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New Retail Areas Stakeholder Group: Metering working paper

Minutes of Meeting for Discussion on Metering Monday 14 June 2010 10.00am - 12.30pm

Present: Richard Khaldi, Water Industry Commission for Scotland (Chairman)
David Walters, Water Industry Commission for Scotland
James Bream, Business Stream
Les Mack, Business Stream
Paul Smith, Business Stream
Hazel Mackinlay, The Central Market Agency Ltd
Dominic Keary, OFWAT
Ian Strawhorne, OFWAT
Tony March, Osprey Water Services Limited
Bob Wilson, Osprey Water Services Limited
Robert Leask, Procurement Scotland
Paul Packett, Procurement Scotland
Alistair Ross, Satec Limited
Michael Levack, Scottish Building Federation
Neil Hemmings, Scottish Water
Jessie McLeman, Scottish Water
Suzanne Bayliss, Seven Trent Water
Richard Allison, South East Water
Andy Monaghan, Turriff Contractors Limited
Paul McKeown, United Utilities
Gail Walker, Waterwatch Scotland

In Attendance: James Saunders, Shepherd and Wedderburn LLP
Ashley Jess, 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 on 15 April 2010.
3. RK explained that the focus of the meeting and the proposals was datalogging and AMR readers. It was explained that the Commission views datalogging as a short-term goal and that the Group would discuss the short, medium and long-term goals in the area of metering.

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Commission's proposals

4. It was explained that roughly 100,000 of the 145,000 mechanical meters which belong to Scottish Water are loggable and that this was used as a guiding principle for the proposals.
5. Customers are looking for datalogging opportunities from licensed providers and third parties and RK suggested that the Commission's proposals offer this. Currently, it is only licensed providers who can carry out these services. There is no restriction on third parties logging meters, but the main issue is if the datalogger does not belong to the licensed provider, that is, it is installed by a third party, who is responsible for any damage to a meter which results from the datalogger?
6. It was noted that the Commission's proposals are to ensure the dataloggers installed are compatible with Scottish Water's meters and that bureaucracy in this area is kept to a minimum.
7. Currently, there is the Wholesale Services Agreement, which is an agreement between the licensed providers and Scottish Water for the provision of wholesale activities by Scottish Water, and one of the issues to be discussed is whether datalogging will fall under this Agreement.

Process

8. RK referred the Group to page four of the Commission's proposals in which a proposed process is set out and suggested to the Group that it should discuss each step of the process.
9. It was explained that the first step in the process would be for customers to appoint either their licensed provider or a contractor to serve as their provider of datalogging services.
10. An issue was raised that the proposed process pre-supposes that it is the customer's contractor who is responsible for any damage to a meter over the whole life of the datalogger.
11. The Group then discussed whether it should be the customer or the customer's contractor who should sign up to the terms and conditions with Scottish Water. It was suggested that the customer should be responsible for the good care of the metering equipment rather than the contractor as it is the customer who makes the decision to install a datalogging device on the meter and not the contractor.
12. It was explained to the Group that there are no restrictions on third parties installing a datalogger on a customer's meter, the issue is what happens if there is any subsequent damage to the meter. It must be ensured that there is a set position and that any third party who is responsible for damaging the meter should be held accountable. RK asked the Group whether it should be the customer or the contractor who should enter into the terms and conditions with Scottish Water?
13. It was suggested that it should be the customer who signs up to the terms and conditions with Scottish Water, as the contractor could change during the life span of the datalogger, as the contractor is unlikely to be on an open-ended contract with the customer.
14. It was asked why it needs to be either the customer or the contractor and why could it not be both that sign up to the terms and conditions with Scottish Water?
15. RK asked that if it was to be an 'either/or' situation, should it be the contractor or the customer? It was noted that the view from the Group appeared to be that it should be the customer.

