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New Retail Areas Stakeholder Group: Metering working paper

Metering

At the first workshop of the New Retail Areas Stakeholder Metering Group, market participants shared their experiences with metering. Customers stated that they would like to have more choice on the type of meter they have. They would also like access to more advanced technologies to help them monitor their usage and ensure accuracy of their bills. Therefore, we are making these proposals with the intent of improving the metering services customers receive.

Diagrams of the operational and financial aspects of our metering proposals are set out on pages 5 and 6 below.

MeterCo

It is the Commission's intention that Scottish Water will create a new entity (MeterCo). This new metering entity would own all current and future meters installed on Scottish Water's network. Licensed Providers would contract with MeterCo to 'rent' the meters installed on the premises of their customers and pay annual meter charges to MeterCo. For the most basic meter provision we propose introducing a default annual meter charge and corresponding retail tariff, but for all other meters (where Licensed Providers would provide a value-added service) the annual meter charges would be negotiated between the Licensed Provider and MeterCo.

MeterCo would collect information on meters but would not make operational decisions on their use, except for indicating when a meter had reached the end of its economic life and must be replaced. It would also be responsible for setting the minimum technical standards for meters and Accredited Meter Operators (AMOs) wishing to operate within the market.

Licensed Providers would therefore be able to decide, in consultation with their customer, what type of meter would be most appropriate and where it should be installed. Whilst there would be a minimum standard of meter, customers should see more innovation as there would be no restriction on the types of meters that can be used in the market. Customers and their Licensed Providers will be able to select from a range of technological solutions that fit their individual needs.

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This framework will provide flexibility to adapt to future innovations in metering. Customers will have the ability to upgrade, at a cost, to new technologies as they become available in the future. Licensed Providers will be able to better integrate these new technologies into the services they offer, such as leakage detection and reduction, thus improving the quality of service their customers receive. Quicker adaptation and more efficient use of advanced technologies could also bring about environmental benefits.

In summary, MeterCo's responsibilities include:

- Developing and monitoring the Metering Standards
- Developing an accreditation regime for Accredited Meter Operators
- Paying for the installation and replacement of meters, and any maintenance and repair costs including making payments to the Accredited Meter Operators
- Creating and maintaining a database of all of the meters
- Entering into Metering Charges Agreements with Licensed Providers to recover the Metering Charges for each meter

Accredited Meter Operators

MeterCo would establish a regime where Accredited Meter Operators (AMOs) would carry out the installation, upkeep and replacement of all meters on the instruction of Licensed Providers. All Licensed Providers would be able to become AMOs, but other companies would also be able to apply. AMOs would recover the costs of installing, repairing, replacing and upgrading meters from Licensed Providers who would in turn negotiate with MeterCo to recover those costs.

Licensed Providers would then contract directly with AMOs to carry out these meter services. This would allow Licensed Providers to ensure that meters are sited appropriately allowing them to bill effectively and disconnect customers where necessary. This would help to minimize the occasions where meters are unable to be read due to difficulty finding the meter or inaccessibility. This will help to less the impact on some customer's operations and reduce costs to Licensed Providers. Customer should see more accurate bills if their meter is able to be read more frequently.

With AMOs competing for work from the Licensed Providers, Licensed Providers will be able to choose AMOs who offer the best prices and services for their customers. Licensed

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Providers also will have the option of becoming AMOs. This will allow them to have greater control over the service their customers receive.

Accredited Meter Operators will be responsible for:

- Installation of meters
- Accuracy testing
- Maintenance
- Change of meter

Metering Code

The operational rules for metering would be codified in a new Metering Code. The Metering Code would be an annex to the Operational Code and as such would be binding on all Licensed Providers and Scottish Water. All AMOs would also be required to comply with the terms of the Metering Code.

The Metering Code would codify the relationship between Licensed Providers, the AMOs and MeterCo and would incorporate the existing parts of the Operational Code in relation to metering. However, the metering sections of the Market Code would remain as part of the Market Code to avoid over complication and to ensure the logical separation between market governance (the Market Code) and operational matters (the Operational Code) remains.

