Report

London Centre of Excellence Energy Project

Energy Procurement Models

V0.05 Draft

Document control

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1. Energy procurement models

1.1 Executive summary

1.1.1 Background

The Energy Procurement Service Provider (PSP) function has in its scope, four areas of activity;

» Service area (a) - Selection of the energy supplier and contract management
» Service area (b) - Energy trading on wholesale markets
» Service area (c) - Customer administration support (in addition to energy supplier customer service)
» Service area (d) - Energy management and related value add services

The PSP business requirements are largely consistent with the needs for equivalent industrial and commercial customers in the private sector. Some additional requirements exist, for example, public sector estate obligations and commercial rules for public sector bodies. The Energy PSP supply market is well-established (including providers internal to public sector and private sector equivalents) and providers offer the full range of service requirements. However, individual providers tend to have stronger capabilities in either *energy procurement* or *customer administration*. These two service areas have marked differences in character: energy procurement requires a small team of specialists working mostly as a backroom operation; customer administration requires well organised teams, underpinned by good processes and customer channels.

1.1.2 Model Options

It is proposed to align the four service areas against two separate PSPs

» PSP Trader – responsible for purchasing the raw energy (service area b)
» PSP Administrator – responsible for placing supplier contracts, supporting customer administration and energy management services (a, c, d)

The management of these roles can be delivered through a choice of four options;

Integrated PSP	Both PSP functions are awarded to the same provider
Split PSP	PSP functions are tendered as separate lots
Advisory PSP Trader	PSP Trader advises Customer who is required to act on advice
PSP billing	PSP holds supply contract with energy supplier

1.1.3 Recommendation

The Split PSP option is recommended for local government. The key benefits of this option are;

» Fit with the supply market – consistent with specialised market capabilities
» Cost of service – provides core service with options to select required additional services
» Complexity for users – customer interface managed through single interface
» Performance management – ability to select multiple PSPs and switch one PSP provider without impacting other arrangements

1.2 Purpose of this paper

This paper sets out the high level procurement model defining the scope of the energy Procurement Service Provider function and the respective roles of each organisation involved in the supply of electricity and gas and its associated administration to public sector bodies.

1.3 Background

The London Centre of Excellence (LCE) Energy project is overseen by a project board composed of Society of London Treasurers (SLT), London Boroughs Energy Group (LBEG), London Contracts and Supplies Group (LCSG), London Fire and Emergency Planning Authority (LFEPA), London Universities Purchasing Consortium (LUPC) and the Office of Government Commerce (OGC).

The LCE Energy project began with a review of energy buying strategies across local authorities in London and South East. The review, led by LB Haringey, was published in March 2006 and led to the production of an Energy Procurement Action Plan to help authorities identify opportunities to improve their energy procurement strategies and administration processes.

In parallel with the Procurement Action Plan, the project board commissioned a Feasibility Study to examine the potential benefits from aggregating energy requirements across London authorities and other public sector organisations. The Feasibility Study identified potential financial benefits of £15m through aggregating energy requirements across all London authorities and purchasing through flexible frameworks using risk management strategies and accessing the wholesale market including short-term options.

1.4 Project overview and aims

LCE now wish to take forward the recommendations of the Feasibility Study and initiate a procurement exercise to select a Procurement Service Provider (PSP) on a collaborative basis which would be available to all public sector bodies.

To deliver an improvement over current arrangements and encourage stakeholders to sign up to the new service, the PSP service must meet the following critical success factors;

- » Establish a procurement service with proven performance and the capacity and capability to deliver best value and practice
- » Offer demonstrable service improvements or reduced costs to achieve customer buy-in and provide customers with the confidence that value is being achieved
- » Aggregate volumes and adopt flexible wholesale purchasing to realise savings identified in the Feasibility Study
- » Provide a choice of products which accommodate variations in appetite for risk among the customer base
- » Avoid “lock-in” factors which inhibit the ability to manage PSP performance
- » Enter a long-term commitment with an energy supplier to improve purchasing flexibility and reduce change of supplier processes

In delivering the service, the following constraints must be considered;

- » The new approach must be in place by 1st April 2008 to enable new energy supply contracts to begin on 1st October 2008
- » New purchasing approaches will require public sector bodies to agree to delegated financial authority to ensure swift decision making
- » The existing landscape includes a mix of purchasing approaches, contracting authorities and service providers
- » Consider current arrangements and identify paths of least change and resistance
- » Transition to new arrangements may require significant Customer effort e.g. preparing portfolio data

1.5 Procurement Service Provider(s) definition

The procurement model for a PSP defines the structure of the service, who does what (see section 1.6) and how each party interacts with the others (see section 1.9.2). The procurement model also defines at a high level which parts of the sourcing and transactional procurement process are to be passed to the PSP. This paper aims to assess the procurement model options which exist for the public sector to establish PSPs for energy procurement and define and recommend the optimal model.

For the purposes of the LCE Energy Project, a Procurement Service Provider (PSP) is defined as one or more third parties who are engaged to conduct part or all of the sourcing and/or transactional procurement process. The key benefits in using PSPs would normally include;

- Access to specialist knowledge and expertise, and resilience around scarce specialist resources
- Aggregating and leveraging volumes to achieve better prices and reducing operational costs, e.g. transaction processing
- Freeing up internal resources to concentrate on core internal processes, e.g. demand management
- Reducing maverick spend and achieving compliance e.g. with commercial policies

The decision on whether to adopt a PSP model is predominantly based on an assessment of risks and potential benefits. This assessment considers the following key factors;

- The energy supply market: buyers must consider their position in the supply market, the procurement levers which can used be to improve performance and the maturity of the PSP offerings available
- Energy spend: Spend is (i) high volume/low value transactions, (ii) it has standard products, and (iii) it forms a small share of overall external spend (<5%) can be good fits with the PSP approach

