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New Retail Areas Stakeholder Group: Metering working paper

Metering

Messages from Stakeholders

At the metering stakeholder workshop held on 15 October 2010, stakeholders presented their views on customers' metering priorities and our metering proposals. The group agreed on several points that it believed should be kept in mind when considering potential changes to the structure of non-household metering.

Several participants observed that speed of service is key to customers. Customers expect their meter to be quickly installed and if there is a problem, they expect it to either be repaired or replaced quickly. They do not want to see delays as these can affect their bills. In this regard some customers believe the current process to be too slow. One participant stated that speed may be more important than cost.

Cost was also raised as a key issue. Participants pointed out that some customers are sophisticated enough to be able to price the cost of a meter installation using a third party instead of Scottish Water. There was a view that parties other than Scottish Water would be able to provide this service at a lower cost.

Workshop participants stated that choice of meter was not that important for most customers. This is in part due to the limited numbers of meter types available at most sizes. There are few options for smaller meters, which are the ones most frequently installed in non-household premises. One participant stated there is effectively only one choice for meters smaller than 40mm. Many customers also prefer the use of add-on devices, such as dataloggers, over integrated solutions. This allows them to upgrade to new technology at a lower cost.

Participants at the workshop also stated that meter ownership is not a concern for the vast majority of customers as they are not interested in purchasing their own meter. The upfront capital cost of a new meter, particularly a smart meter, is prohibitive to some customers. Views were also expressed that customers are not concerned as to who owns the meter, provided the customer gets an accurate bill and is able to switch Licensed Provider.

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Our initial model

As a brief summary, our initial model focused on the following points:

- A separate MeterCo within Scottish Water;
- Meter ownership with MeterCo/Scottish Water;
- Independent AMOs performing all meter-related work;
- Licensed Providers making metering decisions with customers;
- Customers having a choice as to the type of meter installed; and
- Meters leased back from MeterCo.

Following comments received at the stakeholder workshop we have revised parts of our proposal. However, in doing so we have kept in mind the four principles that guide our aim to give customers more choice in meters and metering services: service, cost, technology and speed.

From the workshop feedback, choice of meter appears to be less important than we originally thought when compared with ensuring the actual meter installed is working correctly. In any event, we understand the selection is limited for the most commonly installed meters. Stakeholder participants stated that ordering only one meter at a time would certainly be more expensive than a large bulk order. Based on stakeholders' procurement experiences, if a particular meter was not in stock it would also likely take weeks to receive. These speed and cost considerations would likely, in practice, limit the range of meters selected by customers.

These issues question the need for a separate MeterCo within Scottish Water. In addition, the leaseback arrangements were to allow for a wider range of meters to be purchased by customers. If meter choice is limited, leasing back may not be as important which, in turn, makes a separate MeterCo less important. Alternative arrangements that are able to deliver better choice, cost, technology and speed, but would likely be less complicated and cheaper than MeterCo therefore appear more appropriate.

Independent Accredited Meter Operators (AMOs) were seen as being beneficial by introducing competition and an element of choice to operational matters. AMOs should help to increase the speed of service including the possibility that Licensed Providers could pay for an expedited service. A Licensed Provider would also be able to prioritise the work it was giving to an AMO.

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Revised model

Considering the above points, we have revised our proposals for giving customers more choice in meters and meter services whilst focussing on the four identified principles; service, cost, technology and speed.

Please see Appendix A for a diagram of our proposed new model.

Meter Store and Scottish Water’s Framework

Instead of creating a separate MeterCo, meter ownership will remain with Scottish Water. In its place, a Meter Store will be created within Scottish Water. The Meter Store will be responsible for the procurement of meters through Scottish Water’s existing framework arrangements and AMOs will obtain meters through the Meter Store for installing at customers’ premises. Scottish Water will use its existing framework contract to select a range of meters in different sizes for AMOs to install; a range of ‘stock’ meters.