It should be noted that not all of the associated documents are included with the draft Metering Code, for example the AMO accreditation scheme, the template Metering Charges Agreement or the Metering Standards.

The draft Meter Code is attached as Appendix A.

Implementation

We recognise that many of our metering proposals are complex and will require time to implement. They will require structural changes to be made. There will need to be changes to the CMA's central system, and market participants will also need to also need to undertake IT changes. MeterCo will need to be set up and become operational. The AMO accreditation scheme will need to be created, and potential AMOs will need time to complete it. MeterCo and Scottish Water will need to agree to minimum meter standards.

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We are proposing that all of our proposals would be implemented by the beginning of financial year 2012-13 and AMOs would begin carrying out all of their responsibilities on 1 April 2012. In order for this to be achieved, several of our proposals will need to be completed earlier.

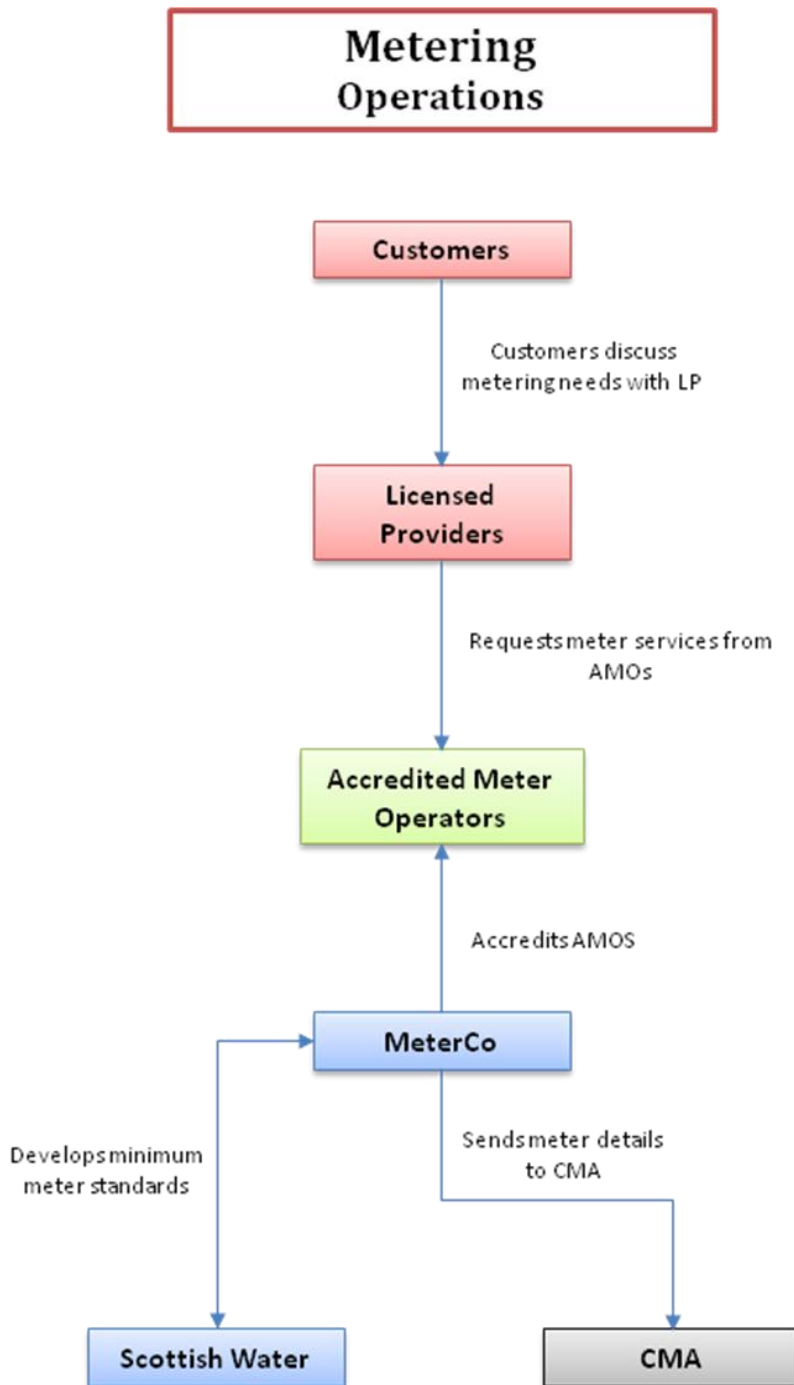
MeterCo and Scottish Water will need to agree to the accreditation scheme for AMOs by fall 2011. The Scheme needs to be running to allow potential AMOs to be accredited and to become operational. MeterCo will also need to develop the minimum meter standards by this time.

