

# ELECTRICITY at CANARY RIVERSIDE

A number of RACR members have raised questions about electricity billing and meters, following the recent communications from HML Andertons/Alan Coates regarding meter replacement and electricity charges.

We hope that the information below provides a useful summary of the situation.

## 1. Background to electricity metering at Canary Riverside

Electricity comes in to the estate from a supplier via high voltage meters. The landlord/Manager<sup>1</sup> pays to the supplier the actual cost of the high voltage electricity supplied, monthly in arrears.

The electricity is distributed to end-users via sub-meters located throughout the estate. End users include residential and commercial lessees (for the supply to their premises) and also the estate itself in respect of lighting, lifts, chillers, car park etc.

The landlord/Manager recovers the cost of electricity supplied to end-users through metered bills. In the past Inenco, a company appointed by the landlord to manage the billing, sent out bills, collected payment and remitted this back to the landlord. End-users were billed by Inenco quarterly in arrears, and bills were based on remote readings from users' meters.

The landlord/Manager is by law not permitted to make a profit on the supply of electricity:

Cost of electricity supply to the estate = receipts from end users (+/- 5%)

The annual reconciliation of the cost of supply and the receipts from users should confirm that this has been the case.

## 2. The issues

- i) The vast majority of sub-meters at Canary Riverside are not compliant with current regulations. They are 17+ years old, and have not been re-calibrated to ensure they are correctly measuring supply. The data produced is not deemed sufficiently accurate for billing purposes according to the regulator (Ofgem). All sub-meters at Canary Riverside need replacing. Until such time that they are replaced with compliant meters, electricity bills will have to be based on an alternative calculation of usage.
- ii) Some areas across the estate appear to be receiving an unmetered supply, which means estate costs may not be being accurately recorded and recharged to the relevant end-user via the service charge and/or electricity billing.
- iii) An annual reconciliation confirming that the cost of supply to the estate equals (+/-5%) the receipts from billed usage does not appear to have been carried out.

---

<sup>1</sup> The Tribunal-appointed Manager, Alan Coates, took over responsibility for managing the estate, including electricity supply, on 1<sup>st</sup> October 2016.

### **3. Replacing the existing meters**

An application (S20ZA) has been made by the Manager to the Tribunal for approval to carry out the immediate replacement of the electricity meters at Canary Riverside. If the Tribunal approves the application, work to replace the meters would proceed. It is anticipated it would take around three months to complete the replacement works.

If the Tribunal determines that the proposals must first go through the standard section 20 consultation process it will take an additional three+ months before the meter replacement works would then begin.

The Tribunal has set aside time in mid-February to consider the application.

### **4. Interim billing methodology**

In the absence of reliable metered usage data an alternative methodology for recovering the cost of electricity used by residential and commercial lessees has had to be determined.

An independent firm of accountants was approached by the Manager/HML Andertons to analyse the cost of supply to the estate and establish an appropriate interim billing methodology.

The approach taken has been to charge residential and commercial lessees according to their respective lease percentages. This means that your proportion/share of electricity usage will be based on the gross area of your flat as a percentage of the total residential area.

This methodology assumes that larger flats will use more electricity than smaller flats.

This approach was considered to be the fairest and simplest approach to deal with the circa nine months during which no reliable metering data is available. Inevitably some lessees may receive bills lower than their normal charge while others will see charges having increased, particularly if they are ordinarily low users.

It is important to note that past readings (and associated charges) may not have been an accurate reflection of your past usage. We are aware that, over a 12-month period, some flats had bills totaling less than £15 (ie, less than the cost of running a fridge/freezer) and others had readings indicating electricity usage of over £900,000. The meters have not been properly maintained and calibrated.

### **5. Buy to let owners**

The electricity bills during this interim period are being charged through the service charge accounts. This means that BTL owners will need to recharge their tenants the electricity costs billed to them by HML Andertons.

## 6. Future billing

Once new meters have been installed across the estate, metered billing will recommence, using a new billing system (and not Inenco). In addition, the reconciliation of supply and usage will form part of the annual service charge accounts.

## 7. How did this situation arise?

It is unclear as to why action had not been taken earlier to prevent the current situation from arising.

At a meeting between residents and Richard Paul and Dennis Cheetham of Marathon Estates held on 1<sup>st</sup> May 2013, Mr Cheetham (the new property manager) stated that a report commissioned into the electricity meters showed that they needed replacing, and the options being considered were to rent or purchase the meters.

Nothing further was heard on this until three years later: on 17 June 2016 Marathon sent lessees a 'Section 20' notice stating it was their intention to replace the existing electrical meters. Lessees who made enquiries about the S20 notice were told by Marathon that from 1st October 2016, Inenco's billing system would not support the existing meters.

This week RACR learned that Marathon/CREM had intended – as part of the S20 process - to install gas meters ('thermal meters') *in our apartments*, to enable direct billing of gas usage (a gas hob uses c.£20 of gas a year). Gas, like hot water, is currently included in the service charge.

Lessees may be aware that One West India Quay (WIQ), which shares the same landlord and was also managed by Marathon Estates, has not had metered utility bills for over six years. Their utility charges (which, in addition to electricity, include hot water, heating and cooling) have been billed on an estimated basis for this period. The Tribunal, following an application for unreasonable service charges by lessees, has *allowed* the use of estimated charges.

On discovering the position regarding the supply and billing of electricity at Canary Riverside, the Tribunal-appointed Manager at Canary Riverside, Mr Coates, took appropriate advice and has commenced action that will prevent Canary Riverside mirroring the situation that has prevailed at WIQ for the past six years.