To ensure customers receive the widest possible choice, Scottish Water will become more flexible and open with its framework contract. We propose that Scottish Water will engage with both AMOs and Licensed Providers, both yearly and when it comes time for the framework to be renewed, to ensure the ‘stock’ meters selected for the Meter Store meet the requirements of customers. This will help to ensure the meter stock provided by the Meter Store evolves to meet improvements in technology and increasing customer demands.

If a customer was interested in a specific meter outwith the list of ‘stock’ meters e.g. a smart meter, an AMO would be able to obtain it through the Meter Store and Scottish Water’s framework. By going through the Meter Store costs should be kept down as far as possible.

The creation of the Meter Store allows a choice of meter and the ability to adopt new technologies, whilst avoiding concerns over costs should Scottish Water’s purchasing power be lost. It is a simpler solution administratively and should therefore be easier and cheaper to implement than a separate MeterCo. The Meter Store will also still allow the introduction of AMOs and the associated benefits of choice, cost and speed.

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Scottish Water will continue to be responsible for deciding the correct meter size for a given customer's premises. However, we propose allowing feedback from the AMO/Licensed Provider to be incorporated into this decision.

Accredited Meter Operators

AMOs would serve the same purpose as they did in our original proposal. They will be responsible for installing, repairing, replacing and maintaining meters. Licensed Providers will contract directly with AMOs to carry out these meter services i.e. there will be no contractual relationship between an AMO and Scottish Water beyond Scottish Water's accreditation scheme (in relation to which, see below).

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 Providers also will have the option of becoming AMOs. This will allow them to have greater control over the service their customers receive. AMOs would recover the cost of these activities from Licensed Providers and/or Scottish Water.

Scottish Water will remain responsible for developing the accreditation scheme for AMOs. This scheme will ensure that AMOs are capable of carrying out the work required of them. The scheme will also include the ability of AMOs to send meter details to Scottish Water or Licensed Providers as needed. The accreditation scheme will hold AMOs to the same standards to which Scottish Water's current meter installers are held.

AMOs may keep a small supply of meters acquired from the Meter Store. This will allow them to carry out the installation and replacement of common meters without the need to constantly visit the Meter Store, thereby speeding up the process. AMOs will be responsible for any meter in their possession from the time it leaves the Meter Store to the time it is installed i.e. they will be responsible for any damage prior to installation.

If an AMO ceases to provide meter services or loses its accreditation, it will be required to return any meters on hand to the Meter Store. Any meter an AMO removes from a customer's premises during the course of its work shall also be returned to the Meter Store or other appropriate Scottish Water location.

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Meter choice and cost

Scottish Water currently provides meters for new premises free of charge. It also replaces meters for worn-out stock at existing premises free of charge. Where a customer already has a meter and wishes to replace it before the end of its life, they must pay the full cost of that replacement meter. In all of these scenarios, Scottish Water chooses the type of meter to be installed at the premises.

Under our proposals Scottish Water will have a list of 'stock' meters available at the meter store. These are the meters that Scottish Water would use at customers' premises in the normal course of events. Where a customer needs a meter for new premises or to replace a broken or worn-out meter, Scottish Water will provide a 'stock' meter from the Meter Store to the AMO chosen by the customer's Licensed Provider.

However, where a customer wants a meter that is more advanced/expensive than the 'stock' meter offered by the Meter Store, the customer can pay the difference between its chosen meter and Scottish Water's choice. These types of meter would continue to be sourced by Scottish Water through its framework and would therefore remain the property of Scottish Water. The Meter Store will confirm the cost of any 'non-stock' meter with the AMO prior to ordering or allowing the meter to be checked out.

In either case, Scottish Water will raise an invoice payable by the Licensed Provider for the cost of the meter when it is checked out of the Meter Store. Scottish Water will also make an offsetting contribution towards the cost of the meter, which is equal to the cost of the appropriate 'stock' meter, once it receives confirmation that the meter has been installed. We propose that Licensed Providers be granted payment terms that are sufficiently long enough such that no money need change hands in most cases.