The template Metering Charges Agreement will be completed by summer 2011. This is needed to allow MeterCo and Licensed Providers time to negotiate Metering Charges Agreements.

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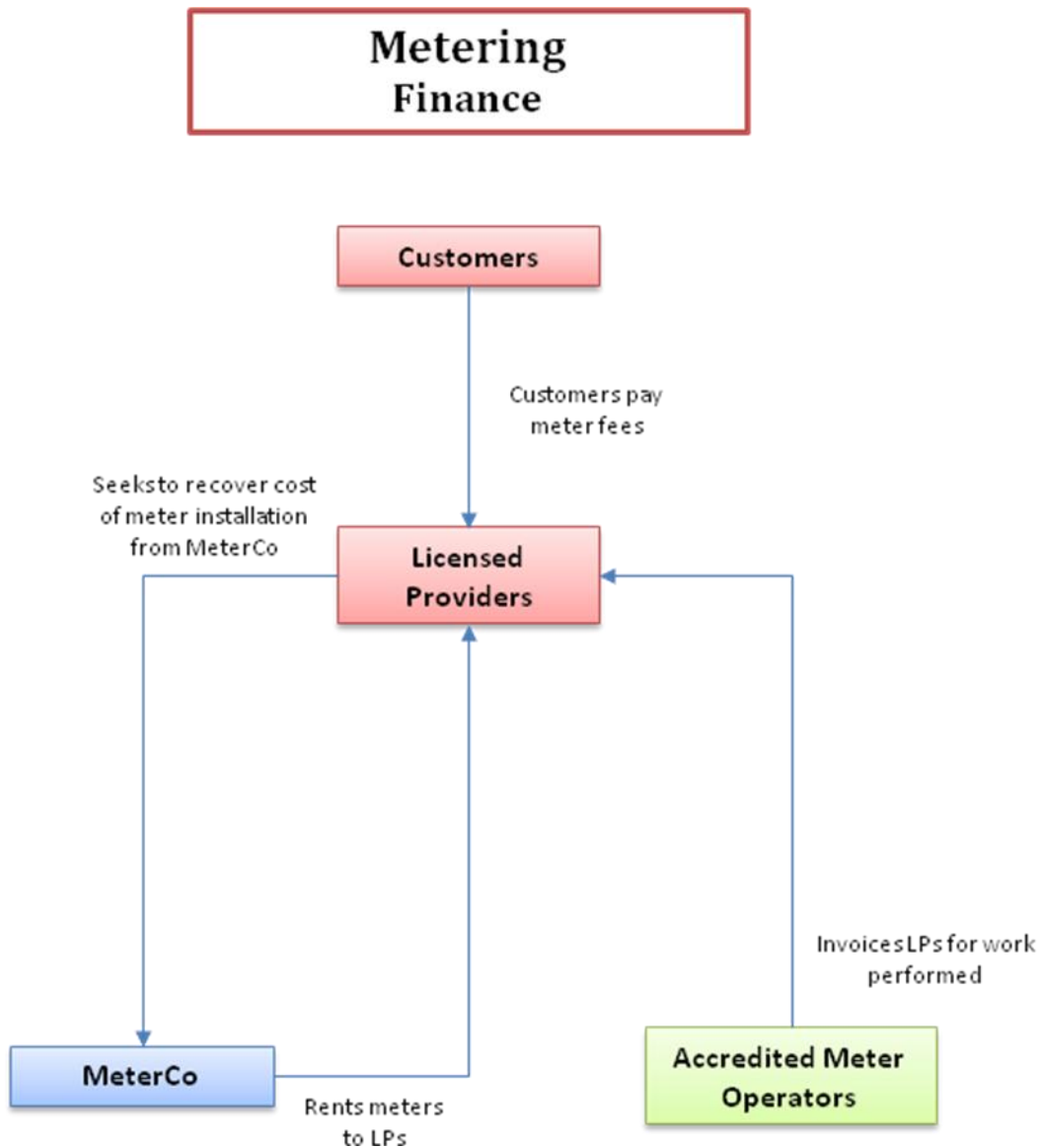
Diagram 1



