

Direct Dial: 020-7901-7174

09 August 2001

Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref : COM/MET/MTR/463

Dear Colleague,

Modification Proposal 0463: "Amendment to the Must Read requirements for Supply Points reclassified as Monthly Read"

Ofgem has considered the issues raised in modification proposal 0463: "Amendment to the Must Read requirements for Supply Points reclassified as Monthly Read". Ofgem has decided to direct Transco to implement the modification, because in our view the proposal will better facilitate the achievement of relevant objectives of Transco's Network Code. The modification will be implemented as soon as possible.

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

Background to the proposal

The Network Code requires that 'monthly read meters' are read at intervals of not more than four months. If this requirement is not met, Transco is obliged to procure a Valid Meter Reading, commonly known as a 'must read'. Where a meter point is redesignated from 'Annual Read' to 'Monthly Read' Transco effectively treat the meter point as if it had always been Monthly Read. Hence, if a meter reading had not been obtained in the four months preceding the redesignation, Transco will instigate a 'must read'.

The modification proposal

The modification proposal seeks to require Transco to treat a redesignated meter as monthly read from the time it was redesignated. Hence a 'must read' would only be instigated four months after the redesignation if a meter reading was not obtained in that period.

Respondents' views

Five shippers responded to this modification proposal. Four were in support and one opposed.

The shipper who opposed cited potential difficulties with its agreement with its service provider and an objection in principle to lessening the control of RbD.

The three shippers who expressed supporting views made four main points. First, they cited operational difficulties in arranging for meters to be monthly read after

redesignation given that if a reading was not submitted a 'must read' could be instigated one month later.

Second, they pointed out that the issuing of a 'must read' after redesignation was arbitrary, i.e. it depended on when the meter happened to have last been read.

Third, it was noted that the present arrangement could incentivise shippers to make new monthly meter reading arrangements prior to redesignating the meter point. This would lead to a delay in redesignation or unnecessarily increased meter reading costs.

Fourth, it was felt that, given the number of meter points involved, the potential lack of a meter reading for redesignated sites was not a significant risk to RbD and that Transco should concentrate its resources on obtaining readings from meter points which had not been read within the interval specified in Network Code.

Ofgem's view

Given the relatively small numbers of meters involved, Ofgem does not agree that making this modification would have a materially adverse impact on RbD.

We are not in a position to comment on the operational difficulties faced by shippers in changing meter reading arrangements. However, there is some doubt over whether the time available to make these arrangements is adequate and we do agree that this could lead to a perverse and inefficient incentive regarding the timing of redesignations.

We agree that the present arrangement is arbitrary in that the instigation of a 'must read' is related to when the meter happened to have been last read. We do not consider that the 'must reads' instigated by Transco in this case are efficient.

Ofgem's decision

Because the generation of 'must reads' on redesignated meter points on an arbitrary basis is inefficient, inequitable and may not allow shippers a reasonable time to make suitable meter reading arrangements, Ofgem has decided to direct Transco to implement the modification.

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,

Bryony Sheldon
Metering Policy Manager