If Scottish Water's contribution is not equal to the cost of the meter, as in the case of an advanced meter, the customer's Licensed Provider will pay Scottish Water the difference.

See Appendix B for a diagram of the financial flows when a meter is replaced.

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Installation and Repair Costs

Presently, Scottish Water will pay for the installation of meters at new premises and the replacement of worn-out meters. It also repairs damaged or faulty meters.

Under our proposals, Scottish Water will make a standard contribution towards the installation of a meter. This will be based on the installation cost of a 'stock' meter. The contribution will be paid to the customer's Licensed Provider at the same time that Scottish Water makes its contribution towards the cost of the meter. It will then be for that Licensed Provider to make good with the AMO it may have employed to carry out the work.

When a meter is damaged or faulty, the Licensed Provider will request an AMO to examine the meter to see if it needs to be repaired or replaced. If it is determined that the meter needs to be replaced, Scottish Water will make a contribution to the Licensed Provider in the same way as it contributes for the installation of a new meter. Again, it will then be for the Licensed Provider to make good with the AMO it may have employed to carry out the work.

If the meter can be repaired, Scottish Water will pay for the cost of the repair. In either case, the AMO will need to be able to justify to Scottish Water its decision to either repair or replace the meter. This will be detailed in the accreditation scheme. Any damaged meters which are replaced must be returned to Scottish Water.

If upon examination the AMO determines that the meter is not damaged or faulty, the Licensed Provider will be responsible for paying the AMO for the site visit. Scottish Water will not make a contribution for visits where no repair or replacement occurs. This is similar to the present situation where the Licensed Provider pays Scottish Water for abortive visits.

See Appendix C for a diagram of the financial flows when a meter is repaired.

Below is a table setting out the various scenarios:

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Scenario:	Current arrangements:	Proposals:
<p>1. Meter in a new premise</p>	<p>Scottish Water provides its choice of meter at no cost to customer.</p>	<p>Customers can choose from list of ‘stock’ meters at the Meter Store and Scottish Water will provide meters at effectively no cost. However, customers can choose to source different meters through the Meter Store and pay any cost difference.</p>
<p>2. Replacing a meter at the end of its life</p>	<p>Scottish Water provides its choice of meter at no cost to customer.</p>	<p>Scottish Water will install ‘stock’ meters at no cost as part of its capital maintenance program. However, customers can choose to source different meters through the Meter Store, pay any cost difference and have an AMO install them.</p>
<p>3. Replacing a meter before the end of its life</p>	<p>Scottish Water provides its choice of meter but customer must pay full cost.</p>	<p>Customers can choose from list of ‘stock’ meters at Meter Store or source different meters through the Meter Store. Customers will have to meet the full cost of the chosen meter.</p>
<p>4. Faulty meter repair and replacement</p>	<p>If the meter is found to be faulty, Scottish Water pays for it to be repaired or replaced. Licensed Providers pay for the callout if it is not faulty.</p>	<p>Scottish Water will pay if the meter is determined to be faulty. If it is not faulty, the AMO will recover its costs from the Licensed Provider who requested the callout.</p>