1.6 High level energy supply process

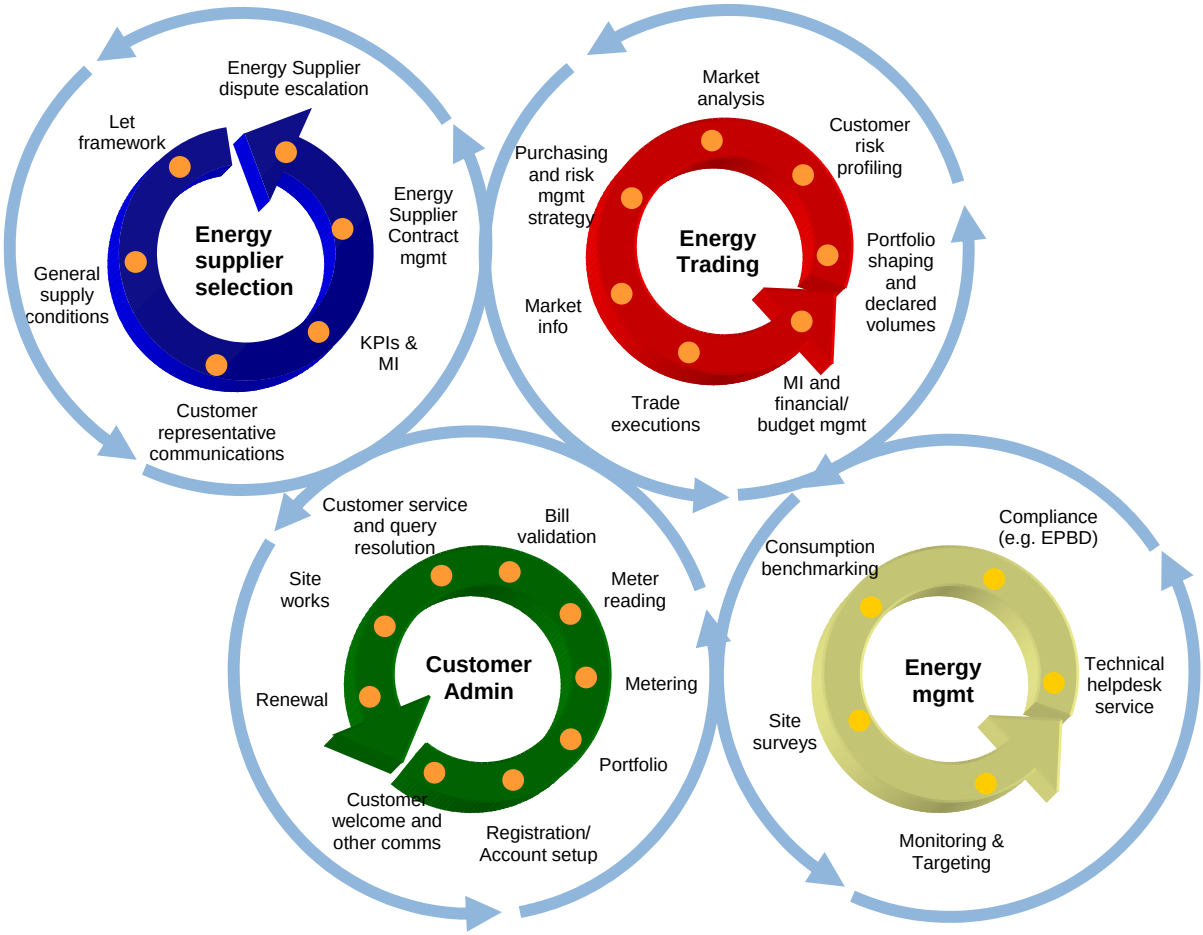
There will be up to five parties involved in the provision of the energy procurement service

- **Customer** – individual public sector bodies who utilise the PSP
- **Intelligent Client** – the representative of the public sector bodies responsible for negotiating the new PSP arrangements
- **PSP Trader** – the third party responsible for delivering the energy purchasing strategy/service
- **PSP Administrator** – the third party responsible for customer-side customer administration and energy management service
- **Energy Supplier** – the registered energy supplier responsible for administering customer accounts and providing access to wholesale energy markets

The customer's interest[1] in the energy supply process fall into the following areas;

- **Energy supplier selection and contract management** – the process of selecting the energy supplier and managing overall service delivery
- **Energy trading** – the process of buying the raw energy through appropriate risk strategies
- **Administration** – the process of administering the supply to customer sites and handling other related customer service matters e.g. meter registrations, billing queries
- **Energy management services** – additional services related to improving the energy management performance with customers' portfolios e.g. bureau, monitoring and targeting

These processes are set out below in a schematic showing the high level activity in each area;



[1] The scope of these processes does not include other parts of the supply chain that the customer is not directly involved with i.e. generation, transmission and distribution processes such as settlements, system balancing etc

1.7 High level business requirements

The high level business requirements for each of the Procurement Service process areas are broken down into further detail below. Example process maps are included to illustrate each area although actual processes cannot be defined until PSP services are agreed.

1.7.1 Energy supplier selection and contract management

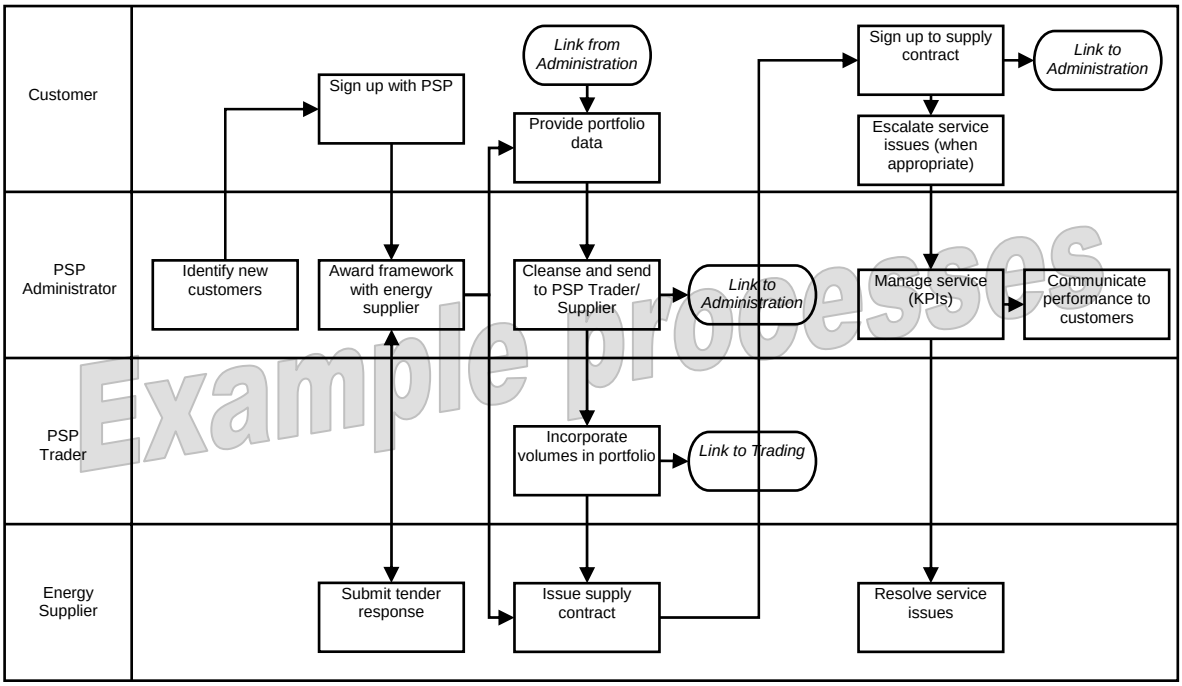
Establish contract(s) with energy supplier(s) for the supply and administration of electricity and gas placed through procurement processes compliant with procurement regulations and additional customer procurement requirements

