

SMART METERING TO BECOME MANDATORY BY 2014



New licence conditions affecting the supply of electricity and gas have been put forward by the Department of Energy and Climate Change (DECC). Under the modifications, which will be introduced on 6th April this year, all profile class 5-8 electricity meters or gas meters which consume in excess of 732,000 kWh each year will need to be replaced by smart meters by April 2014, in order to ensure that a customer can continue to be supplied with electricity and gas. The aim of the new licence conditions is to promote energy saving across the commercial sector, by 'ensuring the provision of wholly accurate and detailed information about energy use'.

Some 170,000 electricity meters and 40,000 gas meters in the UK are likely to be included in the legislation. Affected organisations are advised to adopt smart metering at the earliest opportunity, not only to gain access to the accurate consumption data which smart metering provides (and subsequently translate such data into energy-saving actions), but also to guarantee continuation of supply: the new licence conditions advise that, subject to certain qualifications, gas and electricity supplied after 6th April 2014

'should not be provided other than through an advanced meter, whether that meter is provided by the supplier, the customer or another party'. Organisations with profile class 5-8 electricity meters or annual gas usage of more than 732,000 kWh are thus obliged to implement a smart metering strategy within the next five years or face the possibility of being unable to secure energy supply contracts from 2014 onwards.

It remains unclear at the moment whether energy suppliers are likely to implement large-scale smart metering rollouts as a result of the new licence conditions, in order to retain their existing client base. However, a recent smart metering guide issued by the Office of Government Commerce (OGC) advises against sanctioning a supplier contract where metering is conditional on the agreement. The OGC warns that signing such a contract 'limits competition and the ability to negotiate energy contracts in the future'. Instead, it recommends ensuring that meter assets and data collection remain independent of the supply contract 'to allow transfer of suppliers during the contract duration'.

PROFILE CLASSES EXPLAINED

Profile classes are used where half-hourly metering is not installed. They provide the electricity supplier with an expectation as to how electricity will be consumed throughout the day. Classes 01 and 02 cover domestic customers, whilst industrial and commercial customers are categorised as 03, 04, 05, 06, 07 or 08. Where half-hourly metering is installed (for large consumers), the profile class is 00.

Profile Class 1: Domestic Unrestricted customers

Profile Class 2: Domestic Economy 7 customers

Profile Class 3: Non-domestic Unrestricted customers

Profile Class 4: Non-domestic Economy 7 customers

Profile Class 5: Non-domestic Maximum Demand (MD) customers with a Peak Load Factor (LF) of less than 20%

Profile Class 6: Non-domestic Maximum Demand (MD) customers with a Peak Load Factor (LF) between 20% and 30%

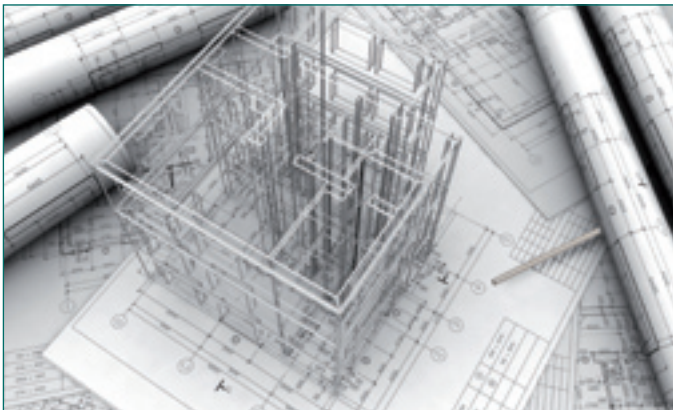
Profile Class 7: Non-domestic Maximum Demand (MD) customers with a Peak Load Factor (LF) between 30% and 40%

Profile Class 8: Non-domestic Maximum Demand (MD) customers with a Peak Load Factor (LF) of more than 40%

Maximum Demand: Profile classes 5-8 are described as Maximum Demand customers. This refers to customers whose metering system has a register that provides a maximum demand for a given period.

Peak Load Factor: The ratio, expressed as a percentage, of the number of kWh supplied during a given period to the number of kWh that would have been supplied had the maximum demand been maintained throughout that period.

OFGEM TO CONSULT ON ASSESSMENT AND DESIGN FEES FOR NEW CONNECTIONS



An amendment has been made to legislation regulating the way Distribution Network Operators (DNOs) will be able to charge assessment and design (A&D) fees for new connections. As reported in the October 2008 issue of our Connections News Update, many DNOs used to levy upfront charges for A&D work as a condition of providing a licensed connection quotation. However, late last year the procedure was queried by a new entrant distribution network company and subsequently ruled by energy industry regulator OFGEM to be 'not consistent' with terms of the Electricity Act (1989). As a result, DNOs were no longer permitted to recover A&D costs 'unless

and until a distributor has given a formal offer notice, such notice is accepted by the applicant and the DNO provides the connection'.

OFGEM's decision to abolish upfront assessment and design fees was later questioned by a number of DNOs who, obliged to carry out A&D work without any guarantee that the costs would later be offset, were inevitably set to suffer under the ruling. Following a successful parliamentary lobbying campaign by the DNOs, an amendment has been made to section 98 of the Energy Act (2008), which in turn revises section 16 of the Electricity Act (1989). The new amendment to the Energy Act will allow for modified regulations governing upfront A&D charging to be introduced.

In future, DNOs are likely to be able to recover assessment and design costs which have been 'reasonably incurred' in the process of providing a network connection offer. OFGEM has thus announced its intention to launch a consultation on the issue, with the aim of determining the supporting regulations which need to be established, the circumstances under which DNOs will be able to levy A&D fees and how such fees should be calculated.

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