

Annual Compliance Audit

Gas Suppliers - Licence Condition 2.25: Reading,
Inspection and Testing of Meters.

September 2024



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls; Networks and Energy Futures; Markets; Consumer Protection and Enforcement. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Abstract

A fundamental function of regulation activity is the ongoing monitoring of regulated companies' compliance with the obligations of the licences under which they operate and/or the applicable legislation. It is critical that we ensure licensees act in accordance with their licence, not only to fulfil our own statutory duties, but also to ensure our regulated companies and markets are operating as they should and in the best interests of consumers. Audits form an integral part of our compliance monitoring framework. They provide insight into licensee processes and assist in informing regulatory policy and decisions. This paper outlines the results of a third-party audit conducted on gas suppliers, to assess how they are meeting their licence obligations to read and inspect meters.

Audience

This paper will be of interest to regulated companies, energy industry, consumers, consumer representatives and other statutory bodies.

Consumer impact

This publication provides consumers, industry, and other interested stakeholders with an insight into our compliance monitoring activities, which promotes transparency and consumer empowerment.

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1. Introduction and Background

- 1.1 The Utility Regulator (UR) has a statutory responsibility for the regulation of gas, electricity, water, and sewerage services in Northern Ireland.
- 1.2 We perform our statutory duties in accordance with the following key legislation:
- The Energy (Northern Ireland) Order 2003;
 - The Gas (Northern Ireland) Order 1996;
 - The Electricity (Northern Ireland) Order 1992; and
 - The Water and Sewerage Services (Northern Ireland) Order 2006.
- 1.3 A fundamental function of regulation activity is the ongoing monitoring of regulated companies' compliance with the obligations of the licences under which they operate and/or the applicable legislation. Our new Corporate Strategy 2024 – 2029¹ emphasises that the companies we regulate should aim to be the best in class, raising the bar on the services they provide. Our aim is to ensure that our energy and water companies compare to the best, improve competition in energy markets through targeted regulatory frameworks, strengthen the culture of compliance across licensed companies and ensure our compliance and enforcement framework anticipates changing consumer needs.
- 1.4 Audits form an integral part of our compliance monitoring framework. They assist in assessing licensee compliance with licence and/or legislative requirements, provide insight into licensee processes and assist in informing regulatory policy and decisions. An independent audit assurance process also helps to provide stakeholder and consumer confidence in relation to the operations of our licensees.
- 1.5 The Compliance and Enforcement team conduct an annual compliance audit programme, which takes into consideration the potential for customer harm, market/industry developments, areas of concern and potential issues or risks. All regulated companies may be subject to audit. The audit scope varies each year, providing an opportunity to monitor compliance across a range of regulated activities and licensees.

¹ [Protecting Consumers on the way to Net Zero – Utility Regulator launches new Corporate Strategy 2024-2029 | Utility Regulator \(uregni.gov.uk\)](https://www.uregni.gov.uk/protecting-consumers-on-the-way-to-net-zero-utility-regulator-launches-new-corporate-strategy-2024-2029)

2. Compliance Audit

Audit Scope

- 2.1 The area selected for the 2024 compliance audit focused on gas suppliers and how they are meeting their licence obligations to read and inspect meters² using the guidance developed at the Gas Market Operating Group (GMOG)³ in September 2021 to meet the relevant licence obligations.
- 2.2 We had concerns relating to the number of meters that had gone uninspected due to the various lockdowns of the covid-19 pandemic, which required all suppliers to temporarily stand down meter inspection activity. Via the September 2021 GMOG forum, we asked the Distribution Network Operators (DNOs) to provide us with their analysis of expired meter inspections in their relevant network area. A review of these submissions raised concerns in relation to both the number and age of expired meter inspections.
- 2.3 On 14th December 2021, we contacted suppliers regarding their outstanding meter inspections which highlighted the concerns of UR. We provided suppliers with the agreed guidance document that had been developed via the GMOG forum as to what constitutes the 'reasonable endeavours' that should be exercised to meet the relevant licence obligations. Suppliers were also notified that we would continue to monitor expired meter inspection data provided by the DNOs on a monthly basis.
- 2.4 The audit provided an opportunity to review how suppliers have implemented the guidance since its introduction in December 2021, assess if the current processes and controls have been effective, and/or if further action is required.
- 2.5 Following an independent external procurement process, the audit firm, Ross Boyd Chartered Accountants (RBCA), were appointed on 28th December 2023. We provided RBCA with an audit programme which consisted of controls and sample-based tests to assess how suppliers are adhering to the meter inspection requirements of their gas supply licence. We provided RBCA with a population of Supply Meter Points (SMPs) on which an inspection was overdue (as of October 2023) as a basis for their sample selection. The samples selected covered a range of tenure categories (domestic and non-domestic), meter types (Pay As You Go, Credit, Quantum) and meter inspection expiry dates.