- The contract(s) will cover both the administration and procurement of energy
- The contract(s) will define the general conditions for supply of energy
- The contract(s) shall be pan government enabled and be accessible by all public sector bodies across the UK
- The contract(s) shall be provided for a 4 year period with an option to extend for a further one year period. The contract start date will be 1st April 2008 with actual deliveries commencing on 1st October 2008
- The contract(s) shall be capable of purchasing portfolio volumes to be indicated at the point of tender and also permit portfolio growth. Currently, London local authorities purchase 4 Twh gas and 1 Twh electricity
- The contract(s) shall provide access to renewable energy sources
- The contract(s) shall provide access to carbon trading markets/solutions
- The contract(s) will allow access by third parties appointed by the Customer or PSP to deliver procurement, administration and energy management services as described in further detail below (section 1.7.2-1.7.4)
- The contract(s) will require energy suppliers to provide customers with all site consumption data held on their systems

Perform contract management activities with the energy supplier(s) to maintain the required standards of service

- The contract will provide a transparent charging mechanism which includes energy costs, energy supplier charges and PSP management fees. Energy costs to be broken down by raw energy, pass through, supplier risk costs, supplier trading costs, green premium, any other supplier costs, taxes and levies
- Require the energy supplier to provide a dedicated customer service team with named contacts and direct access by customers
- Establish KPIs and monitor performance against KPIs and PIs. Gather portfolio and service performance information from the energy supplier and produce monthly management information reports
- Undertake periodic customer surveys to appraise the service delivered to the customer by the energy supplier
- Liaise with nominated customer representatives to raise supplier performance issues and identify service improvement opportunities outside of the fixed processes outlined elsewhere
- Establish escalation procedure with energy supplier(s) and act on customer's behalf where day to day customer administration process does not resolve dispute
- Undertake regular meetings with the energy supplier(s) to review latest MI
- Establish procedures with the energy supplier(s) to allow the exchange of ideas, innovations and improvements to the service

1.7.1.1 Example process map – supplier selection



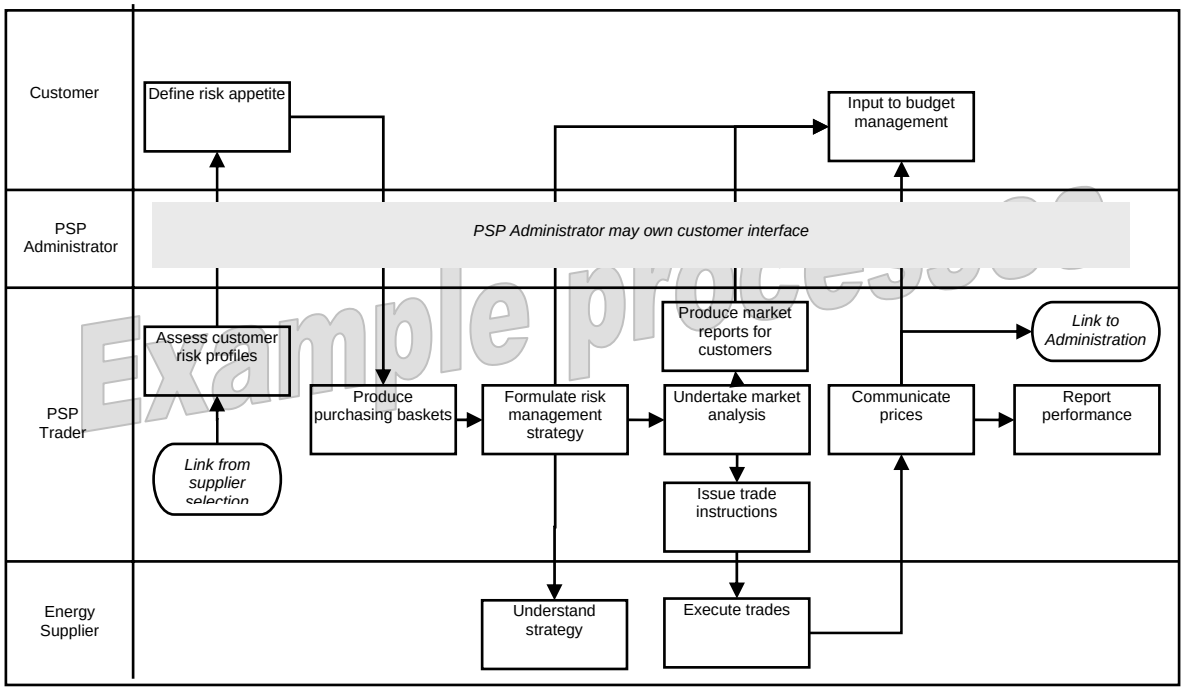
1.7.2 Energy trading

Establish fully flexible energy purchasing product(s) for the aggregated portfolio with transparent pricing mechanism

- » Establish fully flexible product(s) which provide access to wholesale prices. The product shall include a price fixing mechanism to allow the forward purchase of monthly, quarterly, seasonal and annual market traded blocks and also provide access to short term markets (up to day ahead) and indexes (e.g. LEBA). The product will also include a “price unlocking” facility which effectively allows the purchaser to pass back previously bought energy to the energy supplier and buy the energy again thereby providing the opportunity to access market price falls
- » Aggregate customer volumes into an aggregated portfolio(s) to enable purchasing via wholesale markets. Assist the energy supplier(s) in producing the aggregated loadshape
- » Establish optimised load shaping within the portfolio to minimise the amount of non-baseload energy to be purchased
- » Undertake risk profile assessments with customers to define their appetite for risk and aggregate ‘like-minded’ customers in to purchasing ‘baskets’
- » Undertake market analysis and develop risk management strategies for the portfolio. Execute trades in accordance with the risk management purchasing strategy. Record, track and provide audit information on trades
- » Offer price transparency of wholesale prices (including traded volumes and residual), pass through costs and delivered prices
- » Provide a clear and transparent billing reconciliation process for flexible pricing options
- » Produce management information (including market review reports) and financial reports for use by customers and to assist in budgeting processes

- » Develop risk managed purchasing strategy for carbon and purchase carbon to meet customers requirements
- » Participate in producing performance management reports against agreed market average benchmarks