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16. A further issue was then raised concerning the fact that the customer or contractor may be unaware that it should sign up to the terms and conditions with Scottish Water. Further, if it is contractors who are to sign up to Scottish Water's terms and conditions, how will they know what paperwork is required, as they have no contact with licensed providers unlike customers? It was then suggested that contractors could be appointed from an approved list held by Scottish Water.
17. Another suggestion put forward was for customers to appoint a contractor to do the work on their behalf and that the proposals should therefore be read as contractors providing all of the datalogging activities, that is the ongoing data services and the installation of the datalogging device.
18. RK noted that in the Commission's view the contractor as set down in the proposals would be someone who would carry out datalogging services for a customer and the Commission did not take the view that the customer would want to do these things itself.
19. It was noted further that Scottish Water does not have an approved list of contractors for the specific activity of datalogging.
20. Concerns were then raised about how information would flow back to Scottish Water regarding the existence of the datalogger if it was installed by a customer given that Scottish Water does not have a direct relationship with customers. Scottish Water is geared up to deal with licensed providers, which are a small group, and is therefore not geared up to deal with contractors and customers.
21. It was suggested that a possibility would be for the terms and conditions to be returned to Scottish Water by licensed providers or for licensed providers to require customers to inform Scottish Water and complete the necessary paperwork. In response it was suggested that doing this would add a layer of cost for licensed providers for work which they are not carrying out. Licensed providers may therefore not be keen on this approach.
22. RK noted that the terms and conditions would cover the worst-case scenarios and the majority of interaction would be between the licensed providers and customers and Scottish Water would only need to be involved if something went wrong with the meter.
23. The point was then raised that the Commission's proposals have been drafted on the basis that Scottish Water's meters hold insufficient capacity for more than one datalogging device and that datalogging devices are only installed at the customer's request. It was explained that the presence of two loggers on a meter is common and a licensed provider could have already installed a datalogging device onto a customer's meter without that customer's knowledge for the purposes of monitoring leakage and the customer's demand profile.
24. It was confirmed that meters have capacity for more than one datalogging device and that, for example, licensed providers and customers can have separate datalogging devices for their own purposes on the same meter. It was also explained that the one datalogging device can be split into two feeds so that information can be provided to two different recipients.
25. The issue was raised that if more than one device is used on a meter then this could result in conflicting data. It was noted that there is potential for licensed providers to bill customers using information from its datalogger and for a third party to give advice to a customer using information from its datalogger and that this potentially conflicting data could lead to customer confusion.
26. RK noted that it was apparent from the Group's discussions that installing more than one datalogger on a meter is a possibility. RK noted that there does not need to be a restriction

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of one device per meter and that the licensed provider does not need to inform the customer if it installs a datalogging device on a customer's meter, but that the third party should inform the customer if it installs a datalogging device.

27. It was suggested that customers want an accurate reading for an accurate bill and therefore once a datalogger is installed on the customer's meter this information could be shared with licensed providers rather than the licensed providers installing a separate datalogger. The licensed providers could carry out pedestrian meter readings to check the accuracy of the customer's datalogger and that this is currently the case in the gas and electricity sector.
28. It was suggested that there is an issue surrounding the data from dataloggers installed by customers being used for billing purposes. It was suggested that if a customer installs a datalogger on its meter, the customer would want to use this information for billing. This could create problems for billing by licensed providers as there may be no reconciliation between the data from the customer's datalogger and the readings taken by the licensed providers. However, it was suggested that without dataloggers, the basis for billing by licensed providers is on an estimated reading and that licensed providers would want to validate the meter reading anyway. A licensed provider suggested that it seems sensible that licensed providers would want to use the data from a customer's datalogger for billing.
29. It was noted that the use of dataloggers is to gain information for leakage reduction and consumption information and management. It is pedestrian meter readings that are used for billing rather than information from dataloggers.
30. It was also noted that some customers want to own their own datalogger, and that customers are not doing this in isolation and that they will want to use this information for billing.
31. It was suggested further that customers want to know if licensed providers can accept the data which they receive from their datalogging device.
32. The issue of revenue was raised and it was noted that each water meter may be different. On older meters you may have to break the seal of the meter or you may have to take the dial off in order to install the datalogging device. This is much more work than on other meters and therefore there may be a revenue issue.
33. RK noted that the proposals are not designed to be a framework for dataloggers and the proposals have been left open for technical standards which are not covered in the proposals. The principle behind the proposals is that if you cause damage to a Scottish Water meter, you are the one to pay for the damage.
34. The issue was raised as to whether it is possible for a meter to break and for it to appear that the logger is the culprit when it is not and for disagreement as to fault.

AMR

35. The issue of AMR was raised. RK noted that AMR has been introduced into the CMA central systems and that if a customer wants to use a third party to install an AMR, they can discuss this with their licensed provider.
36. It was explained that AMR does not remove the need for pedestrian reads. The Market Code requires there to be a pedestrian read every two years when AMR is used and also when other certain events occur such as the meter being maintained or repaired. It was noted that there is nothing in the proposals that would preclude the proposals from applying to AMR but that if the customer wants billing on AMR, the licensed provider, the customer and the third party would all need to come to an agreement.

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37. It was further noted that the customer takes on the risk with AMR that it can connect to the licensed provider's systems as it is they who must pass the information on to the CMA.
38. RK noted that there had been no suggestion that AMR is so different from datalogging that a different process should be put in place for AMR. RK asked the Group to confirm that nothing different should be done for AMR to cover the principle that you damage the meter, you are responsible. RK noted that if customers speak to licensed providers regarding AMR and decide not to use licensed providers, then there should be a protocol for third parties.

