



*Bringing choice and
value to customers*

Direct Dial: 020-7901-7174

26 November 01

Your Ref:

Our Ref : COM/MET/MTR/114

Transco, Shippers and Other Interested Parties

Dear Colleague,

Modification Proposal 0471: "Changes to provisions relating to obtaining Meter Readings in respect of Annual Read Supply Meters installed at Smaller Supply Meter Points"

Ofgem has considered the issues raised in modification proposal 0471: 'Changes to provisions relating to obtaining Meter Readings in respect of Annual Read Supply Meters installed at Smaller Supply Meter Points'. Ofgem has decided not to direct Transco to implement the modification, because we do not believe that the proposal will better facilitate the achievement of the relevant objectives of Transco's Network Code.

In this letter, we explain the background to the modification proposal and give our reasons for making our decision.

Background to the proposal

Transco is required to use "reasonable endeavours" to procure meter readings where a User fails to meet its Network Code obligations (M3.5) to obtain a Valid Meter Reading at least once every two years, for which the shipper will be charged. This requirement is commonly termed a "must read" and was originally incorporated in the Network Code to ensure maintenance of the integrity of data supporting the Annual Quantity (AQ) derivation and Non-Daily meter (NDM) reconciliation processes.

Transco considers that it does not require 100% of meter readings from Smaller Supply Meter Points (where the AQ is less than 73,200 kWh) as these are not individually reconciled, but are subject Reconciliation by Difference (RbD). As Transco only uses meter readings from Smaller Supply Meter Points for AQ derivation purposes, it believes that a less stringent level of meter readings would be sufficient.

In view of the above, and as suppliers have obligations (via their shippers) to furnish Transco with meter readings as part of undertaking a Meter Inspection, Transco considers the existing "must read" requirements for Smaller Supply Meter Points to be redundant.

The modification proposal

The Modification proposes removal of Transco's obligation to make "reasonable endeavours" to procure a meter reading where a user fails to comply with section M3.5.1(i), in circumstances where the meter is a Relevant Annual Read Meter under 73,200kWh. The Modification also proposes to reduce the existing requirement of section M3.5.1(i), for a User to read 100% of relevant Annual Read Meters within its portfolio every twenty-four months, to 95%.

Respondents' views

Transco received three responses to this modification proposal, two of which fully supported implementation and one that was generally supportive of the proposal's objectives.

Two respondents expressed the opinion that the existing 100% level for meter readings is unduly stringent, given the uses to which they are put. It was also stated that relaxing this performance level would not have adverse effects, especially given Transco intention to report on shipper meter reading performance levels.

One respondent highlighted its belief that timely and regular meter readings are a key element in the success of the AQ review and that it is not entirely clear how Transco would enforce/monitor performance.

Ofgem's view

Although Ofgem agrees in principle that a PGT should not carry out meter reading functions, it has concerns regarding the removal of Transco's obligations to procure meter readings for Smaller Supply Meter Points at this time.

Ofgem does not agree with Transco's assessment that "must reads" provisions are redundant. Although Transco has sought to reduce the requirement for a User to read relevant Smaller Supply Meter Points within its portfolio every twenty-four months, to 95%, in the event of shipper failure, the "must read" provisions provide Transco's only direct opportunity to acquire meter readings to this standard.

As Transco uses meter readings from Smaller Supply Meter Points for AQ derivation purposes, failure to receive or obtain these meter readings could potentially impact on AQ accuracy and therefore customer billing. Ofgem would be content for Transco to reduce the requirement for

Users to read relevant Smaller Supply Meter Points to a level matching Transco's actual needs. However, there remains a risk of shippers failing to provide meter readings, even to a reduced level, and Ofgem would be concerned if Transco were unable to acquire the balance in order to meet its requirements. No satisfactory alternative mechanism to the "must read" provisions has been proposed.

Ofgem would also highlight that as a contract between shippers and Transco GT, enforcement of provisions within Network Code is an issue for these parties. As such, Transco's proposal to provide reports detailing User read performance to Ofgem would not provide an adequate or appropriate replacement for provisions enabling Transco to take direct enforcement action.

Ofgem's decision

Ofgem does not propose that this modification should be implemented, as it does not believe that removal of "must reads" will better facilitate the achievement of the relevant objectives of Transco's Network Code.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bryony Sheldon', with a long horizontal flourish extending to the right.

Bryony Sheldon
Metering Policy Manager



To: John Neilson	From: Bryony Sheldon	
CC:	Ext: 7174	Date: 26 November 01 <i>Bringing choice and value to customers</i>
Re: Network Code modification decision	Ref: COMMET/MTR/114	

Network Code Modification Proposal Decision Approval Sheet

Modification Proposal

Modification 0471: "Changes to provisions relating to obtaining Meter Readings in respect of Annual Read Supply Meters installed at Smaller Supply Meter Points"

Background

Transco GT proposed this modification to its Network Code on 29 May 2001, with the intention that it be implemented prior to 01 August 2001. Transco's final modification report, with attached representations, was received on 08 August 2001.

Modification proposal 0471 proposes removal of the "must read" obligations on Transco from its Network Code. These obligations require that where a shipper fails to provide a meter reading once every 24 months Transco GT must make reasonable endeavours to obtain a meter reading, for which it must charge the shipper. The modification also proposes to reduce the requirement for a shipper to read 100% of relevant Annual Read Meters every 24 months, to 95%.

Although Transco has sought to reduce the requirement for a shippers to read meter points within its portfolio every 24 months to 95%, in the event of shipper failure, the "must read" provisions provide Transco's only direct opportunity to acquire meter readings to this standard. As these meter readings are used for Annual Quantities (AQ) derivation purposes, failure to receive or obtain these meter readings could potentially impact on AQ accuracy and therefore customer billing. As no satisfactory alternative to the "must read" provisions has been presented Metering recommends that this proposal should be rejected.

Proposed Decision

It is proposed that Ofgem should not direct Transco PGT to implement this modification.

The proposed customer decision letter, containing further details, is attached. Please call me if further clarification is required.

Director's Decision

I endorse the proposed decision.

Signature

J. Neilson

Date

27/11/01