1.7.2.1 Example process map – energy trading



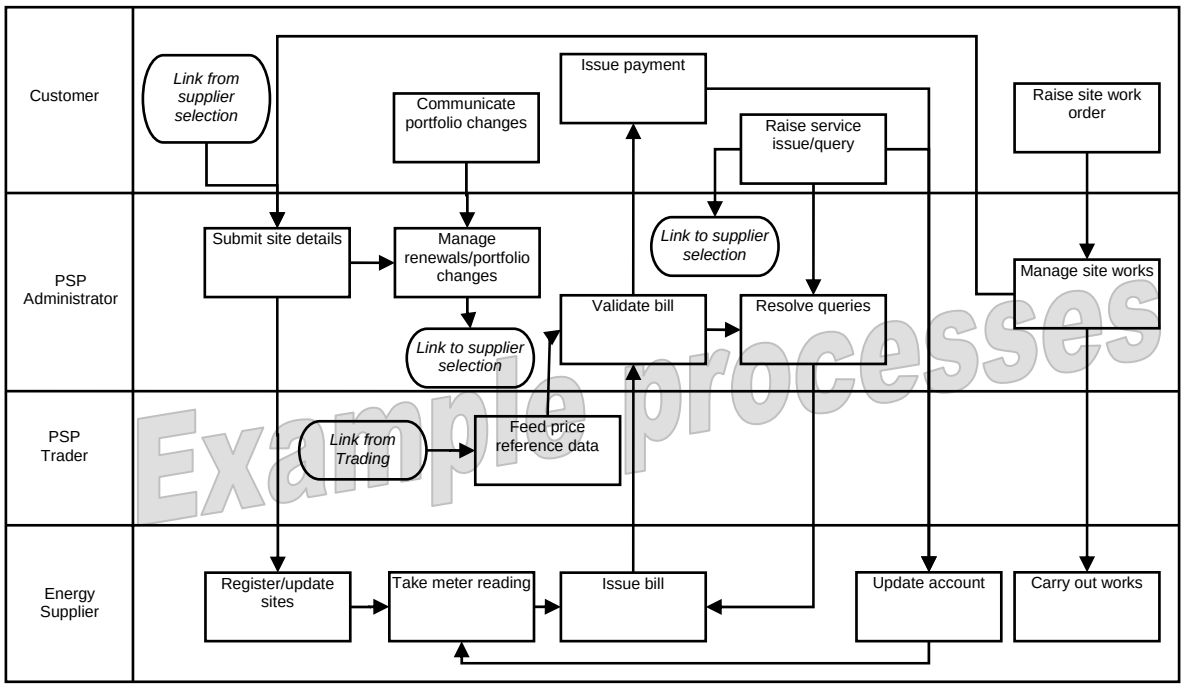
1.7.3 Customer administration

Own the PSP relationship with customers and support the delivery of customer administration aspects of the energy supply contract

- » Handle requests from new customers to join the portfolio and project manage the transition. Provide a welcome service including providing details of service, responding to new customer queries, providing advice relating to the supply contract and assisting in registration issues. Gather, cleanse and validate customer portfolio data and pass to the PSP Trader
- » Provide customer communications channels including newsletters, surveys, workshop/seminars and one to one meetings
- » Manage customer site portfolio data to agreed standards. Cleanse, validate and prepare the data for supplier selection and energy purchasing purposes
- » Manage the customer renewals process including gaining commitment from customers for future contracting periods and implementing changes to portfolio data
- » Provide a bill validation service including analysis of consumption, costs and tariffs and act on behalf of the customer to resolve billing queries with suppliers
- » Provide a helpdesk facility providing advice and assistance to customers relating to service issues including site additions and withdraws. Represent the customer in discussion with the supplier to resolve issues

- » Monitor and record progress of billing and customer service queries and produce management reports on supplier performance
- » Offer site works service options including obtaining quotes, working with suppliers to progress the site works and resolving issues, through to managing the complete site works process
- » Establish meter agent contracts (Meter Operator and Data Collector/Data Aggregator) available to all customers where required
- » Provide a suite of standard and bespoke management reports covering the portfolio (e.g. customers, sites), service performance, consumption levels and analytical reports (e.g. capacity matching)
- » Work with the Customers and energy supplier(s) to resolve queries which enter the complaints process

1.7.3.1 Example process map – customer administration



1.7.4 Energy management

Provide additional energy management services to assist customers in improving their energy efficiency and reducing consumptions levels

- » Utilise consumption data across the portfolio to produce consumption benchmarking according to site types. Include consumption levels from reference sources and produce performance tables
- » Offer a site survey service including site visit and inspection by accredited energy management professionals and a findings and recommendations report including indicative costings
- » Offer a Monitoring & Targeting service including the installation of data loggers, sub-meters and other measuring equipment. Collect consumption data and

produce analysis and a findings and recommendations report including indicative costings

» Provide a technical helpdesk service with access to specialist energy management resources and advice e.g. energy efficiency actions, available grant funding
» Offer a service to assist in compliance with statutory requirements for example (i) producing building certificates relating to EPBD requirements, (ii) measuring performance against Carbon Reduction Commitment targets
» Produce and maintain best practice guidance on a web site and offer knowledge sharing workshops

A process map is not included for energy management activity as the services may be bespoke and agreed on an individual basis with each customer.

1.8 Potential Key Performance Indicators

The high level business requirements defined above provide pointers for key performance indicators for the new service. These are listed below and will be reviewed following the definition of the full statement of requirements.

Service area	**Performance Indicator**
Pricing	Timeliness of supplying aggregated prices following price locking
	Timeliness of supplying prices for sites added to portfolio
Billing	Timeliness of acknowledging billing queries
	Timeliness of resolving billing queries and releasing suspended accounts
	Accuracy of billing
Registration and meter administration	Timeliness of registration of sites added to and removed from portfolio
	Timeliness of notification of registration objections and their resolution
Customer management	Compliance in issuing welcome packs to new customers
	Number of customer meetings/site visits undertaken
Site works	Timeliness of site works progress
	Compliance with site works plan
Complaints	Timeliness of agreeing complaint resolution actions
Performance reports	Completeness of performance management reports
Helpdesk	Timeliness of resolving matters raised at technical helpdesk

1.9 Model options

There will be up to five parties involved in the provision of the energy procurement service

- Customer – individual public sector bodies who utilise the PSP
- Intelligent Client – the representative of the public sector bodies responsible for negotiating the new PSP arrangements e.g. lead authority
- PSP Trader – the third party delivering the energy purchasing strategy/service
- PSP Administrator – the third party responsible for customer-side customer administration and energy management service
- Energy Supplier – the registered energy supplier responsible for administrating customer accounts and providing access to wholesale energy markets

1.9.1 Key questions

All options face a set of key questions relating to the structure of the procurement model;