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Diagram 2



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Appendix A

Part 5 of Appendix to Operational Code

Metering Code

Purpose and Scope of this Metering Code

This Metering Code sets out the operational arrangements and responsibilities of the Code Parties and MeterCo which apply in relation to metering. MeterCo will own and be responsible for all meters within Scottish Water's network and for approving Accredited Meter Operators to carry out activities including (but not limited to):

- (i) installation of meters;
- (ii) accuracy testing;
- (iii) fault detection and repair;
- (iv) maintenance; and
- (v) change of meters.

Licensed Providers are responsible for liaising with Non-Household Customers in respect of these activities. Licensed providers will also continue to be responsible for reading meters.

This Metering Code forms part of the Operational Code and is therefore binding on all Code Parties. All Accredited Meter Operators who are not Code Parties will also be required to comply with the terms of this Metering Code.

Definitions and Interpretation

Any words or expressions used in the 2002 Act, 2005 Act or the Operational Code shall, unless the contrary intention appears, have the same meaning when used in this Operational Code.

TERM	DEFINITION
1980 Act	Means the Water (Scotland) Act 1980.
Accredited Meter Operator or AMO	Means a party approved by MeterCo as set out in this Metering Code to carry out Meter Operation Services.
Initial Read	Has the meaning given in the Market Code.
Meter Information	Has the meaning given in the Market Code.
Meter Operation Services	Means the services carried out by the Accredited Meter Operator as set out in this Metering Code.
Meter Read	Means reading of any meter for any purpose required under the Market Code or this Metering Code and, as the context requires, including the data collected by such reading as submitted to the CMA

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TERM	DEFINITION
	in accordance with the processes set out in the CSDs.
MeterCo	Means either the subsidiary company of Scottish Water which owns water meters and is responsible for water meters or any other company which owns and is responsible for water meters.
Metering Charges	Means the annual fee negotiated between a Licensed Provider and MeterCo that the Licensed Provider must pay to MeterCo for each meter installed at the Licensed Provider's customers' premises.
Metering Charges Agreement	Means an agreement between a Licensed Provider and MeterCo for the payment of Metering Charges, the template for which can be found at Annex 3 of this Metering Code.
Metering Standards	Means the standards imposed on the Code Parties by this Metering Code.
New Connection	Has the meaning given in the Market Code.
Registration	Has the meaning given in the Market Code.
SPID Data	Has the meaning given in the Market Code.

Licensed Provider's Duties

This part of the Metering Code sets out the Licensed Provider's duties in relation to metering.

All Licensed Providers shall:-

- (i) Liaise with their Non-Household Customers as set out in this Metering Code to ensure the effective and efficient delivery of Meter Operation Services;
- (ii) Meet the Metering Standards set out in this Metering Code;
- (iii) Co-operate with MeterCo as set out in this Metering Code;
- (iv) Enter into a Metering Charges Agreement with MeterCo and comply with the obligations in such agreement including payment of the Metering Charges.

