



# **National Grid Metering RoMA Consultation**

**Workshop 3 – 9<sup>th</sup> October 2012**



INVESTOR IN PEOPLE

# Workshop 3 - Agenda

1. Introductions 9:30 – 9:45
2. NGM Presentation 9:45 – 10:15
3. Future for I&C 10:15 – 12.00
4. Requirements for additional Services 12.00 – 13.00
5. Lunch c. 13.00
6. Uncertainty Treatment 13.45 – 15.00
7. Dataflows and industry process 15.00 – 16:00
8. Wrap Up and Close 16:00 – 16:15

# Housekeeping

1. Fire Alarms / Evacuation Procedure
2. Bathrooms
3. Coffee / Tea
4. Lunch
5. Phones
6. WIFI

# Introductions

1. Name / Role / Organisation etc.
2. Any particular subject interest.

# Modus Operandi

1. Objective - to hear your views
2. Mix break out single group sessions - interactive
3. Confidentiality
  - Default – industry role
  - Specify other and we'll respect
4. Range topics – some commercially significant
  - Hear your views
  - Hear views of others
  - Respect everyone's view

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# National Grid Metering

1. Consultation Document
2. Here – to add context...
3. Questions
  - Basic points of clarification - ok
  - More detailed – take away

 Eric Fowler

## Pricing Consultation Workshop 3



9 October 2012

Eric Fowler



# Agenda

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- I&C and future regulation
- Requirements for additional services
- Dealing with uncertainty

# I&C and future regulation

## Domestic

- Sterile market for non-smart
- Potential benefits in aggregation
- Timebound
- Defined smart solution
- Regulation of charges

## I & C

- Active market
- Highly Competitive
- Differing smart solutions
  - Retro-fit to existing
  - Full smart (U6)
- Market drives services

Sectors becoming increasingly different  
and smart will reinforce this

## I&C and future regulation

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- Believe I&C sector now sufficiently competitive to lift regulatory controls
  - Attrition rates attest to evidence of successful competition by other market participants
  - Legacy market share means NGM remains dominant but this does not equate to a lack of competition in the market
  - Share of new and replacement installs – majority of new fits now undertaken by competitors, demonstrating maturity of competition
- Significant drive for enhanced services – confidence expressed in Ofgem consultation responses that “these services will continue to be available at the market rate”
- Downward pressure on rental prices challenges premise of tariff capped approach

# Requirements for additional services

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- Current activities:
  - portfolio management and query handling
  - complaints investigation and response
  - contact management (24/7/365 operation)
- Standards of service – expectation that current performance standards being delivered will continue to be required
- Relationship to portfolio size:
  - ratios may remain consistent but likely that they will increase as increased volumes of activity and data exchange result – supplierless sites, appointment/deappointment exceptions, portfolio reconciliation initiatives prior to smart displacement
- Infrastructure needed to maintain and support delivery of these services:
  - staff & property
  - systems and IT

# Dealing with uncertainty

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## Obligations

- Commencement date for mass roll-out – duration of B-MPOLR and NMM obligations
- Number of MPOLR and B-MPOLR requests:
- Type of installation requested (DCM / PPM), geography (all networks, some networks, partial requests ie PPM only, etc)

## Displacement rates

- Pace of displacement
- Balanced ratio of DCM / PPM removals
- Consumer attitudes to smart metering
- Impact of “dark” meters



# Dealing with uncertainty

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## Asset transfers

- Volume of asset transfer requests (DCMs / PPMs only, makes and models not currently in NGM portfolio, asset stewardship, I&C / Dom assets)
- Timing/volumes of transfers throughout duration of NMM role

## Service delivery

- Appetite for additional services – greater need materialises than current portfolio ratios evidenced in light of increased exchange activity
- Volatility of future prices for service provision, materials

**Retention of risk element proposed in rate of return as a result**



# Dealing with uncertainty

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## Possible options post-2020:

- NGM Domestic business continues and revisit price controls
- NGM Domestic business continues but tariff caps lifted
- Sell residual domestic assets to interested party
- Transfer remaining traditional assets to relevant gas supplier



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# Future for I&C

## (Ofgem Policy Document – 25<sup>th</sup> July 2012)

- Link with certain specified service going after smart meter rollout after smart meter rollout
  - Non-discrimination condition going
  - New methodology will be required
- Look to NG to
  - Describe the dynamics of the business as part of its consultation
  - Demonstrate how its proposals are consistent with the allocation of the RAV
- Invite responses
  - On the conditions that will be necessary to achieve our objective of effective competition in the I&C market.
- Look to NG to develop proposals that
  - Maintains a link to the legacy regulation,
  - Resulting in a business value consistent with the proposed allocation of RAV.

# Future for I&C (NGM Consultation document)

- “...I&C meters can remain in service until normal end-of-life requires their replacement. We have assumed that domestic meters remain under tariff cap price control while charges for I&C meters will be governed by market forces.”
- “NGG currently retains a dominant position in the I&C sector, with a market share of approximately 75% of installed assets.”
- “We would therefore suggest that competition is already effective in the non-domestic metering market and that explicit regulatory controls beyond normal competition law requirements are no longer necessary”
- “However, if regulatory oversight is still considered necessary we would propose that we demonstrate this by continuing to share with Ofgem on a confidential basis the methodology that we use to determine charges for I&C services.”

# Future for I&C - Discussion

## Full Group or Break out groups

- Evidence of competition?
  - What do you view as the I&C market?
  - Do you believe that competition is already effective in the I&C market?
  - If **NO**, when do you view it would happen – Tipping point?
- What Regulatory Controls:
  - Do we need now in I&C, if any?
  - Why are they needed?
  - What would herald removal of them, if required now?

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# Requirements for Additional Services (NG Consultation document)

- NGM currently provide a range of other services
  - Query handling;
  - Complaint handling;
  - Scheduling based on agreed criteria;
  - National Call handling service for both domestic and I&C;
  - Contract, customer and operational management.
- Current Modelling assumes provision of these services will continue

# Discussion Groups

Discuss in your group(s) and capture views on the flipchart on:

1. What additional services do you believe you will require? – list on flip chart / hand-out
2. What would be the appropriate services levels attached to each of the services described above? – Flipchart / Handout
  - i. None
  - ii. Less than current provision – what would go / be reduced
  - iii. Same as current provision
  - iv. More than current provision – indicate what else would be required

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# Uncertainty Treatment

- Uncertainty around displacement rates/timeline and portfolio mix
  - NGM suggested review in 2018
  - Previous Workshops raised point that earlier might be better
- Smart infrastructure for PPM being ready in time
  - Result in legacy PPMs being used after Smart rollout has begun
- Asset transfer volumes (B-MPOLR and NMM transfers)
  - No view of level of interest in this and resultant impact on market
- RoR – Risk premium
  - Suggested 0.75% risk factor to reflect the uncertainty associated with metering activities
  - Earlier Workshops questioned this approach
- Other Uncertainties to be considered?

# Uncertainty Treatment

Whole Group / Smaller Groups:

Views about how to deal with these uncertainties:

- Options to consider?
- Treat each area separately or one approach to address all?
- View of priority of any options suggested?

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# Dataflows and Industry Process

Considering current and future arrangements and how the B-MPOLR and NMM obligations might instigate changes in say:

- RGMA dataflows
- Industry process, such as:
  - CoS
  - Bulk changes (Asset transfer)

Do you anticipate any specific requirement for changes to industry data flows or arrangements for traditional meters?

- Capture Workshop attendees views on this

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# Wrap Up Session

1. Recap on points from each session
2. What happens next?



**Any Questions?**