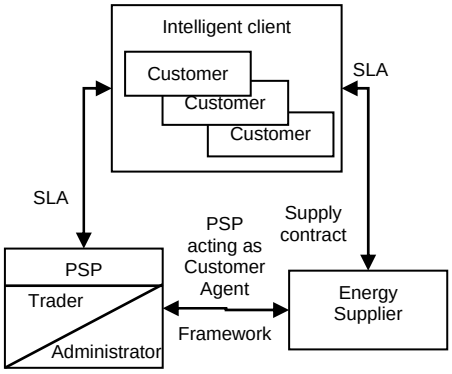
- Whether to use an intelligent client function to oversee and manage customer-PSP relationship? If required, the intelligent client will require resources likely to be drawn from authorities to set up and manage the new arrangements
- Who will act as contracting authority for the PSP services? Options include agreeing a lead authority and or setting up a special purpose vehicle and which could include the intelligent client function. How will the intelligent client function and contracting authority relate to each other?
- How should service standards be managed? Options include the use of benchmarking, a choice of alternative providers, the use of break clauses and entering longer term commitments to encourage investment in services
- How should the service be packaged into lots and what flexibility will be given to tenderers to bid for one, some or all lots?
- Who is responsible for setting up the energy supplier contract? Options include the customer or intelligent client, the PSP Trader or the PSP Administrator
- What length commitment do customers make to energy suppliers? Customers could enter supply contracts for a minimum of 1 year up to a maximum of 4 years Purchasing strategies will have at least an 18 month horizon
- How can delegated financial authority arrangements be achieved? The wholesale purchasing model involves making many trades on the energy markets. Each customer cannot be consulted each time the PSP wishes to trade. Customers sign up to an agreed risk management strategy which provides clear budget information
- What use of subcontractors is permitted? Some services are specialised and could reasonably benefit from a consortium-type approach e.g. customers must not bear any risk arising from the use of subcontractors by the PSPs
- Existing energy and administration contracts will need to expire naturally before customers can shift requirements to the new model. New model must allow flexibility to incorporate new sites/demand in a timely fashion
- How can administration work (registrations, metering, billing) be best managed? Local authorities have large site portfolios running into the thousands and is complicated by shared tenancies. The transfer process for high volume registrations is an onerous task which often involves much work to fix site data issues. Customers moving between providers may discover underlying data issues

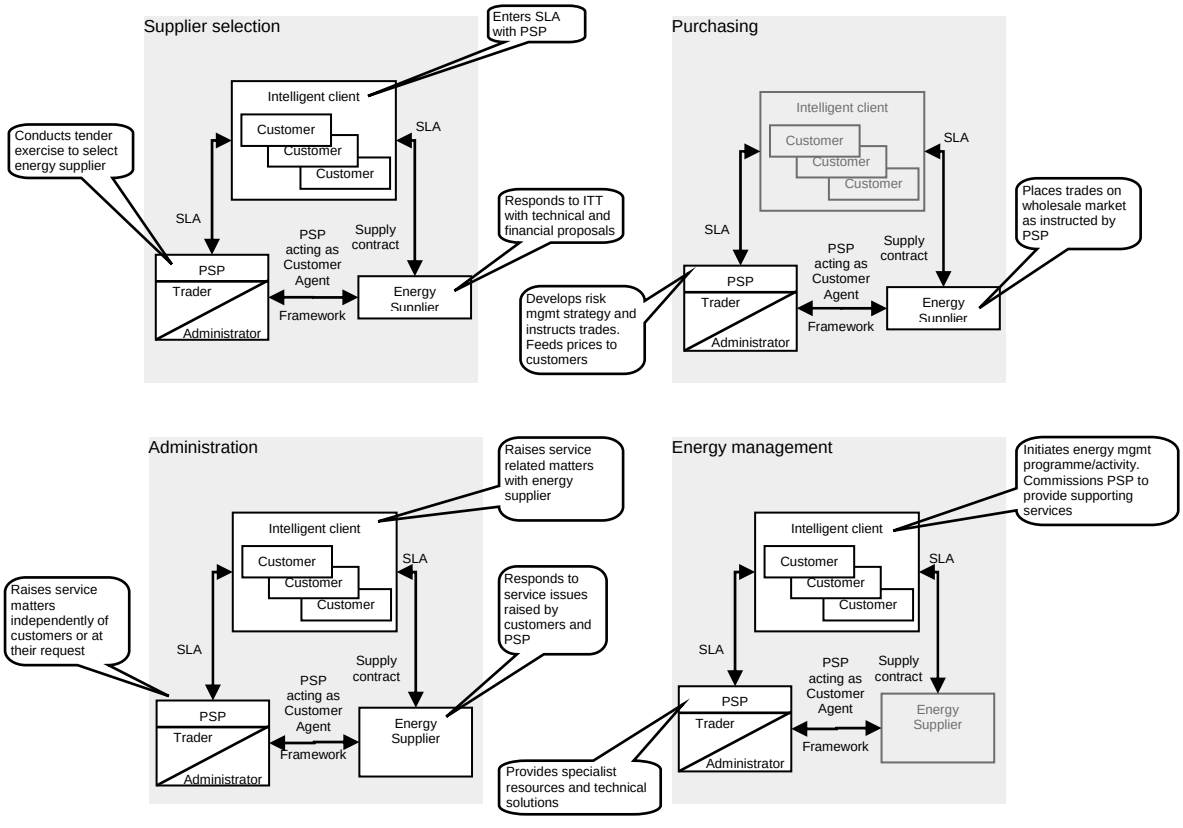
1.9.2 Options

A choice of procurement models exists to implement a new Procurement Service Provider function. An outline of each model is provided below, supported by a high level activity description for each of the four areas of the energy supply process as defined in section 1.6.

1.9.2.1 Option 1 – Integrated PSP framework

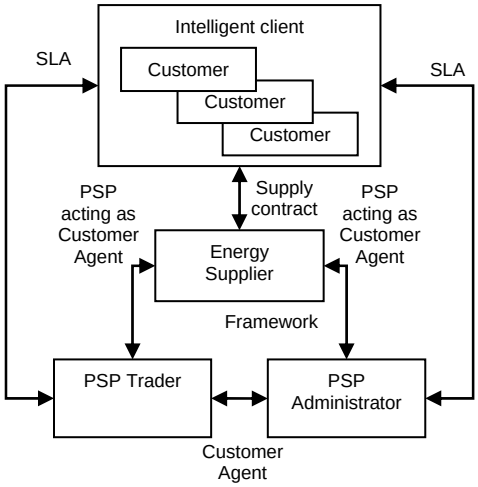
In the integrated PSP framework model, the intelligent client establishes a contract with the PSP. The PSP in turn sets up an enabling framework with the energy supplier including a general conditions of supply contract which is called off by each customer. Each customer enters into a supply contract with the PSP's elected energy supplier. The PSP is established as a customer agent and acts on behalf of the customer with the supplier to purchase energy and deal with service related matters. Prices achieved by the PSP Trader are fed back to the customer following price fixing. This model resembles the underlying structure of the current LASER, OGCbs and PASA service offerings