² Gas supply licence condition 2.25: Reading, Inspection and Testing of Meters. Note, gas supply licences can be found on our website ([Gas Licences | Utility Regulator](#)).

³ GMOG membership includes UR, gas suppliers, Distribution Network Operators (DNOs), the Department for the Economy (DfE) and the Consumer Council for Northern Ireland (CCNI).

2.6 All six NI gas suppliers which includes, SSE Airtricity, firmus energy, Electric Ireland, Flogas Natural Gas, Flogas Enterprise Solutions and Go Power were subject to the audit, covering both the domestic and non-domestic markets, where applicable. The audits were conducted on site and took place during February and March 2024.

Audit Findings

2.7 Once the site visits were completed, the auditors compiled individual reports on each supplier which summarised the results of the audit tests and noted recommendations for improvement.

2.8 The reports were issued to suppliers and tripartite meetings were held between UR, each supplier and RBCA. These meetings facilitated discussions on the audit findings and suppliers were given the opportunity to provide further evidence or information where applicable.

2.9 The table below provides a summary of the RBCA audit findings:

Audit Test	Audit Findings
Maintain records on failed meter inspection attempts	All six gas suppliers maintained an audit trail of failed inspections and were able to evidence records for attempted visits on the SMPs tested.
Use of multi-skilled meter readers to conduct both reads and inspections, ensuring optimal utilisation of workforce and enhanced efficiency	Three of the suppliers outsource their meter reading/inspection requirements to third party providers. The other three suppliers complete the reads and inspections in-house. In all cases the staff and outsourced personnel are multiskilled to conduct both reads and inspections.
Maintain a list of outstanding SMPs for concentration to ensure adequate planning, prioritisation and management of resources	Where applicable, the suppliers maintained a list of SMPs for concentration, where an inspection remained outstanding after successive attempts. Two suppliers did not maintain lists, as they had no SMPs with outstanding inspections or they rely on the lists received from DNOs for the detail on outstanding inspections.

<p>Maintain up-to-date contact information through customer exchanges</p>	<p>All suppliers carry out reasonable steps to ensure accurate customer details are held. Customer details were recorded on the accounts for most of the SMPs tested. However, for both properties where it is known the buildings have been derelict or vacant for some time and in domestic Pay As You Go premises, all relevant suppliers experience difficulty ensuring up to date contact information is held.</p>
<p>Maximise engagement with DNOs in an attempt to achieve resolution to outstanding inspections</p>	<p>All suppliers have regular communication with the DNOs via monthly/bimonthly meetings during which long term no access cases are discussed. Of the SMPs tested, there were two occasions where suppliers engaged directly with DNOs to seek assistance.</p>
<p>Schedule follow up visits after failed inspection attempts</p>	<p>All suppliers have processes in place to schedule follow up visits and use all means of communication available to engage with the customers, evidence of which was provided in cases of the SMPs tested.</p>
<p>Offering and arrangement of inspection appointments in and out of normal business hours</p>	<p>All suppliers attempt all means of communication with customers in cases of an outstanding inspection, including letters, emails, texts, and telephone calls. If engagement is achieved all suppliers work with customers to arrange a suitable inspection appointment, which can be conducted outside of business hours or at weekends, if necessary.</p>
<p>Research of premises' ownership/occupancy status</p>	<p>All suppliers conduct research of ownership/occupancy. The initial research and observations are completed by meter readers. Meter reader observations were recorded on attempted visits for all SMPs tested across all suppliers. In addition, suppliers confirmed verbally that they exhaust resources such as google and land registry documents to find the ownership and occupancy status of the relevant premises. However, this research could not be evidenced in most cases.</p>
<p>Use of Warrants to gain entry to premises where a meter inspection remains outstanding</p>	<p>One supplier has a warrant process, and another is in the process of developing a warrant procedure. Both suppliers use a third party to conduct reads and inspections, the same third party manages the warrant process.</p>

	<p>Two further suppliers have not encountered a case where a warrant would be required, given their regular engagement with the customers they supply. The other two suppliers can envisage no case in which the use of a warrant would be reasonable.</p>
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Table 1: Audit tests and associated findings

2.10 In addition to the key findings noted above, the auditors also identified a number of common issues across suppliers and provided recommendations for these as follows.