In addition to the above duties all Licensed Providers who are not also Accredited Meter Operators shall liaise with Accredited Meter Operators to ensure the effective and efficient delivery of Meter Operation Services.

MeterCo's Duties

This part of the Metering Code sets out MeterCo's duties in relation to metering.

MeterCo shall:-

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- (i) Create and maintain a database of all of the meters that it owns and for which it is responsible. Such a database would include details of when each meter was installed and when it must be replaced as well as a list of those meters on which datalogging equipment has been installed and when that installation took place;
- (ii) Develop, monitor and enforce the Metering Standards;
- (iii) Enter into appropriate agreements with AMOs for the activities contemplated by this Metering Code;
- (iv) Co-operate with Licensed Providers as set out in this Metering Code;
- (v) Approve Accredited Meter Operators as set out in this Metering Code;
- (vi) Report to the CMA as set out in this Metering Code;
- (vii) Develop with Scottish Water an accreditation regime for Accredited Meter Operators;
- (viii) Procure and provide meters in response to requests from Licensed Providers;
- (ix) Pay for the installation and replacement of meters, and any maintenance and repair costs including making payments to the Accredited Meter Operators; and
- (x) Enter into Metering Charges Agreements with Licensed Providers to recover the Metering Charges for each meter and deal with all other payments.

Metering Charges

Metering Charges Agreement

Every licensed provider must negotiate and enter into a Metering Charges Agreement with MeterCo. Under their Metering Charges Agreement each Licensed Provider will pay MeterCo the Metering Charges for each meter installed at their customers' premises. The Metering Charges Agreement will also set down the appeal process and timetable that the Commission will follow should a Licensed Provider and MeterCo be unable to agree the either the amount of the installation costs that the Licensed Provider may recover or the Metering Charges for the meter in question.

A template Metering Charges Agreement can be found at Annex 3 of this Metering Code.

Return on assets guidance

For the purposes of assisting in negotiations for Metering Charges between Licensed Providers and MeterCo and to provide an indication of the approach it will take in determining any appeal, the Commission will publish (and update from time to time) guidance on the appropriate return on assets for meters owned by MeterCo.

Accredited Meter Operators

This part of the Metering Code sets out the requirements for approval of Accredited Meter Operators by MeterCo, the structure and timetable for the application process and the responsibilities of Accredited Meter Operators.

Accreditation scheme and applications

MeterCo will liaise with Scottish Water and prepare an accreditation scheme (a copy of which can be found at Annex 1) which will detail the standards that applicants must meet in order to be considered suitable to become an Accredited Meter Operators and the process (including the timetable and appeals process) that MeterCo will follow when considering applications.

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Parties who wish to be approved as Accredited Meter Operators must apply to MeterCo in accordance with the current accreditation scheme. MeterCo will consider the application and approve or reject the application within the time limits set out in the accreditation scheme, notifying the applicant of its decision and, where the application has been rejected, giving reasons for the decision. Should the applicant wish to appeal the decision of MeterCo to the Commission, it should do within the time limits set out in the accreditation scheme, giving reasons why it considers that the application should be approved.

Responsibilities of Accredited Meter Operators

Accredited Meter Operators shall:

- (i) Only carry out Meter Operation Services when requested to do so by a Licensed Provider (unless the Accredited Meter Operator is also a Licensed Provider);
- (ii) Liaise with Non-Household Customers and, where the Accredited Meter Operator is not a Licensed Provider, with Licensed Providers as set out in this Metering Code to ensure the effective and efficient delivery of Meter Operation Services;
- (iii) Meet the Metering Standards set out in this Metering Code;
- (iv) Co-operate with MeterCo as set out in this Metering Code; and
- (v) Comply with the provisions of Section 38(1) of the 1980 Act in carrying out their delegated powers.