Customers

39. RK further noted that the flow of information to Scottish Water will be an issue regardless of whether it is the customer or the contractor and this message could be pushed out through other organisations, for example, if the information is known by licensed providers, they could inform Scottish Water and vice versa. In this way information should start to filter through to customers and contractors.
40. It was noted that an important aspect of the proposed process is accountability. Customers need to be crystal clear on the potential consequences of arranging for a third party to install a datalogger on their meters. Customers need to be made aware that if they take it upon themselves to appoint third parties to install a datalogging device on their meters, the potential consequences for damage to their meters are much more severe than if the customers organised this through their licensed providers. It was noted, however, that there is further scope for the provision of services from licensed providers in this area.
41. It was noted that when customers are considering datalogging, their first port of call is a licensed provider but the provision of this service from licensed providers is currently seen as being too expensive. Given the consequences of damaging Scottish Water's meter, customers may prefer to have licensed providers manage datalogging but they also want value for money. It was suggested that if a customer has an initial dialogue with its licensed provider, then the licensed provider could inform the customer of the requirement to sign up to the terms and conditions with Scottish Water and the potential consequences.
42. It was also suggested that there would be merit in a protocol for fitting dataloggers being drafted. The Group agreed that it would like a guide to be drafted by the Commission for the process of installation of a datalogger.
43. It was noted that whether the customer or the contractor should sign up to the terms and conditions of Scottish Water will be considered by the Commission and the Commission will take this issue away from the meeting and discuss it.
44. It was asked what would stop customers from putting something in themselves?
45. RK noted that the Commission's aim is to encourage people to be innovative in a framework within which everyone is happy to operate. The framework is therefore designed to prevent people being unhappy through not being able to get the services that they want.
46. RK explained that the customer currently bears the responsibility if there is damage to the meter as a result of the customer's actions. Scottish Water will repair the meter and will recover this money from the licensed provider, who will in turn recover the money from the customer through the billing process. It was noted that having an explicit contract if the third party carries out the installation of a device, means that Scottish Water simply claims the cost of repairing the meter directly from the third party and not from licensed providers. It is important to emphasise to customers that if they install dataloggers using third parties,

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the third parties will be responsible for any damage and that there is no licensed provider 'safety net'.

47. It was noted that it was important for Scottish Water and licensed providers to be made aware if a datalogging device has been installed on a customer's meter and that Scottish Water and licensed providers should contact each other if they become aware of this.

Information flow

48. The Group then moved on to discuss the provision of data information from the dataloggers by contractors to the licensed providers, and the obligation of licensed providers to pass this information to Scottish Water if requested to do so.
49. It was noted that a potential issue is that Scottish Water may not be aware of which licensed provider is acting for the customer. It was therefore suggested that the contractor could tell Scottish Water which licensed provider was acting for the customer and that this obligation could be put into the guide for installing dataloggers to be drafted by the Commission.
50. It was also suggested that the obligation on licensed providers to provide data to Scottish Water (if that licensed provider has installed a datalogger), be a separate arrangement to installation and be provided on a case-by-case basis.
51. It was agreed that Scottish Water should pay for such data, as if it required this data Scottish Water could log the meter itself. It was explained that Scottish Water would only request information from the licensed providers for monitoring leakage, as this information is not always needed by Scottish Water, it was suggested that the obligation on licensed providers should be removed from the Commission's proposals.
52. It was suggested that Scottish Water could install a datalogger on a meter and could charge licensed providers for the provision of data. It was then suggested that licensed providers could have the same relationship with third parties and this could drive down the number of dataloggers installed on meters.

Changes to Terms and Conditions

53. Issues regarding the changes made by the Commission to the terms and conditions of Scottish Water were then raised.
54. The first was the removal of the reference to interference with the meter. RK explained that the express reference was viewed as a belt and braces approach, as if the datalogger interferes with the meter then the contractor is responsible. The second issue concerned the removal of the requirement to have insurance. RK explained that this was removed because it appeared to the Commission that if third parties did not have the correct insurance, there would be no come back on Scottish Water. However, RK noted that Scottish Water needed to be happy with these changes, and confirmed that they would be discussed with Scottish Water at a later date.
55. RK summarised the discussions of the Group and that the parties, the protocols and the provision of information had all been dealt within the Group's discussions as well as the issue of technical standards.
56. RK reiterated that the overriding principle is that "if you break it, you pay for it" and the Group discussed the issues around what the customer/contractor is responsible for.

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57. It was noted that there is a boilerplate approach for the rest of the terms and conditions, for example, health and safety, and it was noted that the cost issue has been covered with each side bearing its own costs. It was also noted that this should not be an issue because dialogue should take place between the parties, meaning that the terms and conditions are for where there has been a communication breakdown between the parties.

Next steps

58. RK proposed that the Commission would refine the proposals and examine the views on where the Group sits on whether the customer or contractor should be the party to the terms and conditions with Scottish Water.
59. It was noted that neither the customer nor the contractor could be forced to sign up to the terms and conditions and that the terms and conditions would not be retrospective.
60. It was noted that at the next meeting that the Group would discuss the new documents that the Commission would prepare and would start the discussions about metering generally, in particular looking at the long-term view.
61. RK added that the Commission would produce a customer-facing guide as suggested and produce a first paper on taking the issue of metering forward. It was agreed that inserting a diagrammatical flow chart into the customer-facing guide would be useful.
62. It was noted that there was no plan to incorporate market data and that the presence of a datalogger on a meter is not yet considered to be market data.
63. RK explained that the Commission's intention was for the next meeting to be in four to six weeks' time and at least two weeks before the next meeting the documents would be circulated to the Group.
64. RK then declared the meeting closed.