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Discussion points

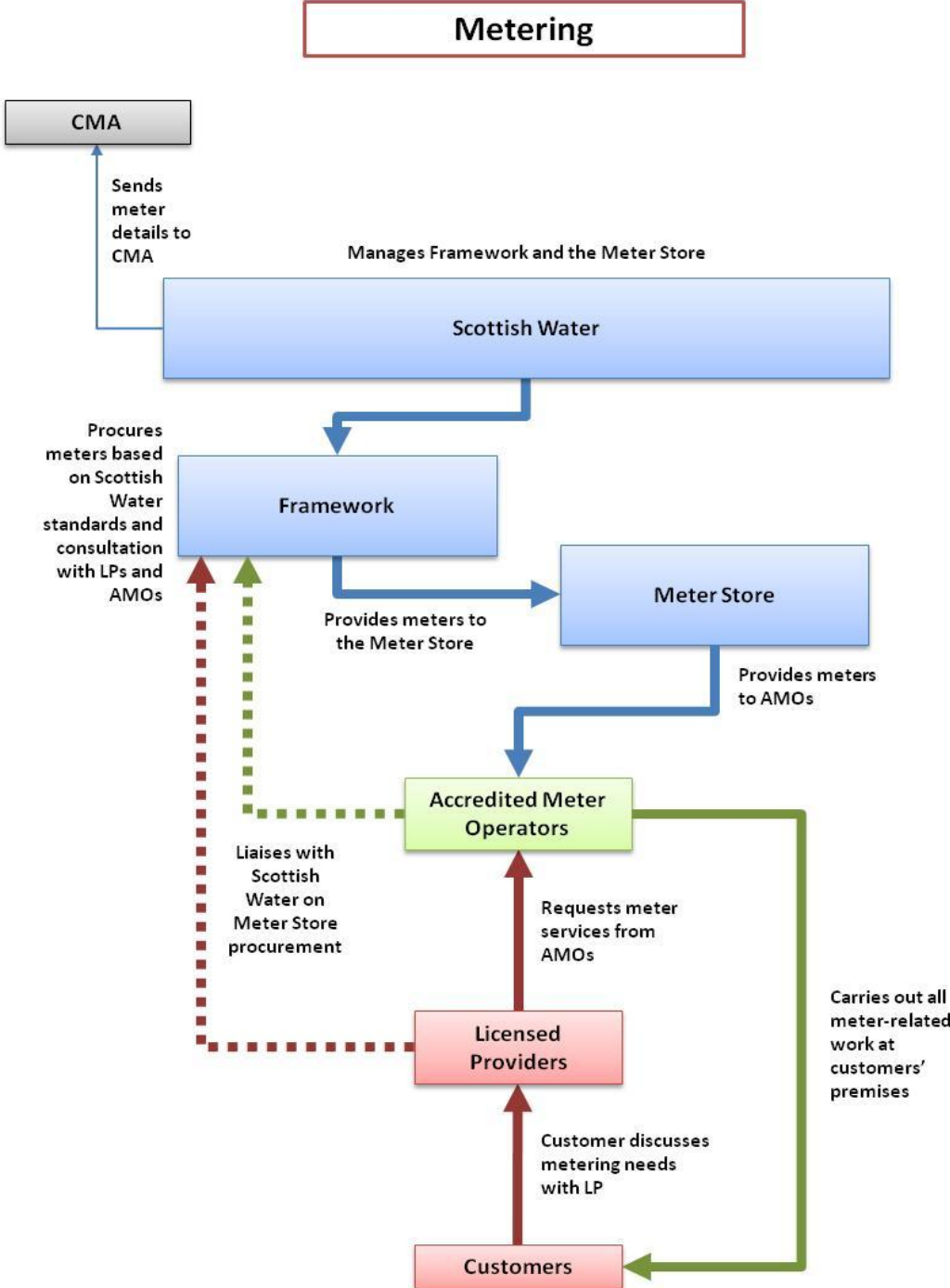
Below are some issues that we would like to discuss at the upcoming stakeholder workshop:

1. Will the concept of a meter store within Scottish Water, with engagement on the meters it carries, provide customers with sufficient choice and adaptability for the future?
2. What should the Accredited Meter Operators' accreditation consist of? Are there existing standards which could be incorporated?
3. What are stakeholders' views on the financial arrangements proposed?
4. How should Scottish Water determine the level of the offsetting contributions towards the cost of meter installation, repair and replacement work? Are the current costs sufficient?
5. How should AMO feedback on operational decisions such as the size of the meter and its location be made?