Standards

MeterCo shall establish the Metering Standards (a copy of which can be found at Annex 2) that will set out:

- (i) the minimum technical requirements for all of the meters that it owns and for which it is responsible; and
- (ii) the technical compliance of meters including calibration and accuracy of meters, testing and inspection, and commissioning and maintenance; and
- (iii) the technical compliance of all datalogging equipment to be installed on any meter.

Maintenance of Meters

MeterCo shall ensure that all meters are kept in good working order, repair and condition to the extent necessary to meet the Metering Standards.

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Defective Metering Equipment

If at any time any meter is destroyed, damaged or otherwise ceases to function or is found to be outside the specified limits of accuracy, the MeterCo shall, using the Processes set out in this Metering Code, adjust, renew or replace any defective equipment so as to ensure that such meters are restored to service and operating within applicable tolerances of accuracy as soon as is reasonably practicable and without undue delay.

Process 1

Installation of a meter for a new Supply Point

The installation of a meter for a new Supply Point is the responsibility of the Licensed Provider and must be carried out by an Accredited Meter Operator. A Licensed Provider may therefore request a meter installation and make arrangements with an Accredited Meter Operator for installation. Alternatively a Licensed Provider who is also an Accredited Meter Operator may install a meter for a new Supply Point, in accordance with the process set out below.

The cost of meter installation will be met in full initially by the Licensed Provider that requested the meter installation. MeterCo shall then negotiate with the Licensed Provider as to the amount it will pay for the meter installation and the Metering Charges due from the Licensed Provider.

Process:

Step 1

Where the Licensed Provider is also an Accredited Meter Operator they may carry out the meter installation in accordance with the Process below. Where the Licensed Provider is not also an Accredited Meter Operator, the Licensed Provider may request a meter installation by submitting a meter service request form (Form 1, as annexed to this Metering Code) to an Accredited Meter Operator with details of the relevant Supply Point and the Non-Household Customer's Supply Point ID.

Step 2

The Accredited Meter Operator will promptly arrange with the Licensed Provider for any site survey that is required to establish the work necessary for and the cost of installing a meter. Following any necessary site survey, the Accredited Meter Operator will notify the Licensed Provider of the work involved and the cost of the meter installation within 8 Business Days of the date of notification under Step 1. As part of its notification, the Accredited Meter Operator will provide both a breakdown of the cost and the proposed location site of the meter (which will be assumed to be as close to the point of connection to Scottish Water's Network as is reasonably practical).

Step 3

If the Licensed Provider queries the work involved, the installation cost or the proposed location site of the meter then the Accredited Meter Operator will liaise with the Licensed Provider to reach an agreed solution. However, if no solution can be found and the Licensed Provider rejects either the work involved, the cost of the meter installation or the proposed location site of the meter then no further action will be taken by the Accredited Meter Operator and the use of this process ends.

Step 4

If the Licensed Provider confirms its acceptance of the work involved, the cost of the meter installation

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and the proposed location site, the Accredited Meter Operator will install the meter without delay. The Accredited Meter Operator will then carry out the meter installation within 10 Business Days of receiving such confirmation from the Licensed Provider.

Step 5

Within 2 Business Days of completion of any meter installation, the Accredited Meter Operator shall notify the Licensed Provider of the opening meter readings and meter installation details. The Licensed Provider will then promptly notify MeterCo who will in turn notify the Central Market Agency in accordance with the Market Code.

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Step 6

On completion of the installation, the Accredited Meter Operator will invoice the Licensed Provider for the costs of carrying out the installation. The Licensed Provider will pay any relevant invoice properly due.

Step 7

On completion of the installation and (where applicable) receipt of the invoice from the Accredited Meter Operator for the costs, the Licensed Provider will enter into negotiations with MeterCo to recover the installation costs and agree the Metering Charges for the new meter.

Step 8

Should MeterCo and the Licensed Provider be unable to agree either the amount of the installation costs that the Licensed Provider may recover or the Metering Charges for the meter, then the Licensed Provider may appeal to the Commission who will determine the appropriate level of cost recovery and Metering Charges. In the event of an appeal, the Commission will follow the process and timetable set down in the template Metering Charges Agreement (see Annex 3). When determining an appeal, the Commission will use its published guidance on the appropriate return on assets for meters owned by MeterCo.

