

UTILITY REGULATOR'S CONSULTATION ON PROPOSED TRANSACTIONAL CHARGES ASSOCIATED WITH ELECTRICITY METERING ACTIVITIES (JUNE 2015)

NIE RESPONSE

29 June 2015

NIE welcomes the opportunity to respond to the Utility Regulator's consultation paper.

As set out in the consultation paper, NIE has proposed to provide an additional transactional service to suppliers to help address their concerns in relation to meter tampering. This additional 'supplier driven' mechanism would supplement other major initiatives being undertaken and managed by NIE under the RP5 price control which will either directly or indirectly reduce the risk of meter tampering. This includes NIE's standard Revenue Protection services as well as an extensive capital replacement programme, involving the planned replacement of c. 25% of electricity meters in service across Northern Ireland during this price control period.

The additional transactional service that has now been proposed by NIE has been developed following a period of significant engagement by NIE with suppliers and other stakeholders over a number of months. The aim of this proposal is to provide suppliers with a mechanism by which a supplier could specifically request NIE to change a keypad meter that that supplier suspects has been tampered. This would provide greater flexibility to suppliers by extending the range of Revenue Protection services provided by NIE. Furthermore, it is an optional service and suppliers have the choice of whether or not to avail of this service and incur the associated cost.

Question 1

NIE has no comments to make on this question.

Question 2

Firstly, there is no other mechanism apparent to NIE under the RP5 price control for NIE to recover the costs of extending its standard Revenue Protection services. Rather, in its Final Determination on RP5, the Competition Commission considered the costs and revenues associated with NIE's revenue protection activities and envisaged NIE generating income by charging third parties for Revenue Protection services. Therefore NIE's proposal to extend its range of transactional services to extend its standard Revenue Protection services is consistent with the Competition Commission's Final Determination.

NIE considers it appropriate to levy a transactional charge on the supplier that requests the work to ensure that the associated costs are recovered from suppliers in a cost reflective manner. It also provides that supplier with a direct commercial incentive to balance both cost and risk in considering which meters they should request for replacement. This approach reflects the general principles for the provision by NIE of other transactional services to suppliers in support of the competitive retail market.

Question 3

We assume this question relates to whether/how suppliers should seek to recover its costs from customers i.e. whether a supplier should in turn pass on to its customers the transactional charge levied by NIE on that supplier to carry out a meter replacement. This is a matter for suppliers and NIE has no comment to make.

To be clear, in carrying out this work on behalf of suppliers, NIE would be acting solely as the supplier's agent and simply replacing meters on request. NIE would not be endorsing or otherwise checking the accuracy of any information available to the supplier that leads them to request a meter replacement. Therefore, it is appropriate that NIE levies a transactional charge on the supplier to recover its costs regardless of whether meter tampering is subsequently proven i.e. that risk properly lies with the supplier to factor into their commercial decision as to whether or not to request a meter replacement.

Question 4

NIE has provided a detailed breakdown of the costs associated with carrying out keypad meter replacement as part of its revenue protection activities (ref: Annex 2 of the consultation paper). This is based upon:

- in the first instance, the labour and material unit cost allowances already determined by the Competition Commission for planned meter replacement work.

It has been necessary to flex these to reflect the additional costs of carrying out this work as a revenue protection activity and the particular safety and customer considerations that will add to the associated labour cost. NIE considers this cost estimate to be robust.

- the proposed transactional charge reflects the net cost of NIE providing this service taking account of any price control allowances that could be applied.

As a result, it is estimated that 43% of the estimated cost would be socialised (and charged to all suppliers/customers) through DUoS charges, with the remaining 57% of the estimated cost being chargeable to the supplier requesting the meter change.

Question 5

As highlighted above, this proposal will supplement other major initiatives being undertaken and managed by NIE which will either directly or indirectly reduce the risk of meter tampering and the illegal abstraction of electricity that is ultimately paid for by all electricity customers (including vulnerable customers).

Question 6

This is a matter for suppliers and NIE has no comment to make.