

Special Risk Review

Comments on the Draft Meter Services Agreement

of July 2018

1 Executive Summary

By the end of the year all meter installation will need to be passed across to MAPs. Therefore getting a robust and workable contract in place with each MAP is critical for future performance.

NERC have issued draft Contract and Bid Documents for the procurement of a Meter Asset Provider (MAP). We would strongly advise against using these documents as they are presently drafted, they are not fit for purpose. PLEASE SPEAK TO US IF YOU WOULD LIKE ASSISTANCE OR A REDRAFTED CONTRACT.

Some detailed comments on the Draft Contract are set out in the section 3. A summary of some of our principal concerns with the draft Contract and Bid Documents are:

- a) It is clear that MAP will provide meters, install them and then maintain them. Annual totals are useful but there needs to be penalties for the MAP if the targets are missed, and incentives to perform;
- b) In addition, the Disco needs to have a flexible mechanism to control where the meters are to go and when (as that would be too difficult to define 3 years in advance), this is not provided for at present;
- c) The contract states the Disco must do preparatory works in advance, called 'Network clean-up'. The contract needs to link this with the installation program, and say what happens if preparatory works (and enumeration) are not complete in time;
- d) It is not at all clear to what extent the MAP will be responsible for revenue protection, that is controlling theft and meter bypass. If they are to be responsible then the contract needs to place the risk of continuing high losses onto the MAP; at the moment it does not;
- e) There seems to be an option for the MAP to read the credit meters, which could be taken to be a part of a revenue protection process, but may be intended to be part of the disco billing process, at the moment it is unclear;

- f) The MAP will be dealing with the Disco customers but there are no provisions at all to say how this will happen and whose responsibility it might be;
- g) There are insufficient provisions to ensure the MAP actually performs as the Disco (and NERC) might intend; and
- h) The contract is silent on who has responsibility for disconnection and reconnection, which is an essential component of revenue protection;
- i) The basis of the Meter Service Charge could be a fixed monthly fee based on the type of meter, or it could be a share of revenue based on the kWh the customer consumes. This really needs to be stated in the Contract and the method chosen needs to link with the risk allocation. In other words, if the MAP is taking responsibility for elimination of theft and bypass he needs to be financially exposed if losses rise;
- j) It is not clear whether the MAP will use his own vending platform for the pre-payment meters he provides (certainly this is the assumption of some MAPs). If they do the contract offers virtually no protection against theft or defalcation by a MAP or MAP staff and requires extensive additional drafting to protect the host Disco;
- k) Customers will own their meter (although it is not clear at what point in time the ownership transfers from MAP to customer) and if they relocate they may expect to take their meter with them. The contract has no provisions to address this;
- l) The duration of the contract is 10 years, but it is not clear what happens to any meters that are not fully amortised at that point, and how maintenance will be addressed after that; the meter manufacturer would be able to hold the Disco hostage on costs;
- m) There is no clear process in the Contract to account properly for the MSCs on each meter and thus keep track of when each meter might be fully amortised, which is when payment will cease. Extensive additional drafting will be needed to make this clear.
- n) The MAP is offered security of payment through an escrow arrangement but there is no detail on this, nor how it could work with the NEMSF I escrow already in place.

This is simply a summary of the principal shortcomings with the present drafts; there are further extensive comments at a detailed level. We are in the process of redrafting the Meter Service Agreement and the associated Bid documents to make them workable. PLEASE SPEAK TO US IF YOU WOULD LIKE ASSISTANCE.