Process 2

Meter accuracy test

Ensuring the accuracy of an installed meter is the responsibility of the Licensed Provider and all testing must be carried out by an Accredited Meter Operator.

The cost of any testing will be met in full initially by the Licensed Provider that requested the testing. MeterCo shall then negotiate with the Licensed Provider as to the amount it will pay for the testing.

Process:

Step 1

Where the Licensed Provider is also an Accredited Meter Operator they may carry out a meter accuracy test in accordance with the Process below. Where the Licensed Provider is not also an Accredited Meter Operator they may request a meter accuracy test by submitting a meter service request form (Form 2, as annexed to this Metering Code) to an Accredited Meter Operator with details of the relevant Supply Point and the Non-Household Customer's Supply Point ID. The Licensed Provider must also inform the Accredited Meter Operator whether the meter is fitted with datalogging equipment.

Where instructed by the Central Market Agency, and when in receipt of relevant information provided by the Central Market Agency, MeterCo will notify the Licensed Provider that a meter accuracy test must be carried out. The Licensed Provider must then arrange for an Accredited Meter Operator to carry out a meter accuracy test

Step 2

The Accredited Meter Operator will visit the Non-Household Customer's Premises on a date and time agreed with the Licensed Provider and where required, remove the meter (and any datalogging equipment attached to it) to allow the meter accuracy test to be carried out at an approved laboratory.

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Step 3

The Accredited Meter Operator will complete the test and notify the Licensed Provider of the results within 10 Business Days of the Central Market Agency or Licensed Provider's request being received, other than where there are exceptional circumstances beyond the Accredited Meter Operator's control such as road or street works. On receipt of the results the Licensed Provider shall promptly notify MeterCo who will in turn notify the Central Market Agency in accordance with the Market Code.

Step 4

On completion of the meter accuracy test, the Accredited Meter Operator will invoice the Licensed Provider for the costs of carrying out the test. The Licensed Provider will pay any relevant invoice properly due.

Process 3

Meter fault and repair

The repair of faulty meters is the responsibility of the Licensed Provider and all repair work must be carried out by an Accredited Meter Operator.

The cost of repairing a faulty meter will be met in full initially by the Licensed Provider that requested the repair. MeterCo shall then negotiate with the Licensed Provider as to the amount it will pay for the repairs.

Process:

Step 1

Where the Licensed Provider is also an Accredited Meter Operator they may carry out repair of a faulty meter in accordance with the Process below. Where the Licensed Provider is not also an Accredited Meter Operator the Licensed Provider will notify an Accredited Meter Operator that a meter installed at a Non-Household Customer's Premises is faulty by submitting a meter request form (Form 3, as annexed to this Metering Code). Such notification will include provision of the following information:

- (i) Non-Household Customer's Supply Point ID and Meter Reference Number;
- (ii) the suspected nature of the fault;
- (iii) whether the meter is fitted with datalogging equipment; and
- (iv) details of any recent events affecting consumption.

Step 2

The Accredited Meter Operator may, by prior arrangement with the Licensed Provider, visit the Non-Household Customer's Premises to inspect the faulty meter to determine the cause of the fault and the appropriate action required to either repair or replace the faulty meter. The Accredited Meter Operator will carry out the inspection within 10 Business Days of receiving notification of the fault from the Licensed Provider other than where there are exceptional circumstances beyond the Accredited Meter Operator's control.

Step 3

After inspecting the meter, the Accredited Meter Operator will either:

- (i) arrange with the Licensed Provider a mutually convenient time and date for the repair or replacement of the faulty meter to be carried out. The Accredited Meter Operator will repair or replace the faulty meter installed at the Non-Household Customer's Premises within 22 Business Days from the receipt of the Licensed Provider's notification of the

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- (ii) fault; or
notify the Licensed Provider within 2 Business Days of the inspection if it considers the meter to be working properly.