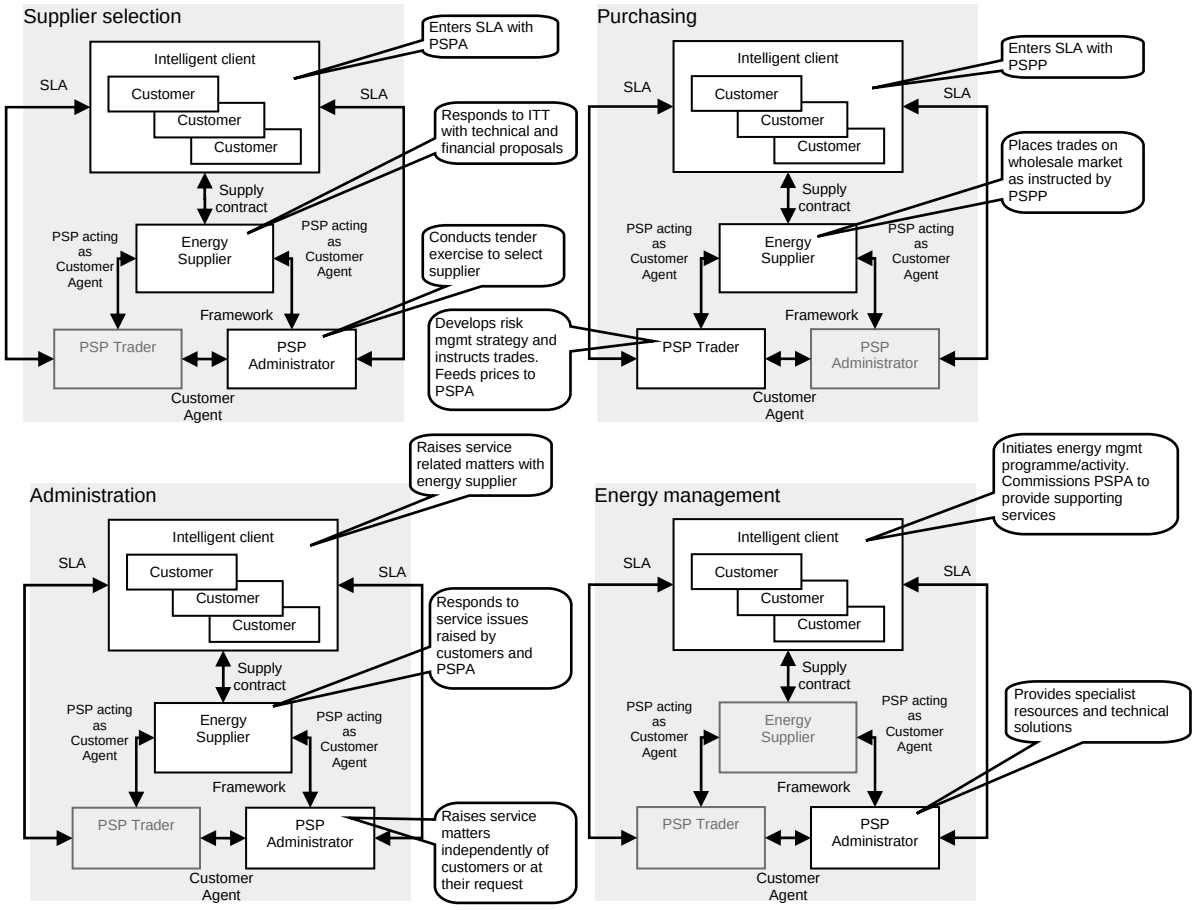




1.9.2.2 Option 2 – Split PSP framework

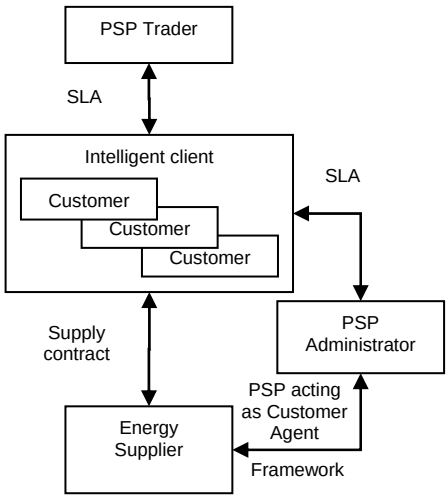
In the split PSP framework model, the intelligent client establishes separate contracts with the PSP Trader and PSP Administrator. These contracts are established in parallel to allow impacts from each negotiation to be assessed against the other service. The PSP Administrator sets up an enabling framework with the energy supplier including a general conditions of supply contract which is called off by each customer. Each customer enters into a supply contract with the PSP Administrator's elected energy supplier. Each PSP is established as a customer agent of the other and also as an agent on the supply contract. The PSPs can act on behalf of the customer with the supplier to purchase energy and deal with service related matters. Prices achieved by the PSP Trader are fed back to the customer following price fixing.

