogger present. RK observed that all licensed providers will be able to access the CMA central system to determine if there is a relevant datalogger. It was also noted that licensed providers have access to the serial numbers of meters through the CMA system.
20. It was noted further that there was still work to be carried out on the proposals regarding the terms and conditions and the distribution of flags back to CMA. The information will be owned by Scottish Water. It will be available to LPs that own the SPID in the Central System Meter Details screen. The information will be available to all LPs at a SPID level via the Central System Customer Names search facility.
21. It was noted that that the functionality of the flagging system should be operational from 1 April 2011.

Accreditation

22. Following questions to the stakeholders present, RK noted that there does not appear to be a trade body or accreditation system in place already for datalogging that could be relied upon in the proposals.
23. RK noted that the Commission will therefore speak further with Scottish Water about the accreditation system and invited further help from stakeholders on both this issue and the content of the method statements.

Website disclosure

24. RK noted that a customer guide to datalogging was to be produced by the Commission. It was proposed to use the Commission's existing "Scotland on Tap" website structure to distribute this information. The guide would include a list of datalogging companies signed up to the terms and conditions as well as licensed providers.

Conclusion of datalogging section

25. RK noted the Commission's plan was to have a further meeting before Christmas and to finalise technical matters with a view to implementing the proposals in 2011. It was noted that this depends on how the production of the flagging system is developing. There may be some system changes that would be updated at a later date.
26. It was noted that this does not mean that the accreditation and implementation process would only begin in 2011. RK noted that there was an interest in front-loading as soon as possible rather than starting the process for implementation only on a certain date.

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Metering introduction

27. RK noted that currently Scottish Water is responsible for installing all meters. There may not be sufficient funding to update all meters on the market to the latest technical standards in the future. The Commission's proposals are with a view to introducing more value into metering and to recognise that not all customer needs are the same.
28. RK referred the Group to the diagram on page 5 of the metering proposal. RK then outlined the key elements of the proposals, namely, that there would be a separate body (MeterCo) responsible for metering within Scottish Water. MeterCo would be a holding body only with regular operational decisions being made by accredited meter operators (AMOs).
29. When a customer's meter comes to the end of its operational life, the customer will contact its licensed provider to agree the best type of meter to be installed. An accredited meter operator would then be contracted to carry out the necessary metering installation work. RK affirmed that under the proposals the meter would be owned by MeterCo (i.e. Scottish Water) but leased back to the licensed provider.
30. RK then referred the Group to the diagram on page 6. RK noted that the customer would pay meter fees, which could be considered as a type of rent. The licensed provider would pay this basic rent to MeterCo, but depending on the technical specifications of the meter installed, the size of the fee paid may be higher. It was noted the intention of this rent was to recover the cost of the meter throughout its operational lifetime.
31. RK noted some of the key questions that the Group may wish to discuss, such as whether the proposals would make it feasible for third parties to purchase existing meters from Scottish Water with a view to setting up an independent metering company unconnected to Scottish Water. Further, there was the question of whether meter ownership should always stay with Scottish Water, or whether this could be transferred to the licensed provider and/or customers. RK suggested that this might raise issues of commercial interoperability whereby if a customer switches licensed provider then the previous licensed provider may still own the meter.
32. It was noted that many of these issues could be answered by making reference to the gas industry model. As such it was noted it may be constructive to seek out a representative from the gas industry to discuss these issues at the next workshop.
33. It was noted for reference that a new body is being formed within Water UK, named The Metering Strategy Team.

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Customer Priorities

34. RK questioned the Group to obtain views of what it believed was important to customers.
35. It was noted that speed of action for meter-related activities is very important to the customer and that anything that runs contrary to this principle would be unpopular. It was additionally noted that speed might often be the primary issue rather than cost.
36. RK asked whether stakeholders thought the current process is too slow. It was noted that there is an opinion that the process is quite slow, but that there is a lack of awareness of the complexity of Scottish Water processes.
37. Another stakeholder noted that speed and location are the two main concerns for a customer and that meter choice is not the main issue. As such, if the licensed provider could choose how quickly a particular metering project proceeds, or possibly choose which customer should be responded to first, this would be preferable from its point of view.
38. RK emphasised that the fact there are different requirements and priorities from different parties was not problematic as the purpose of the discussion was to provoke thinking on the topic.
39. It was noted that if a licensed provider commits to a timescale with a customer, they need to be able to meet that commitment as certainty was vital to maintaining that customer's business. It was noted that under the current system the licensed provider has little control over timing.
40. Furthermore, it was noted that some customers are savvy enough to cost meter installations themselves and determine that they could arrange for the installation of a meter on their own terms for an amount less than that charged by Scottish Water. As such customers would want to see the reduction of cost as an output from this consultation.
41. RK noted this concern could be addressed using the current proposals. Under these an AMO would quote to a licensed provider for the cost of an installation, so enabling more competition and hopefully lower costs and better service.
42. The issue of timeliness was emphasised again by the Group. It was suggested that Scottish Water has a KPI at the moment but that the direct measures that ensure timeliness are not fully transparent.

Meter ownership and choice

43. RK questioned whether the fact that Scottish Water owns all current meters negatively impacts customers?
44. It was noted that under the gas industry's model asset ownership of meters is unbundled, but in Scottish Water's case there is not an equivalent regulatory provision. In the gas market approach it is the licensed provider who is the asset manager and the customer is usually not aware that they can own their own meter – even though this is possible. The Northern Irish model was also discussed and it was confirmed that in this model the wholesaler maintains ownership of the revenue meter.
45. RK questioned whether there would be an advantage if Scottish Water was not the general asset owner? The Group thought there was no real advantage in this and that it should not interfere with the process per se.
46. It was questioned whether any new meter providers in this instance should align their policy to the Scottish Water procurement policy or whether the market would be composed of various different meters. It was noted further on this point that there is a need to ensure that a sufficient standard of meter is used as there is a tendency for inferior meters to be installed when customers install their own.
47. It was noted that if there was a direct interface between the meter manufacturer and the licensed provider this may be best for the customer and would simplify the process.