- a) There were a number of discrepancies between the meter inspection data provided by DNOs and the data held by the supplier. Suppliers evidenced that meter inspections had been completed for several SMPs that the DNO reported as outstanding. The auditors suggested that discussions between suppliers, DNOs and UR could prove useful in ensuring the accuracy of meter inspection data reported.
- b) Some suppliers highlighted issues with gaining access to long term vacant properties and the use of warrants. In the cases of long-term vacant premises, the supplier would need to seek a warrant every two years to gain access to the property. Suppliers are unable to remove themselves as the active supplier on the vacant property, unless they engage with the DNO to cut off supply to the premises. This process is reported to cost £1,500 to £3,000 which suppliers consider acts as a barrier to this route. The auditors suggested that discussions between suppliers, DNOs and UR on how to tackle long term vacant properties and the use of warrants could prove useful.
- c) Suppliers experience difficulty ensuring accurate customers details are held for Pay As You Go (PAYG) customers. The PAYG section of the market proved to be the most common SMP type within the audit sample. All relevant suppliers would welcome discussion from DNOs and other suppliers on the issues around PAYG SMPs and to seek an industry solution on potential methods to achieve resolution to the outstanding inspections.
- d) The auditors noted that discussions between DNOs and suppliers could prove useful in ensuring the adequacy of the inspections being carried out and clearly outline the extent of the inspections needed from suppliers in cases of different meter types. For example, Daily Meters, which have a complex telemetry system, require technical inspections which are conducted by DNOs. The auditors suggested that working in collaboration, suppliers, DNOs and UR could review responsibilities in relation to meter inspections to ensure current processes remain

efficient and effective.

Conclusions

- 2.11 The auditors concluded that *“all suppliers demonstrated they make significant attempts to adhere with their licence obligations and the expectations of standards set in the ‘reasonable endeavours’ guidance developed at GMOG in September 2021”*.
- 2.12 In addition to the various lockdowns as a result of the covid-19 pandemic, which required all suppliers to temporarily stand down meter inspection activity, the audit highlighted issues that have contributed to the number of outstanding meter inspections. For example, issues gaining access to long term vacant properties.
- 2.13 Since the introduction of the reasonable endeavours guidance in 2021, we have witnessed a significant reduction in the number of outstanding inspections (approximate total decrease of 62% from December 2021 to October 2023 when the audit sample was compiled). The guidance has proven to be effective, and suppliers have demonstrated their commitment to addressing the issue. We expect suppliers to continue to implement all reasonable endeavours to read and inspect meters in line with their licence requirements and for the number of outstanding inspections to continue to decline.

3. Next Steps

- 3.1 We will continue to monitor meter inspection data on a monthly basis and engage with licensees where necessary. In addition, all suppliers are required to submit an annual statement of licence compliance (SoLC) to provide assurance on an annual basis that they are compliant with their licence. This process requires suppliers to declare any compliance issues and provide a compliance plan setting out how they aim to rectify the issue. These compliance plans are kept under review. Any compliance issues in relation to meter inspections will continue to be captured during the annual assurance process and appropriate action taken where necessary.
- 3.2 The audit findings have been shared with all relevant parties. The audit has highlighted a number of issues that would benefit from further discussion which will be taken forward via the GMOG forum. The outcome of these discussions may lead to further targets being set or a revision of the reasonable endeavours guidance to ensure that suppliers adhere to the meter inspection requirements of their gas supply licence.

- 3.3 We are reviewing our annual compliance audit programme for 2024/25 and will be in touch with relevant licensees about the timing and scope of the next audit.

Glossary

CCNI	The Consumer Council for Northern Ireland
DfE	Department for the Economy
DNO	Distribution Network Operator
GMOG	Gas Market Operating Group
PAYG	Pay As You Go
RBCA	Ross Boyd Chartered Accountants
SMP	Supply Meter Point
UR	Utility Regulator