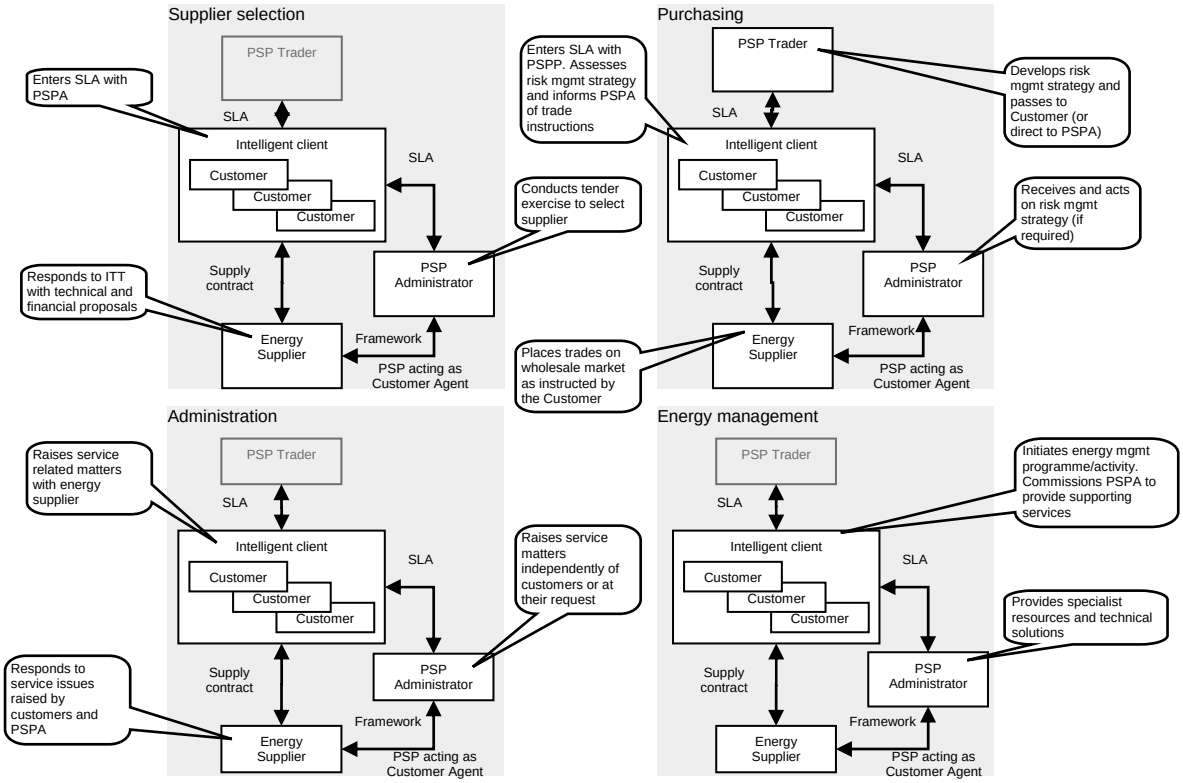




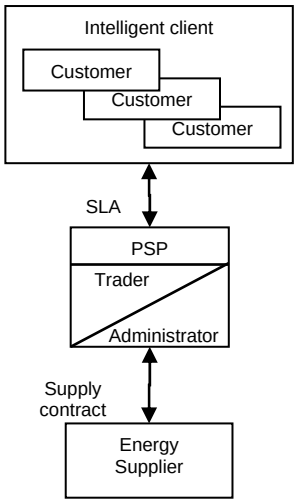
1.9.2.3 Option 3 – Advisory PSP Trader

In the advisory PSP Trader model, the intelligent client establishes separate contracts with the PSP Trader and PSP Administrator. These contracts are established in parallel to allow impacts from each negotiation to be assessed against the other service. The PSP Trader develops a risk management strategy and sets price stops and targets. This information is provided to the Customer to act on, either directly with the Supplier, or via the PSP Administrator. The PSP Administrator sets up an enabling framework with the energy supplier including a general conditions of supply contract which is called off by each customer. Each customer enters into a supply contract with the PSP Administrator's elected energy supplier. Each PSP is established as a customer agent of the other and also as an agent on the supply contract. The PSPs can act on behalf of the customer with the supplier to purchase energy and deal with service related matters. This model resembles the underlying structure of the current TfL service offering.

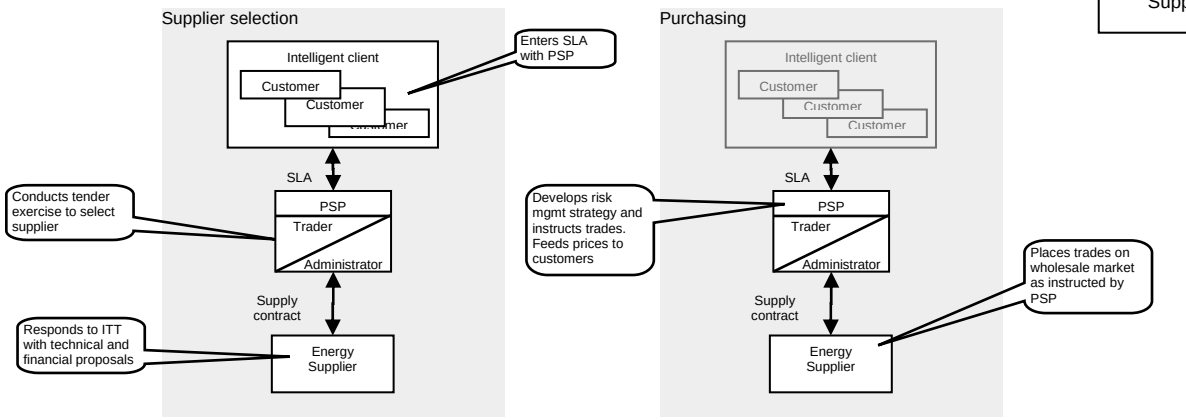


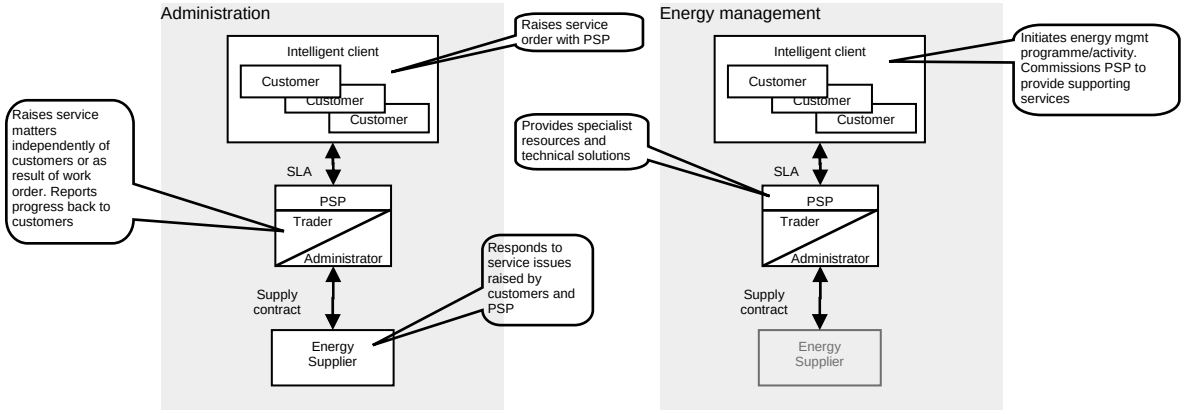


1.9.2.4 Option 4 - PSP billing



In the PSP billing model, the intelligent client establishes a contract with the PSP to which each customer signs up individually. The responsibility for entering a supply contract is delegated to the PSP. The PSP takes on full responsibility for managing site data and contract management and owns the relationship and interface with the energy supplier. The PSP develops a risk management strategy and sets price stops and targets as with the other models. Prices are fed back to the customer following price fixing. Customers receive a consolidated bill from the PSP. Customers raise work orders with the PSP to initiate work such as new connections. This model resembles the underlying structure of current ESPO centrally billed service offering.





1.9.3 Assessment of options

To select the preferred model, the pros and cons of each option are identified below. At this stage, the assessment identifies qualitative or non-quantified considerations which should be monitored as the project progresses to confirm the validity of the selected option.

Option	Pros	Cons
1. Integrated PSP	» Passes all responsibilities to one party, simplifying customer interactions and providing clear risk allocation » Existing offerings in the market cover full scope of PSP service » Subcontractors can be used by PSP for specialist areas etc » Making a larger commitment to a integrated PSP should increase customer status and improve negotiating levers	» Skills, resources and processes in each service are very different. Single party might not be best placed to offer all services » Major commitment to a single provider making switching a more complicated process. Switching may also impact service level agreement on continuing services
2. Split PSP	» Should increase tender response levels » Provides opportunity to tender in lots and select preferred option after tenders submitted » Allows customers to opt for PSP Trader only or complete PSP service » Easier to implement different contract arrangements e.g. contract duration, fee structures » Allows switching of either service to happen independently of each other » Diversifies risk of placing service with a single supplier » Potential for customer to undertake cross-checking of outputs between providers	» Complicates risk allocation and increases risk of service issues falling between the parties » Additional efforts on customer to contract manage two services » Reduces PSP Administrator role which may impact on attractiveness of offering service » By making a lower commitment to each PSP, service levels being offered might be reduced
3. Advisory PSP Trader	» Allows easy switching out of advisory trader service » Simple to implement multi-supplier model to validate advice being given (although increased costs incurred)	» Likely to generate interest mainly in private sector for PSP Trader role. Need to test if PBO constituencies allow PBOs to contract for the PSP Trader role » Requires greater customer energy markets expertise to act on advice from PSP Trader