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48. Another comment was that customers are not interested in owning meters, just the accuracy of their performance. The priority for the customer is not the type or brand of meter but, again, its accuracy. It was noted that customers very rarely specify a particular brand of meter.
49. In the English and Welsh model there is no choice of meter for the customer so it is not clear why there would be a requirement for this in the Scottish system. RK noted this might be with a view to implementing smart metering measures in the future.
50. The proposed roll out of smart metering in other utilities such as electricity was then mentioned. RK questioned whether it was logical for water to be kept separate from this development? The Group noted that in the recent Ofgem consultation mention was made of the water sector, however, water is a comparatively cheap utility and at the moment smart metering is not an issue for a majority of customers.
51. It was thought that only high end users of water would be particularly concerned with smart meters, as it becomes an economic imperative. The threshold for when a smart meter would be considered will therefore depend on how much a customer is spending on their water.
52. RK noted that Scottish Water has a limited budget to replace meters based on cost restrictions and that it is required to make the most efficient choice it can. RK noted that technology in this area might develop to a state where meter stock being replaced by customer action would be a viable operation. RK noted that the alternative to this would be to leave it to Scottish Water to decide when to update meter stock.
53. RK noted that the Commission does not tell Scottish Water directly how to utilise its funds and operates by way of setting targets and other measures. As such, there might be a need to develop an approach whereby asset ownership enabled customers to utilise technology of their own volition.
54. The Group noted that there is a range of add-on parts, such as dataloggers and AMR devices, and that this where technology would most likely be utilised in the future.

General Metering Issues

55. It was noted that leakage is a major customer issue with regard to metering technology, namely the period of time that can elapse between meter readings and the discovery of a potential leakage. This constitutes a real financial risk.
56. It was noted that there is a discrepancy between older and newer models of meters, with pulse reading on new meters being more accurate. It was noted that there are also many accounts of large discrepancies in bills due to metering inaccuracies.
57. It was noted that the replacement procedure for a meter depends on its perceived mechanical life. This in turn can depend on the quality of water and maintenance, leading to differing replacement times. However, it was agreed that 10 to 15 years is generally good practice.

Metering Procurement

58. It was noted that Scottish Water provides the capital for a meter and only the fitting cost is paid by the customer under the current system.
59. Following the recent metering installation programme, the only non-household customers that remained unmetered were those for whom it was not economically viable to so install a meter. It was noted that the population of meters is currently around 145,000, of which 40,000 have recently been installed, with the remaining meters pre-dating the installation programme.
60. The Group then discussed Scottish Water's current procurement process. Scottish Water has a standard list of suppliers and is obliged to obtain the best deal from each supplier. RK noted that Scottish Water should be using its procurement process to obtain the most competitive pricing

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possible. It was noted that Scottish Water has a field force as well as employing contractors to install meters.

61. It was suggested that licensed providers might be looking for a larger selection of meters as Scottish Water framework agreements are typically for standard specification meters only. One option to address this issue would be to create a menu system whereby licensed providers could select from a variety of meters of different specifications.
62. RK asked whether more meter choice for licensed providers should also go hand in hand with more choice in the installation process e.g. licensed providers using their own contractors to install meters. The Group agreed that this would be best and noted that it could be subject to a type of accreditation process.
63. It was noted that if Scottish Water were to exercise control over framework agreements and the procurement process, but licensed providers were to gain more choice of meters and control over the installation process, this might be the best approach for the customer. It was also suggested that the meter choice process could potentially be conducted straight from the supplier so long as the framework agreement is in place with Scottish Water.
64. It was noted that it is difficult for a meter installation operative or other third party to maintain a wide stock of meters and that the ordering process regarding meters can take several weeks. As such if Scottish Water maintains the stock of meters, this may be the fastest approach for customer installation. It was also noted that the sizing of a meter is critical and customers/licensed providers are rarely asked about this at present.
65. RK noted from the discussion that the issue of ownership appeared to be of less importance than the speed and cost of meter installation, and that this topic was inherently linked with the discussions on new connections.

Conclusion

66. RK confirmed that during the next workshop there would be an explanation of how other utility models operate.
67. RK requested confirmation from the Group of the key customer issues. In response it was suggested that speed of response is the primary issue, and the fact that meters are drawn from Scottish Water stocks may be a good thing as licensed providers or accredited meter operators may not be able to maintain sufficient stocks otherwise, which could lead to an extended waiting period for orders.
68. It was affirmed that the key principle of this process should be to allocate responsibilities regarding metering to the right parties in order to ensure a more streamlined approach to metering.
69. It was affirmed that a number of actions could follow to address these comments and that Scottish Water is currently working on an accreditation framework for the AMO regime.
70. RK opened to the Group the question of whether, if the proposals were implemented, it would be a commercially viable activity to act as an accredited meter operator. It was confirmed by the Group that it was likely that this would be the case.
71. In conclusion, it was suggested that the four main issues to arise from the discussion were: choice, timescales, costs and technology. RK then affirmed he would examine what had been discussed in light of those issues, look at the Commission's current proposals and come back to the next workshop with revised proposals amended where appropriate.
72. RK then closed the meeting.