Step 4

Within 2 Business Days of completion of any repair, the Accredited Meter Operator will notify the Licensed Provider of the closing and opening meter readings. The Licensed Provider will then notify the Central Market Agency of the same in accordance with the Market Code. If the meter has been replaced, the Licensed Provider will promptly notify MeterCo who will in turn notify the Central Market Agency of the meter removal and installation details.

Step 5

On completion of the repair, the Accredited Meter Operator will invoice the Licensed Provider for the costs of carrying out the repair. The Licensed Provider will pay any relevant invoice properly due.

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Process 4

Replacement and Upgrade of Meters

Replacement and/or upgrade of meters are the responsibility of the Licensed Provider and all installation work must be carried out by an Accredited Meter Operator.

MeterCo must create and maintain a database of all of the meters that it owns and is responsible for. Included on this database will be the replacement date for all meters: all meters will have an assumed economic lifespan of 10 years from the date of installation. When a meter reaches the end of its economic life then MeterCo will inform the relevant Licensed Provider and that Licensed Provider must then replace the meter in question.

The cost of meter replacement and/or upgrade will initially be met in full by the Licensed Provider that requested the meter be replaced. MeterCo shall then negotiate with the Licensed Provider as to the amount it will pay for the meter replacement and/or upgrade and any adjustment to the Metering Charges due from the Licensed Provider.

Process:

Step 1

Where the Licensed Provider is also an Accredited Meter Operator they may replace meters in accordance with the Process below. Where the Licensed Provider is not also an Accredited Meter Operator the Licensed Provider will notify an Accredited Meter Operator that a meter is to be replaced at the Non-Household Customer's Premises by submitting a meter request form (Form 4, as annexed to this Metering Code). Such request shall include the Non-Household Customer's Supply Point ID and Meter Reference Number. The Licensed Provider must also inform the Accredited Meter Operator whether the meter is fitted with datalogging equipment.

Step 2

The Accredited Meter Operator will promptly arrange with the Licensed Provider for any site survey that is required to establish the work necessary for and the cost of replacing and/or upgrading the meter. Following any necessary site survey, the Accredited Meter Operator will notify the Licensed Provider of the work involved and the cost of the meter replacement within 8 Business Days of the date of notification under Step 1. As part of its notification, the Accredited Meter Operator will give a breakdown of the costs.

Step 3

The Licensed Provider will confirm to the Accredited Meter Operator its acceptance of the Accredited Meter Operator's work proposal and cost quotation and that the works are to take place. The Accredited Meter Operator will replace the meter (including removing and refitting any datalogging equipment) within 10 Business Days of receiving such confirmation from the Licensed Provider.

Step 4

Within 2 Business Days of completion of the works, the Accredited Meter Operator shall notify the Licensed Provider of the meter removal and installation and associated meter readings. The Licensed Provider will then notify MeterCo who will in turn notify the Central Market Agency of the same in accordance with the Market Code.

Step 5

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New Retail Areas Stakeholder Group: Metering working paper

On completion of the works, the Accredited Meter Operator will invoice the Licensed Provider for the costs of carrying out the replacement works. The Licensed Provider will pay any relevant invoice properly due.

Step 6

On completion of the installation and (where applicable) on receipt of the invoice from the Accredited Meter Operator for the costs, the Licensed Provider will enter into negotiations with MeterCo to recover the installation costs and agree the Metering Charges for the new meter.

Step 7

Should MeterCo and the Licensed Provider be unable to agree either the amount of the installation costs that the Licensed Provider may recover or the Metering Charges for the meter, the Licensed Provider may appeal to the Commission who will determine the appropriate level of cost recovery and Metering Charges. In the event of an appeal, the Commission will follow the process and timetable set down in the template Metering Charges Agreement (see Annex 3). When determining an appeal, the Commission will use its published guidance on the appropriate return on assets for meters owned by MeterCo.