Option	Pros	Cons
4. PSP billing	» Can work with both the integrated or split PSP model, although integrated model is expected to be favoured by tenderers » Moves almost full burden of administration to PSP and transfers all bill checking and payment activities from customers to PSP reducing customer resource work and potentially tapping into scales of economy efficiency and specialised resources » Customers initiate formal work orders on PSP such as new site connections/registrations, disconnections, etc.	» Probably only achievable with public sector based PSPs. May not be acceptable to customers' own procurement regulations. May not be acceptable where public sector PSP and customer entities are not closely linked within public sector structure (e.g. between crown & non-crown bodies) » Money spends more time moving through financial systems reducing interest earnings by customers » Potential requirement by PSP for customers to pay up front, creating need for reconciliation process » Risk of disconnection between PSP Administrator and customer site managers/contacts » Attractiveness of taking on the larger administrative service across the potential PSP market » May further disguise site/data issues from customers » Requires greater helpdesk facility at PSP to handle customer raised issues » Requires transparent and tight monitoring and reporting procedures to ensure bills are being properly validated » Increased loss of expertise within customers will make it harder to bring services back in house in the future

1.10 Recommendation for local government

The recommended option is the **Split PSP** model. On balance this option provides the following key benefits;

» Cost of service (including PSP charges and internal resource costs) for each option is anticipated to be broadly in line across all options
» Recognises the capabilities of the supply market and the general lack of quality end-to-end service providers
» Recognises the different needs of administration and purchasing services
» Provides the ability to diversify service risks across two PSPs
» Provides the option to award both services to a single PSP
» Provides the ability to follow different procurement processes for each service
» Allows each procurement process to be run in parallel (if desired)
» Provides the ability to apply different contract lengths for each service
» Provides the ability to award contracts to one or many PSPs for each service

The Feasibility Study identified the opportunity for London Authorities to collaborate with London Universities and Metropolitan Police. The Split PSP model appears to fit well with Universities where the large estates require significant administrative support. More information on the Metropolitan Police estate is required to assess their needs but if the Police estate is well controlled then their need is likely to focus on the PSP Trader role.

Appendix A - Energy supply process events

To provide background understanding, this annex describes the key standard industry processes which see interaction between the different parties (customers, PSP, energy supplier) described in the Procurement Model paper.

Customer registration and account setup

To produce a proposal for energy supply, the new supplier requests relevant information from the customer including site, consumption and meter details. This also provides the supplier with information required to facilitate any subsequent site transfer with the industry registration systems. The electricity and gas supply systems are underpinned by a registration service which maintains a register of all energy supply points and associated site and supplier information. The electricity registration system is known as the “Meter Point Administration System” and the gas registration system is known as “Meter Point Registration System”. The supplier quality checks the data provided and use industry information sources to identify any missing data. The customer may choose to appoint its own agents (Data Collection, Data Aggregator and Meter Operator) or pass the responsibility to the Supplier.

On acceptance of the proposal by the customer, the supplier will issue a welcome pack including contract terms, descriptions of customer-facing processes and additional services and so on. The supplier will register the transfer of sites, which provides the opportunity for the existing supplier to object to the transfer if, for example, they believe they still have sites under contract.

Purchasing and pricing

Portfolio data for all sites is aggregated to produce an optimum profile shape and bought through flexible products. The profile shape is broken up to match standard tradeable energy blocks, for example in electricity this can be 10MW blocks and in gas this can be 25,000 therms. Energy is purchased from the wholesale markets according to a risk management strategy. The price of the raw energy is combined with pass-through costs and other administrative costs to produce a delivered customer price. Prices are communicated to customers soon after the supply start date. Customers opting for flexible pricing will be provided with a reference price against which they will be billed. For these customers, the reference price is reconciled with the actual achieved price and discrepancies are recovered or credited during a subsequent supply period.

Metering

The customer can choose to appoint their own Meter Operator or pass the responsibility to the Supplier. Where the customer appoints the Meter Operator the customer must indemnify the supplier against claims due to failures in metering. The Meter Operator is responsible for providing, installing and maintaining the site meter. The Meter Operator may also need to inspect and test the meter to confirm it is operating correctly. In both gas and electricity, industry regulations state that larger sites must have meters which can be read more frequently than smaller sites. Large electricity sites are read on a half-hourly basis and large gas sites are daily metered. Smaller sites utilise manually read meters which are read on a monthly or quarterly basis. Customers with manually read meters have the option to replace these with new Automated Meter Reading equipment to improve meter reading performance and gather more detailed consumption data thus assisting with energy management.

Meter reading

The customer can choose to appoint their own Meter Reader (also known as Data Collector/Data Aggregator) or pass the responsibility to the Supplier. Industry standards set down the required frequency of actual reads. Where no actual read is obtained, the Supplier can use historical consumption data to produce an estimated read. The meter reader is responsible for manually reading or electronically polling site meters to establish consumption usage. Meter Readers are given rights of access to properties to enable reading and pass read information back to the Supplier to inform the billing process. Where meter accuracy is challenged the Meter Operator will inspect and test the meter to resolve the dispute. The costs of the dispute are met by the party whose view was found to be incorrect.

Billing and payment

The Supplier receives meter reading data from the Meter Reader, calculates consumption and prepares bills for the Customer site portfolio. Bills will include the cost of the raw energy, transmission and distribution costs, supplier costs, taxes and levies and any other third party charges relating to the supply. Commercial sites are normally monthly billed although smaller sites may be quarterly billed. Historically, bills have been issued in paper format but the adoption of electronic billing has grown in popularity in recent years. On receipt of the bill the Customer should verify they are responsible for payment and that the billing amount is correct. Validation can be performed manually or, preferably, electronically, where the volume of bills is considerable. Payment terms tend to range up to 28 days although shorter periods can reduce supplier charges by reducing their cost of credit. If the Customer chooses to dispute the bill the payment is put in to suspense until the dispute is resolved. Customer payments are made by direct bank transfer. Suppliers may offer additional billing services such as consolidated billing, where multiple site bills are consolidated and sent to a single point of contact for verification and/or payment, and direct debit payment options where the supplier offers a price discount for faster payment.

Site works

During the term of a supply contract a Customer, due to changes in their estate, may have need to undertake site works such as a new connection, energisation of the meter point, de-energisation or disconnection of supply. Changes to the meter such as upgrades are also included in the scope of site works. The site works are undertaken by the local distribution business and/or the Meter Operator. Customers can liaise directly with the distribution business to obtain quotes for the work, agree scheduling and approve the work. Where the site works are more complex, Customers can make provision in this supply contract to require the Supplier to liaise with the site works companies on their behalf. This service would face an additional fixed charge from the Supplier. Changes relating to the registration of meter points will be carried out by the Supplier.