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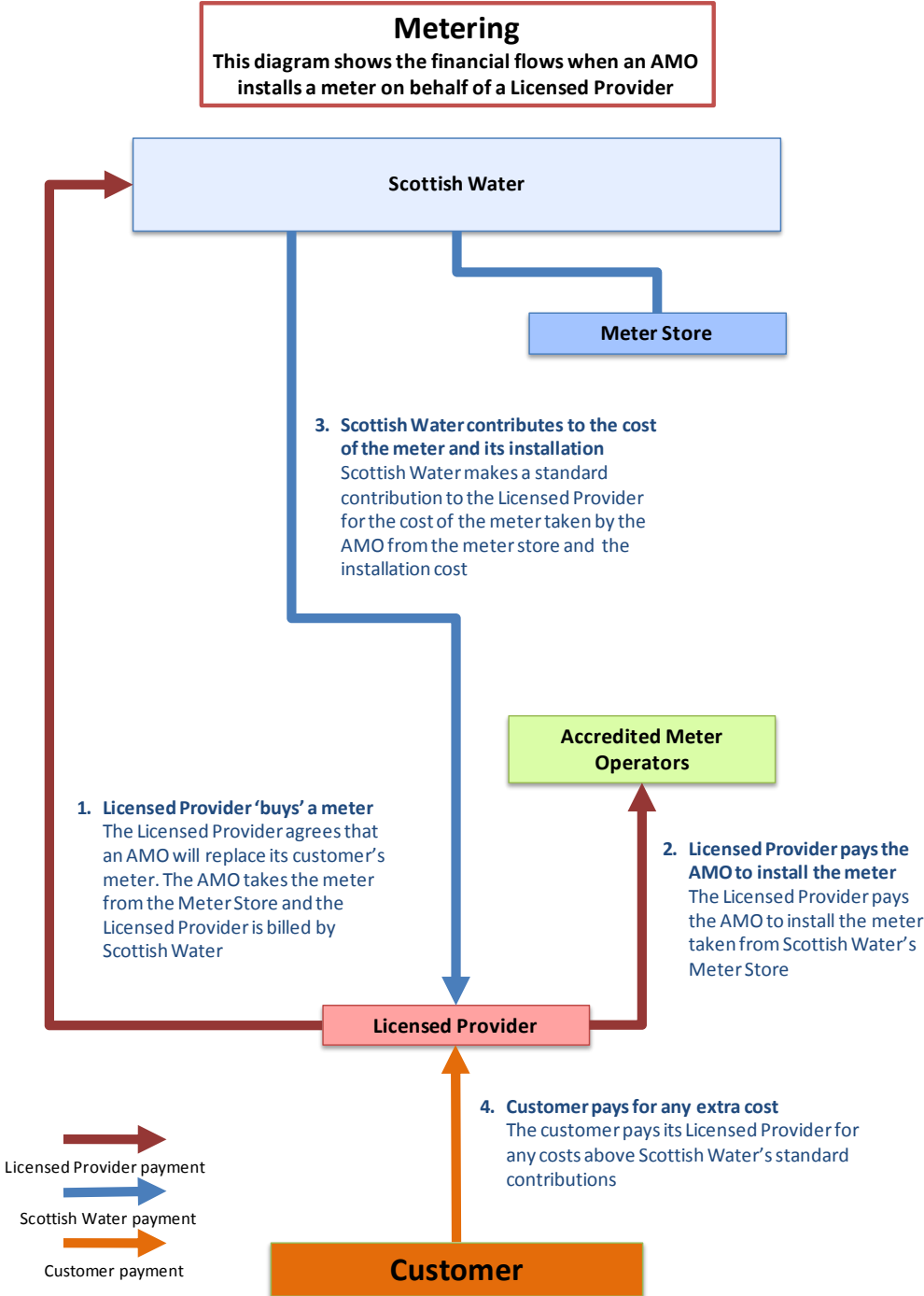
Appendix A:



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Appendix B:



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Appendix C:

