

DEVELOPMENT WORK GROUP REPORT

TO THE

MODIFICATION PANEL

FOR

MODIFICATION 0042

PROVISION OF UNBUNDLED METER OWNERSHIP AND INSTALLATION

This modification is made pursuant to Rule 8.12 of the Modification Rules and follows the format required under Rule 8.12.4

Prepared for presentation at the Modification Panel August 1997

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1 Introduction

As will be read in the body of this report under section 4.0, Competition in Meter Ownership and Installation was written into the Gas Act and duties and responsibilities were given to the Regulator to ensure effective Competition. For the avoidance of doubt, competition in meter ownership has been agreed with Ofgas to mean ownership of the complete meter installation (refer to Section 5.2).

The Network Code and UK Link systems which went live in Spring 1996 were not designed upon the basis of competition in this area of Transco's business.

In Summer 1996 Transco sponsored and originated a Modification Proposal which was subsequently numbered 42. As a consequence of that Proposal, a Development Work Group was set up to consider the implications.

This Report is therefore the view of the Development Work Group set up to consider the way in which competition in meter ownership and installation would operate.

The work of the group was scheduled over the six months August 1996 to February 1997, at which point an interim report was presented. In that report it was identified that the timescale set out in the Modification 42 Terms of Reference were realised to be insufficient. A six month extension to the time scale was requested and granted.

1.1 Definition

The explanation of 'Bundled' and 'Unbundled', as it is referred to in Modification 42, is as follows:

Bundled - The provision by Transco of Meter Work Services. A meter specific charge will be made to cover the cost of the service provision. The charge will be based upon the meter and installation size and complexity determined from the pressure reduction equipment required.

Unbundled - The option taken by a Shipper to source Meter Work Services from other than Transco. As a consequence a residual charge only will be rendered per meter. This residual charge as well as covering Emergency work and Connections will cover the administration necessary to maintain the database and processes required to respond to meter related work.

1.2 Acknowledgement

While acknowledgements are not identified under the preferred structure of Development reports it would be remiss if the work of all who have prepared for meetings, have consistently attended meetings, or provided support in other ways was not acknowledged. Without their support, as Chairman of the Development Work Group, I would not have been able to move this issue to the report stage.

1.3 Recommendation

This Development Work Group Report has been prepared for presentation to the Modification Panel on 21st August 1997. This Development Work Group recommends that the report is handed to Transco UK Link for an assessment of impact, cost and time scale, including the effect on Shippers' systems. It is expected that this will involve an iterative review process between UK Link and this Development Work Group in order to optimise the relationship between business rules and UK Link. Ofgas has targeted that unbundling should be available from April 1998 but Transco has already

indicated that the analysis work cannot be fully scoped until Domestic Competition Phase III is in place and additionally that the actions following the IQR review are in and working satisfactorily.

1.4 Timescale Amendments

The breadth and depth of Modification 42 was not anticipated as part of the early scoping of the plan and as a result of on-going discussions and other factors, it has been agreed that the original timescales set by the Modification Panel, will now require re-addressing. It has been agreed by Transco and Ofgas that the Modification 42 report should still be prepared to meet the new timescale because of the time and effort spent compiling the report.

2 The Modification Proposal

This proposal is as set out for the Modification Panel in August 1996.

Provision for unbundled meter ownership and installation service

Consequence of not making this change

The current legislative regime allows for non-Transco ownership and installation of meters. At present Transco is not able to support this.

Area of Network Code concerned

Parts of Section M, Section G, Section B for the purpose of different Transportation charges, Siteworks and Supply Point Metering and Section S: Invoicing, Section U: UK Link, and the UK Link Manual are likely to be affected.

All amendments to the appropriate UK Link Manuals will be carried out and updated issues will be sent to the Shipper Community.

Nature and purpose of proposal

To set up a Development Work Group to examine options and establish sound principles to ensure that an unbundled choice of Meter installation service and ownership is available from April 1997.

Areas to be considered include:

Siteworks - quotations, nominations and confirmations

Recording of meter ownership

Appropriate charging for Transportation

Information flows.

Note: The timescales were revised in February 1997.

3 Terms of Reference

These terms of reference are those agreed by the Modification Panel in August 1996.

Scope of Development Work Group

A structured approach needs to be taken towards the method by which Meter Competition may be introduced into the UK Gas Industry.

In order to facilitate this, thought needs to be given to the aims of the project, the way in which changes to the Network Code and IT systems are implemented, the detail of these changes and the impact on Shipper systems.

Original Development Work Group Composition

Peter Thompson	Transco	Tim Smith	Alliance/Statoil
John Lockett	Transco	John Nangle	Amerada
Gary Morrison	Transco	Ashley Coates	British Gas Trading
Andy Watson	Transco	John Quinn	British Gas Trading
Claire Robinson	Ofgas	David Gallagher	Mobil
Martin Pascal	IGE	Graham Reid	Pan Energy
		Steve Brown	Quadrant

Additional Members From Whom Significant Contributions Were Also Received

Karen Allen	Transco	Simon Doggett	Ofgas
Geoff Brown	Transco	Cathy Back	Ofgas
Gurdip Gill	Transco	David James	British Gas Trading
Althea DaSilva	Transco	Ian McCluskey	CalorTex
Matt Golding	Transco	Kevin Bennett	Eastern Natural Gas
Brian Liddle	Transco	Graham Kilpatrick	ScottishPower
Phillip Monk	Transco	Les Philpott	HSE
Gill Poley	Transco		

Transco are to arrange their systems so as to facilitate competition in meter installation and ownership. In order to do this a number of key issues must be achieved by April 1997 and are therefore critical to the success of the project.

These are:

- Results of Ofgas trial assimilated
- Gas transportation charges provided to relevant shippers, unbundled of meter installation and ownership elements
- Network Code modifications identified and successfully implemented
- Shipper needs understood and addressed

- System changes fully scoped, tested and implemented
- Full customer understanding of business impact created
- Regulatory views identified and strategies fully developed in response

Due to the impact that this project will have on IT systems, the Network Code and the industry, it is proposed that a Development Work Group could be formed in order to pass off agreed changes to the Network Code in readiness for April 1997.

This group will consist of interested parties from within Transco as well as Shipper representatives and Ofgas. The group will meet as and when required, in tandem with the dates for the Network Code Modification Panel.

Work Group Activity

The Work Group will be presented with a set of 'event deliverables' which will help the group to develop the Network Code systems and procedural modifications that are necessary, in order to successfully implement the projects aims.

The group will also be required to liaise with Transco and Shippers in order to deal with any issues outside the group that may need addressing.

Timetable

Mod Panel approval sought	08.07.96
Convene Development Work Group	01.08.96
Monthly report for Mod Panel	15.08.96
Monthly report for Mod Panel	12.09.96
Monthly report for Mod Panel	10.10.96
Work Group report for Mod Panel	07.11.96
Draft Modification Report for Mod Panel	07.11.96
Circulate to Shippers	11.11.96
Close out for Representations	25.11.96
Finalise Mod Report	26.11.96
Issue to Director and circulate to Shippers	27.11.96
Test Changes	29.11.96
Implement Changes	01.04.97

4 Legislative and Regulatory Background

In order for Transco to support the current legislative regime for non-Transco ownership and installation of meters, Transco proposed Modification 42. The legislative and regulatory background is set out below.

Subsequent to its formal enquiry in 1993, the MMC recommended, amongst other points, "an obligation on the transportation and storage business to enable there to be competition in the provision and reading of meters in such a way as would safeguard the legitimate interests of the transportation and storage business, users and other Shippers".

The Gas Act 1986 was amended in 1995 to amend the duties of the Director General of Gas Supply including metering issues. It states "the Secretary of State and the Director shall each have a duty to exercise the functions assigned to him by or under this Part in the manner which he considers is best calculated to secure effective competition in the carrying on of activities ancillary to those mentioned in sub-section (1)(c). "

Sub-section (1)(c) defines activities as those which "the carrying on of which is required to be licensed under Section 7A". This supports the customers' and suppliers' statutory right to own the gas meter.

The net result is that a modification is necessary to enable Transco to facilitate efficient and effective competition in meter ownership and installation. This modification is the Development Work Group's recommended solution.

There are conditions in each of the licences for Suppliers, Shippers and Public Gas Transporters relating to the provision of meters.

Under condition 8 of the Supplier's licence, after 1 April 1999 a Supplier will not be able to refuse to supply a consumer with gas due to the meter or meter reading arrangements (there are a few minor exceptions). Suppliers are also responsible for securing the continued use of the in-situ meter in the premise.

Condition 10 of the Shipper's licence states that the Shipper will, upon request from a Supplier, ask the Transporter to provide and install a meter of a type specified by the Supplier. This condition also details the Shipper's obligations to pass on information about the meter to the Supplier or Transporter.

Condition 14 of the Transporter's licence requires records to be kept relating to the ownership and inspection of meters. Condition 23 states that the Transporter shall comply with any reasonable request from a Shipper to provide and install a meter at a domestic premise, as long as the meter type specified is reasonably available and the Shipper agrees to pay the charges incurred.

5 The Meter and Meter Installation Definitions with References

5.1 Meter/Gas Meter

An instrument for measuring, indicating and sometimes recording the volume of gas (or sometimes mass) that passes through it, without interrupting the flow of gas.

[From BS 1179 & BS 6400]

5.2 Meter Installation

A meter installation is the apparatus through which a Gas User takes a gas supply into their premises. It includes the meter and any associated conversion system, together with all the associated valves, filters, regulators, meter by-pass (where appropriate), interconnecting pipe work and fittings and all necessary supports. The installation commences at the above ground valve nearest to, and controlling the inlet to, the whole installation (which is, usually, the Emergency Control) and terminates at either:

- the outlet connection of the meter, or
- the outlet connection of the meter outlet valve, or
- the outlet of the tee downstream of the meter, where a meter by-pass rejoins the meter outlet pipe work

whichever is appropriate to the installation.

In some more complex, or higher pressure, meter installations, the valve designated as the Emergency Control may be located between the regulator(s) and the meter within the Meter Installation.

[From Ofgas Metering Definitions and compatible with definitions in IGE/GM/6 and draft revision of IGE/GM/1]

Note: For the purposes of calculating standard charges for the sale of Transco owned meter installations, or for the purchase by Transco of in-situ meter installations owned by others, any associated conversion system will not be regarded as part of the meter installation but will be charged separately as an extra, where applicable.

5.3 Conversion System

A system that converts the volume (or mass) of gas which has passed through a gas meter under the conditions prevailing in the meter to any desired (but usually standard) reference conditions and indicates the converted volume (or mass).

[Based upon BS 4161: Part 8]

Note: A temperature conversion system, or pressure and temperature conversion system, may be incorporated as an integral part in some gas volume meters.

Generally a gas volume conversion system takes account of the temperature and/or the pressure and, if appropriate, compressibility of the metered gas, by means of temperature and pressure transducers in the metered gas flow.

Conversion based upon density requires measurements of gas density at the flow conditions by means of a density cell and, where gas composition varies, at the reference conditions also.

Mass flow conversion is usually associated with orifice plate meter systems and their associated flow computers and may be based upon density measurement or pressure and temperature measurements, they may calculate compressibility for a designated composition of the gas or from on-line analysis of the metered gas.

[Based upon Ofgas Metering Definitions supplemented from IGE/GM/1]

5.4 Installation Type (A Term Used in Transportation Charges)

A means of categorising the type of meter installation relative to a schedule of standard charges which reflect the supply conditions, the meter type and model and the complexity of the installation. For example, the categories may include:

- Standard low pressure diaphragm meter installations, sub divided by meter model:
- Standard low pressure rotary meter installations, sub divided by meter model:
- Standard medium pressure supply with low pressure diaphragm meter, sub divided by meter model:
- Standard medium pressure supply with low pressure rotary meter, sub divided by meter model:
- Special category - for which individual charges have to be calculated, includes all turbine meter installation, all higher pressure installations are not already covered, installations with meter by pass and installations incorporating a volume converter.

5.5 Meter Related Definitions

Note: The Meter Details, except for Meter Type, relating to the following definitions will be found on the meter index plate and/or the data plate.

Meter Type

This indicates the type of meter, e.g. diaphragm, rotary displacement (RD), turbine or ultrasonic.

Make

The name of the meter manufacturer.

Model

The designation of each size/capacity of the meter made by the manufacturer. The model designation may be particular to an individual manufacturer (e.g. RG 650; T35; 1030; N5; etc.) or maybe a common 'standard' designation (e.g. U25; E6; 16M; etc.).

Note: Pre-payment (P/P) and the Electronic Token (ETM) meters are particular versions of meter models indicated by adding the appropriate initials as a suffix to the meter model designation e.g. U6 ETM or E6 ETM.

Badged Rated Capacity

The maximum flow rate in m^3/h or ft^3/h for which the meter is approved and which may be indicated on the meter as a value of Q_{max} .

Serial Number

An individual number given to each meter by the manufacturer as a means of identifying that meter.

Note: Although the serial number may be unique to an individual meter, some manufacturers repeat the same series of numbers each year and it may be necessary to quote the year of manufacture and the manufacturer, in addition to the serial number to positively identify a particular manufacturer's meter.

Year

The year of manufacture of the meter as shown on the meter.

6 The Extent of the Proposed Modification Will Affect the Existing Arrangements for Meter Provision

Transco purchases, installs, repairs, replaces and removes nearly all meters and their installations and deals with this work as a consequence of connecting new supplies, following up emergency work, load change, service alteration and service replacement.

The administration and other costs associated with this process are reflected in the appropriate current charges.

The application of this modification will affect much of the present seamless continuity of work because the ownership of the meters, including the installation, may be the responsibility of others.

The legislation imposes upon Gas Suppliers, meter owners and installers specific requirements, including the passage of accurate and timely information. This flow of communication is detailed in the process flow diagrams. (Refer to Appendix 17).

This modification sets out the contractual relationships between Transco and Shippers. The infrastructure between Shippers, Suppliers, Installers, End Users, will need to be built upon the content of this modification and its final design. These systems and processes will need to be in place to ensure safe and responsible meter work handling processes. They are also required to ensure appropriate control of meters and effective management of the associated industry costs.

7 The Implications for Transco of Implementing the Proposal

7.1 Implications for the Operating Systems

The present operating systems have been designed on the basis of the meters being owned, installed and removed by Transco.

Transco will continue to operate the bundled service. However, the unbundled service will mean that meter information will be transmitted by Shippers to Transco. Transco will also receive information from Meter Installers who relocate meters or exchange meters on behalf of customers/end users. This will increase the amount of administration Transco will have to carry out in verifying information from various sources and the continual processing of information.

Moving to a proposal which is based on pricing for actual physical assets installed will put much greater emphasis on the quality of data.

The Modification 42 Development Work Group has discussed the processes to handle enquiries and queries. The current process of receiving and handling enquiries and queries on a supply point basis is likely to be inadequate to deal with the increased volume of data flow, which will result from the implementation of meter point pricing combined with domestic competition and the unbundling of meter installation and ownership.

7.2 Development, Capital and Operating Cost Implications

Historically Transco has been responsible for meters and has been involved in much of the development of meters. The diversity of meter types may increase as a result of this modification causing an increased administrative workload.

Whilst Transco has been the major supplier of meters and installations it has developed its capital and operating cost budgets with some certainty. However the impact of varying and indeterminate volumes of meter work has important implications for the forward planning by Transco of the financial issues associated with meter work.

The above two paragraphs will impact:

- The present predictable environment in which Transco makes financial investment decisions
- The unit price of meters where uncertain volumes will adversely impact price
- The uncertainty of labour required and available to carry out and administer meter work will adversely affect unit costs
- The capitalisation value of Transco and the vulnerability of this to the change in volumes of meters going unbundled
- The lead time for the availability of large and unique meters and for additional volumes of domestic meters.
- The policy for depreciating meters in order to mitigate the effects of stranded assets.

7.3 Whether and By What Method Should Transco Recover Costs

Because of the introduction of unbundled meter ownership and installation, Transco's vulnerability to the effect of stranded assets is significant. A methodology for handling the impact of stranded assets because of this change will need to be understood and account taken of the financial impact on Transco.

The Development Work Group proposes that the impact of stranded assets can be mitigated by the buying and selling of installed meters. Transco has not determined its policy on the buying and selling of meters as the financial and licence environment upon which Transco will make a decision is not yet clear.

7.4 The Consequential Level of Contractual Risk

The flexibility in the market regarding meter ownership and the impact of short term contracts for gas could lead to the movement of meters at a rate significantly higher than at present.

7.5 Audit Trail of Meter Ownership

The Development Work Group identified that an audit trail of meter installation ownership may be required. Further investigation is required to establish the costs and benefits of providing this information and the risk of not providing it. Any on-going costs associated with the provision of this information would be contained within the residual Customer Charges and be payable by all Shippers.

8 The Implications for Shippers of Implementing this Proposal

8.1 Administration and Operational Implications

Modification 42 provides the framework in which Shippers and Transco will contractually handle meter work carried out by others outside Transco. In certain circumstances a Shipper may have no choice but to go unbundled.

As a consequence of this Modification Proposal, there are administration and operation cost implications whether a Shipper elects to go unbundled or remain bundled. In all cases the Shipper will have to determine the owner of the meter installation. If a Shipper elects to go unbundled, they will have to assume the on-going administration required to facilitate the metering requirements of their customers.

Any change in Shipper and/or meter installation ownership has administrative costs associated with it. In this circumstance the Shipper will have to negotiate directly with the other Shipper regarding use, purchase or replacement of the asset.

By taking ownership of particular types of meter and installing particular equipment, Shippers may be able to obtain more accurate and flexible meter reading data.

The industry will need to create a further framework between Shippers, Suppliers, End Users, Meter Providers and Installers to handle the unbundled service.

8.2 Development, Capital and Operating Cost Implications

The introduction of Modification 42 requires changes to the file formats used by Shippers to communicate and transfer information with Transco. This will require the development of system changes whether or not a Shipper opts for unbundling. Should a Shipper decide to opt for unbundling, they will be required to develop systems to handle the process and the subsequent management of their metering assets including the prevention of theft of gas and loss of equipment.

There are likely to be administration cost implications for all Shippers as unbundling progresses. Shippers electing to unbundle may incur greater costs. The increase in administration costs may be offset by a reduction in installation costs and a subsequent fall in operational costs.

The identification of a separate meter installation charge will lead to greater focus on the cost effectiveness of the bundled and unbundled service.

8.3 The Consequential Level of Contractual Risk

The element of business risk associated with meter installation ownership will remain with Transco unless a Shipper opts for an unbundled service. If a Shipper decides to unbundle, the meter owner will assume the associated risks e.g. stranded assets, obsolescence, meter failures etc.

8.4 Audit Trail of Meter Ownership

The audit requirements in 7.5 will similarly apply to Shippers.

9 The Communications Standards Between Transco and Shippers

Communication standards between Transco and the Shippers will remain as currently operated, the flow of data will still be carried out via the UK Link Network which is an information exchange system (described in the UK Link Manual), which runs on a wide area network, allowing the electronic transfer of information between Transco and UK Link Users.

There will be a required standard/specification that the information exchange between Transco and UK Link User will be required to meet, which is known as Code Communication. Where the Code or the UK Link Manual specifies the form and/or format of UK Link Communication by which a particular Code Communication is required to be given, that Code Communication may only be given in that form and/or that format.

[Taken from Section U: UK Link Network Code Principal Document Version 1]

9.1 File Formats

There will be changes to file formats that will affect all Shippers as a consequence of this modification.

This Development Work Group recommends that Unbundled Trials are carried out to test the unbundling processes and the file formats involved. The purpose of these trials will be to guide Shippers through the unbundling process and cover all aspects of unbundling.

Copies of the revised file formats will be available in the Shipper Interface Document File Layouts & Formats.

UK Link will carry out a full analysis of the impact that the provision of meter ownership and installation will have on the system, this will be done when the report is issued to the UK Link panel. After this analysis has been carried out Transco, Ofgas and the Shipper Community will gain an understanding of the overall impact and associated costs for implementation.

10 Implications of Implementation for Non Network Code Parties

10.1 Meter Installation Work Required as a Response to an Emergency Call

"As part of the Emergency Service when attending a gas escape at a domestic premise, Transco must make safe and where reasonable maintain the supply for cooking and heating. Transco is not obliged to carry out repairs that cannot be completed within 30 minutes, or would use more than £4 (adjusted in line with RPI) in materials".

[Taken from Transco PGT Licence Obligations.]

Ofgas has asked Transco to exchange a non-Transco domestic meter in order to further comply with requirements of licence condition 18, bearing in mind the changed circumstance of the meter not being owned by Transco. (Refer to Appendix 16.6).

The scenario where the TSE (Transco Service Engineer) is called out to a premise where there has been a gas escape reported on the meter and the meter is a pre-payment meter, needs further investigation. This issue needs to be part of the industry-wide debate through the groups established to look at pre-payment in the wider context. It has been noted as an issue which needs to be debated more widely.

10.2 The Effect of Debt Handling and Impact of Meter Ownership by the End User

To be addressed later, after, or as part of the industry-wide review on pre-payment issues.

11 The Purpose and Importance to the Industry of the Meter, Meter Installation and the Associated Data

The meter is the primary instrument for measuring gas volume which is adjusted to the equivalent volume at 15° Celsius and 1013.25 mbar (dry) as defined by ISO by either fitting a temperature and pressure converter to the meter installation or manually applying an appropriate meter point specific or average conversion factor.

At present the physical meter assets are owned by the Public Gas Transporter but the volume measurement data otherwise known as the 'meter read' is effectively owned by all three commercial players in the new industry i.e. Transporter, Shipper and Supplier.

The volume measurement data is required for determining thermal energy quantities by multiplying by the pressure and temperature conversion factor, as described previously, and further multiplying by the calorific value. Thermal energy, usually expressed in kiloWatt hours, is traded across the supply chain from beach to meter thus the volume measurement data or meter reads form the basis of energy billing and energy balancing activities within the Network Code. To assist in the processes meters are fitted to all supply points and at various inputs and off-takes from the Local and National Transmission Systems.

Although provisions have been made under the Gas Act for private meter ownership it is clearly vital to the industry as a whole that both the availability and the quality of the volume measurement data are preserved across the entire supply chain and should be a priority consideration in any industry initiative to liberalise meter supply and ownership.

Clearly, Suppliers need to charge their Industrial & Commercial and domestic customers for the gas which they consume. Meter readings are used to calculate these bills. There are, however, two other reasons for measuring gas flows, these are to ensure a daily energy balance and to charge Shippers for their use of the Gas Transportation system.

It is essential that Transco as the licensee keeps all relevant databases updated with all current information related to any meter point. It will be the responsibility of the Shipper/Supplier and Installer to inform Transco of the change in meter details which will arise due to the provision of unbundled meter ownership and installation.

In all scenarios it will be important that all parties have an established method of handling data accurately and that the information flow between parties is effective by ensuring that the correct data is conveyed and the correct channels are followed to the timescales required. UK Link file formats act as a common standard for the transfer of information between Shippers and Transco. Shippers and the other players in the industry (e.g. Suppliers, Meter Installers, End Users) would obtain considerable benefit from the adoption of this standard to facilitate the timely and accurate transfer of meter details between all parties.

12 Legislation, Regulations, Standards and Codes of Practice for Meters and Meter Installations

Gas meters and meter installations shall comply with the Gas Act 1986 (as amended 1995) Section 17 and Schedule 2B and regulations made thereunder.

All new Meter Installations with their associated components shall comply with the Gas Safety (Installation and Use) Regulations 1994. In addition, they should comply with the relevant Ofgas Code of Practice which identifies the relevant British Standards and IGE Procedures.

Meters shall be stamped as required by the Gas Act 1986. It is an offence to take gas through a meter with a broken or defaced official seal where one is required.

13 The Key Business Principles

The Development Work Group has agreed a set of Business Principles outlining Network Code changes required to facilitate the unbundling of meter ownership and installation. These are included as Appendix 16. A summary of the main issues addressed by the principles is presented below.

The Business Principles detail the contractual changes that will need to be made to the Network Code. In addition, all parties will need to develop policies and procedures in order to implement the contractual changes.

13.1 Changes to Charging Structure

At present the charge for the meter installation is a component of the Customer Charge. The Customer Charge itself is derived as a function of the supply point annual quantity (AQ). In order to ensure that there is effective competition in the ownership of meter installations Transco will need to change its pricing structure such that the meter installation charge is reflective of the numbers, make and model of the meter installations at a supply point. Each meter will be shown as a separate charge item on a separate invoice. However, for domestic supply points (defined as consuming less than 73,200 kWh per annum) charges will be based on the mean of the number of meters supplied in a month.

Although converters are part of the meter installation, they will be subject to a separate charge.

These changes will require a significant change to both Transco's and Shippers' systems. Even Shippers not wishing to select an unbundled service will be required to modify their systems.

13.2 Changes to M-Number Provision

As Transco presently provide all new meter installations they are able to link the issue of new M-numbers to the fitting of a meter, which in turn is linked to a supply point registration. With the unbundling of meter installation this was no longer thought to be appropriate. It is thus proposed that M-numbers are issued when a connection is made to the Transco pipeline network.

This process potentially exposes Transco to a legal loophole which prevents it from isolating sites not yet registered with a Shipper which are taking gas through a meter. This is an issue which must be resolved as soon as possible.

13.3 Information on Who Owns the Meter

In a situation where others, other than Transco, can own meters, Shippers need the ability to find out who owns the meter. Transco will amend its systems to say whether Transco owns the meter or not. However, Transco is not permitted to say who does own the meter if it is not Transco. Shippers need to know who owns the meter such that they can make provision for the continued use of the meter. The industry needs to consider how this can best be facilitated. The issue is to be raised with the Gas Forum.

For domestic supply points, which are subject to a confirmation only process, there may be little time to find out who owns the meter (if it is not Transco) before a supply point changes registration. It is thus proposed that existing domestic meters must be left for a month after registration, at no charge, to allow revised arrangements to be put in place.

13.4 Emergency Call-Out Provisions

In the situation where Transco provides a domestic meter (defined as those measuring flows of less than 10m³/hr at a pressure of less than 75 mbar) which becomes faulty and results in an emergency call-out, Transco can exchange that meter in a one call service. Where others own meters an emergency call out requiring a replacement meter could result in a two call service. Thus, unbundling of meter installations could result in a poorer service to domestic consumers. To avoid this unsatisfactory situation it is proposed that the emergency call out charge includes a component for Transco to replace a domestic meter if required, no matter who owns the faulty meter. The temporary meter would be provided for one month at no additional charge. Shippers would have the right to opt out of this service on an all or nothing basis but would continue to pay the emergency charge component.

13.5 Stranded Assets

There is a significant issue concerning stranded assets if a significant number of meter installations were to be replaced as a function of unbundling. One way of mitigating the effect would be for meter owners to sell their meters. This issue needs to be considered in much more detail by the industry.

Ofgas regard the selling of Transco meters as being fundamental to effective competition in meter installation ownership. Transco have still to formulate a policy on the selling of meters, and think that more consultation on the issue is necessary. However, on the assumption that Transco should decide to sell meters, a series of principles has been agreed on how this could be facilitated.

An enquiry facility would need to be developed to enable Shippers to find out details of a meter installation that would determine its purchase price. Where possible, Transco would publish tables of values. Others would be subject to a referral process.

It is agreed by the Development Work Group that Transco should only sell complete meter installations. Thus, where a Shipper just wanted to provide their own meter they would be required to provide the rest of the installation as well.

13.6 Planned Meter Exchanges

A planned meter exchange would be a good opportunity to select an unbundled service, while causing minimum disruption to the gas consumer. Transco will, where possible, provide 4 months notice of planned meter exchanges. Shippers will be required to indicate at least 3 months prior to the planned exchange date if they plan to select an unbundled service at this opportunity.

In order to avoid confusion surrounding the Shipper Transfer Read, meters should either be exchanged in a 5 day window around the Transfer Date or not until at least 20 Business Days after the Transfer Date.

13.7 Consumers Owning Meters

The Gas Act makes provision for gas consumers to own their own meters, including pre-payment meters. This issue needs to be considered further by the industry.

13.8 Business Principles not yet Agreed

Sale and Purchase of In-situ Meters: The principles not yet agreed (refer to Appendix 16) are awaiting a clear financial environment where Transco can fix its policy.

Transitional Issues: There are some additional transitional issues identified in Appendix 16.8 which would impact on the IT systems. Guidance will need to be sought as to whether they are financially beneficial to address.

14 Invoicing for the Provision of Meter Installations & Converters by Transco

14.1 Introduction

This section outlines the recommendation for modifications to the invoicing systems to support competitive meter ownership, and briefly describes alternatives considered.

The principle adopted throughout the consideration of invoicing options is the assumption that Transco's transportation charges are transparent, are calculated on a cost reflective basis and strike a balance between complexity and cost of implementation. The implication of this is that charges should be calculated based on the meter configuration at the supply point. This principle underpins the proposals in this section.

The impact on Shippers' and Transco's computer systems is extensive and fundamental.

14.2 Present Process

Background

The Customer Charge currently recovers costs associated with service pipes; meter purchase, installation and maintenance; emergency work; and meter reading. It is charged through the LDZ Capacity invoice and, for sub 73,200 kWh supply points, the Commodity Invoice. Meter purchase, installation and maintenance costs are currently recovered within the Customer Charge.

The UK-Link computer system which incorporates the invoicing functionality for the LDZ Capacity and Commodity invoices currently works at a supply point level not meter point level, the level at which charges will need to be calculated.

It does not charge for what is actually installed, it is based upon an assumed installation related to the supply point offtake.

Invoices and Charge Types Affected

The LDZ Capacity Invoice includes the Customer Fixed Charge (CFI) and the Customer Capacity Charge (CCA). The Commodity Invoice includes the Customer Commodity Charge (CCO). It is through these charges that the Customer Charge is collected.

Load band (As referred to in the Gas Transportation Charges book)	Charge types		
	CFI	CCA	CCO
0 - 73,199 kWh per annum	X		X
73,200 - 731,999 kWh pa	X	X	
732,000 kWh pa and above		X	

X - non zero charge at present (Transportation Charges from 1 October 1996)

14.3 Proposed Process

The options considered are detailed in 14.3 and 14.4. None of the options can be accommodated within the existing invoicing functionality as currently meter ownership, type and size cannot be reflected by the invoice.

The CCO charge is unlikely to be applied to other load bands. All NTS and other LDZ charges are unaffected by the invoicing proposals in this paper.

14.3.1 Meter Invoice

The proposed process is to create a new separate 'Meter' invoice, to be slotted into the existing invoice production schedule and produced monthly. The charge will be calculated on a daily rate.

This Meter invoice will contain the meter charges for the provision of meter installations by Transco. The charges will be based on the meter installations within the Shipper's portfolio.

The Meter invoice will be sectioned by LDZ. Within the LDZ section, the invoice format will reflect the existing invoice formats, namely supply points consuming 73,200 kWh and above per annum will have individual invoice lines, one for each Transco provided meter point at the supply point. For supply points consuming less than 73,200 kWh, the number of meters will be aggregated by meter type.

For supply points consuming 73,200 kWh per annum and more, the invoice will reflect the effective date a meter changed ownership. For the remaining supply points, the invoice will be calculated from the mean number of Transco provided meter installations during the month, the daily rate and the number of days in the month.

There will be a need for a 'residual' meter charge to remain within the Customer Charge to cover, for example, maintenance of the Sites & Meters database. This element will be charged whether or not the meter is provided by Transco, and will be determined without reference to the provision of the meter installation. The actual level of the remaining Customer Charge will be adjusted to reflect the separation of the meter installation charges.

Any Shipper with meters owned by Transco in their portfolio will be affected. The remainder of the Customer Charge invoice formats would be unaffected.

The following example illustrates the format of the proposed Meter invoice. The daily rates are purely illustrative. The numbers used are simplistic so that it is easy to understand how the calculation is worked out.

14.3.2 Provision of Supporting Information

Information will not be provided routinely, but on a random basis, or as and when necessary to support Shippers' validation.

EXAMPLE**Invoice file header****LDZ: NW >73,200 kWh/pa**

MPRN	Meter Type	COP/1 a, b or c	Start Date	End Date	No. of Days	Daily Rate (p)	Month's Charge (£)
1234567	U40	COP/1b	01/10/1997	31/10/1997	31	100	31.00
1234568	U6	COP/1a	12/10/1997	31/10/1997	20	25	5.00
1234571	11M	COP/1b	01/10/1997	31/10/1997	31	750	232.50
1234572	U6	COP/1c	22/10/1997	31/10/1997	10	35	3.50
TOTAL							272.00

LDZ: NW <=73,200 kWh/pa

Aggregate Meter Type	Mean No.	Meter Installation Type	No. of Days	Daily Rate (p)	Month's Charge (£)
U6	2,000,000		31	25	15,500,000.00
U6	10		31	55	170.50
E6	4,000		31	25	31,000.00
TOTAL					15,531,170.50

LDZ: SW >73,200 kWh/pa

MPRN	Meter Type	COP/1 a, b or c	Start Date	End Date	No. of Days	Daily Rate (p)	Month's Charge (£)
1234566	U40	COP/1b	01/10/1997	31/10/1997	31	100	31.00
1234569	U6	COP/1a	12/10/1997	31/10/1997	20	25	5.00
1234570	U40	COP/1c	01/10/1997	31/10/1997	31	500	155.00
TOTAL							191.00

LDZ: SW <=73,200 kWh/pa

Aggregate Meter Type	Mean No.	Meter Installation Type	No. of Days	Daily Rate (p)	Month's Charge (£)
U6	8,000		31	25	62,000.00
E6	4,000		31	25	31,000.00
TOTAL					REF

....LDZ by LDZ...

INVOICE NET TOTAL 15,624,633.50
VAT @ 17.5% 2,734,310.86
INVOICE GROSS TOTAL 18,358,944.36

Invoice file footer**END OF EXAMPLE**

14.4 Alternative Processes Considered

Various options of invoicing for the meter installations provided by Transco were considered. Invoices can be built up on an aggregated or an itemised basis, and presented on an aggregated or an itemised basis. Various methods of aggregation were also considered. This gives a large number of combinations, the extremes of which are described below.

14.4.1 Aggregated by Post Code, not LDZ

It is considered that this is a generic invoicing wide issue, not specific to Modification 42.

14.4.2 Aggregated Customer Charge with Rebates

The Customer Charge is calculated at supply point level as it is currently, including the meter installations not provided by Transco. Meter installations which are not provided by Transco are determined and the appropriate rebate applied.

This option does not provide transparency of charging and will not enable a Shipper to establish the charges levied by Transco for each meter in his portfolio. This option is not feasible for billing the volume of meter points that will be in place once competition is fully established as the invoice is processed twice, once to calculate the charges and a second time to calculate the rebates. For these reasons the Development Work Group considered this option to be unacceptable.

14.4.3 Aggregated Customer Charge Only Charging for Meter Installations Provided by Transco

Meter purchase, installation and maintenance costs remain within the Customer Charge and are billed via the existing invoices, but only for Meter installations provided by Transco. They are presented in aggregate on the existing invoices.

This option does not provide transparency of charging and will not enable a Shipper to establish the charges levied by Transco for each meter in his portfolio. Functionality to build this up on an itemised basis is still required. As a result this option was considered unacceptable by the Development Work Group.

14.4.4 Fully Itemised by Meter Installation

Meter purchase, installation and maintenance costs are built up on an itemised basis and presented itemised on either the existing invoices or on the new Meter invoice.

This option would provide full transparency of charging allowing a Shipper to establish the charges levied by Transco for each meter in his portfolio.

The invoice would be large as it would itemise each meter and all charges relating to each meter, every month. As a result this option is not feasible for billing the volume of meter points that will be in place once competition is fully established (in the order of 20 million meter installations). The complexity and costs associated with this option are high. These factors led to this option being considered unacceptable by the Development Work Group.

14.5 Invoicing Options for the Sale of Transco Meter Installations

The sale of Transco meter installations has not yet been decided. If Transco decide to sell their meters, four options have been identified and are detailed below, but require further evaluation.

14.5.1 Ad-hoc Invoice

Transco meter installations are likely to be sold on an irregular basis suggesting that the Ad-hoc invoice would be a suitable mechanism by which to invoice. However the Ad-hoc invoice already has the maximum number of charge types it can cater for, thus the functionality to bill via this invoice is not currently available; it would need enhancing to enable it to accommodate an additional charge type.

14.5.2 Meter Invoice

Meter installation sales by definition relate to meters and therefore could logically be billed on the proposed new Meter invoice. There is a potential conflict with the frequency and timing of the Meter invoice: the meter installation sales may occur at any time and need to be billed accordingly.

14.5.3 Transco Miscellaneous Billing System (TMBS)

TMBS is not set up to cater for the possible volume of meter installation sales.

14.5.4 New Meter Sales Invoice

The feasibility of adding an additional invoice to the invoice production schedule needs to be evaluated in light of planned future business developments.

14.6 Invoicing for Liability Payments

The liability payment incurred by a Shipper (where he fits his own meter without giving the required notification to Transco) needs to be invoiced for. Further investigation is required. [Refer to Appendix 16.2(9) and 16.6(4)].

15 Possible Time Scale for Introduction

Ofgas has outlined the time scale for the introduction of Modification 42 as April 1998. Transco has, through the Development Work Group, been working with this date in mind. However the following are major issues mitigating against early implementation.

- The UK Link systems people are presently dedicated to the IQR Project and Domestic Competition and will not be able to commence the systems development work required by the Modification 42 until after this work is implemented and operating effectively.
- The unbundling of meter work will require a new pricing structure for the meter work element of the customer charge. This change will require a consultation process of at least six months.
- When the Transco systems have been prepared, Shipper systems will need to be developed, introduced and tested. This will be at a time when Shippers will be occupied with securing their share of the domestic market.
- The level of preparedness within the industry as a whole for competitive meter ownership and installation, including End Users and Meter Installers, in light of all the obligations to be met under the Gas Act, Gas Safety Regulations, Licence conditions and so forth.
- A letter (Refer to Appendix 18) was sent to Ofgas from the Shippers involved with the Development Work Group which states that: "Consequently, we would urge you to consider the proposed timescale as inconsistent with a planned deregulation of the market and allow the competitive market to develop at a more natural pace".

These five issues, along with the others identified within this report, must be considered in the light of the time scales proposed so that timely implementation of Modification 42 can be made.

APPENDICES

Business Principles

The Process Flow Diagrams

- **Change of Ownership - No Meter Exchange**
- **Provide Pre-Notification of Installation/Disconnection**
- **Provide Post-Notification of Installation or Disconnection/Removal**
- **Meter Exchange**
- **Meter Removal**

Copy of Shippers letter to Ofgas

16 Business Principles

16.1 Introduction

These Business Principles address the commercial arrangements between Shippers and Transco, and hence are the basis of changes to the Network Code.

The Network Code is written on the basis that Shippers are responsible for ensuring that a Supply Meter Installation is installed and maintained in proper working order (M2.1). It then deals with what happens if Transco provides that service to Shippers (M2.2). It is proposed that the Business Principles work on this basis.

A principle adopted by other work groups looking at unbundling issues is to develop additional transaction files rather than amend existing ones. This meant that only those Shippers wanting to make use of the unbundled service have to develop the new transaction files. It has been found that it is not possible to apply this principle to the provision of unbundled meter ownership and installation service, as even those Shippers not wishing to participate will need to amend existing file formats.

It may not be possible to agree all of the principles discussed by the Development Work Group as some, e.g. sale of meters and the risk of stranded assets, cannot be finally determined until the full financial impact to Transco has been assessed after the resolution of the Formula.

For the purpose of these Business Principles a 'domestic meter' will be defined as one designed to measure flows not exceeding 10 m³/hr at a pressure not exceeding 75 mbar, and a 'domestic supply point' as one having an annual quantity of up to 73,200 kWh (2,500 therms).

16.2 General

- (1) As a minimum, supply point offers, supply point enquiries and supply point confirmations will indicate whether Transco own the meter(s) or not.

Agreed

A detailed analysis may indicate other times where Transco needs to provide meter point information to Shippers. These will also indicate whether Transco own the meter or not as appropriate.

- (2) Transco will not provide details of ownership of non-Transco meters.

Agreed

The view is that this is confidential information which some meter owners may not want passed on. (The Gas Forum is to consider whether it is the industry's interest that Transco provides ownership details of all meters.)

- (3) Notification of changes to supply point offers and confirmations will be sent to Shippers within 2 Business Days where meter ownership status changes.

Agreed

Shippers need to be kept informed about meter ownership at a prospective supply point in order that they can make the commercial arrangements to use the meter.

- (4) Shippers are responsible for ensuring that they have the right to use the installed meter.

Agreed

*If Transco do not own the meter they cannot guarantee the right to use the meter.
Transportation is to the point of offtake upstream of the meter.*

- (5) Transco will, where possible, give a minimum of 4 months notice to the then registered Shipper of planned meter exchanges. For domestic meters this notice will be a generic notice. For non-domestic meters this will be an individual notice.

Agreed

A planned meter exchange would be a good opportunity for a Shipper to install its own meter as it minimises the cost of excessive meter exchanges. They then want as much notice as possible in order to make suitable arrangements.

- (6) Following the notice given to the registered Shipper of a planned meter exchange, the Shipper will indicate at least 3 months prior to the planned exchange date that they will use the opportunity to fit a non-Transco meter, or to purchase the existing Transco meter where permitted.

Agreed

Transco needs to be able to plan its meter purchase and installation work with a reasonable degree of certainty. Transco thus needs to know whether a Shipper intends to use the opportunity of a planned meter exchange to fit a non-Transco meter. If a meter is being replaced for a statutory reason then Transco will not sell this meter.

- (7) Where a Shipper gives the notice above that they will use the opportunity of a planned meter exchange to fit their own meter, they must either, fit their own meter, or arrange purchase of the Transco meter, within 1 month of the Transco planned date.

Agreed

If there is a requirement to exchange a meter then this must be done within a reasonable time.

- (8) Where a Shipper fails either, to implement a planned meter exchange, or to arrange to purchase the Transco meter, within the prescribed period then Transco will undertake a planned exchange.

Agreed

The industry needs to ensure that suitable metering arrangements are maintained.

- (9) Where a Shipper fails to indicate that they will use the opportunity of a planned meter exchange to fit their own meter but nonetheless replaces a Transco meter within the period of 3 months before to 6 months after a planned meter exchange date then they will continue to pay the Transco meter charge for a period of 6 months after the Transco planned exchange date. This principle does not apply if the Shipper wishes to purchase the Transco meter (if Transco proposes to sell its meters.)

Agreed

It is not in the industry's interest for meters to be exchanged unnecessarily frequently. Therefore, Shippers are incentivised to co-ordinate their meter exchanges with Transco planned exchanges.

- (10) For all meters, the make, model, the year of manufacture, [the date of the last repair], if applicable, the date of any planned meter exchange, and the reason for the exchange will be provided within 5 Business Days of a request for information being received from a Shipper.

The request will be by MPRN and postcode. The details of any converter fitted will also be provided, including whether it is a Transco owned converter.

Agreed (Subject to confirmation that Transco maintain date of last repair)

Information will be provided to Shippers to allow them to evaluate the benefits of fitting their own meter or possibly acquiring the in-situ Transco meter if these are to be sold. For calculating meter charges, the converter is not regarded as being part of the meter installation, but will be charged separately, as appropriate. Similar meter installation may or may not have a converter fitted depending on the ambient or operational conditions where the meter is installed.

- (11) The Shipper must make provision to allow for the fitting of a converter where there is a requirement. to fit one.

Agreed

Appropriate tappings must be provided to allow for a converter to be fitted where required.

- (12) Only the incumbent Shipper can change meter ownership status. i.e. bundled to unbundled and vice versa. (A Shipper is regarded as being incumbent from the confirmation effective time of D-7).

Agreed

Ensures all update details are routed through registered Shipper.

- (13) Pre-payment meters must either be exchanged within D±2 Business Days of the Supply Point Registration Date or after D+20, where D is the Supply Point Transfer Date. (Note possible impact of Modification 65R)

Agreed

Meters must remain in place for a reasonable period after the transfer date in order to allow meter read queries to be resolved. The exception to this is pre-payment meters which must change on the transfer date to allow the new pre-payment arrangements to be put in place.

- (14) Other meter exchanges are not to be undertaken (other than to replace a faulty meter) prior to D+20 Business Days, where D is the Supply Point Transfer Date.

Agreed

This is to allow sufficient time for queried opening reads to be checked.

- (15) Shippers will be required to verify that all meter installations are designed and installed in accordance with relevant legislation and the Ofgas Codes of Practice as applicable at the date of installation. Transco will not be responsible for checking compliance with Codes of Practice, other than as required by COP/1C.

Agreed

There is no obligation in law to install meters in accordance with the Codes of Practice. Shippers/suppliers will now be required to reject the suitability of the metering arrangements if they have not been installed in accordance with the Codes of Practice. It would add an unnecessary cost to the industry for Transco to check compliance with Codes of Practice other than as required by COP/1C. It is Ofgas' responsibility to ensure compliance with the Codes of Practice.

- (16) Where a meter is subject to daily read metering as required by the Network Code, it must be of a design which can accommodate the daily read equipment.

Agreed

This includes all meters which could be subject to daily read metering under the present rules. At present, this is all meters with an AQ of 25,000 therms and more, whether presently aggregated in a supply point with an AQ of 75,000 therms or not.

- (17) The Shipper must ensure that where Transco indicates that it wishes to install a datarecorder, or a datarecorder has already been installed, for the purposes of collecting data for the development of End User Categories and Demand Models, any new or exchanged meter must be capable of accommodating the datarecorder.

Agreed

Transco will select an agreed number of supply points on a random basis for the installation of datarecorders at Transco's expense. The Shipper must co-operate with the installation and reading of these datarecorders but they will not be installed where the consumer objects.

- (18) Existing meters are assumed to be appropriately sized, unless proved otherwise.

Agreed

It would be impractical to check the design of all existing meters.

- (19) All Shippers party to an allocation agreement must agree to, and advise Transco of, any change in status of a meter.

Agreed

All parties must agree to any change in status.

- (20) All Shippers party to a sub-deduct metering configuration must agree to any change in status of the primary meter from unbundled to bundled.

Agreed

The charging methodology proposal is that the registered user of a sub-deduct meter will pay a proportional part of the cost of the primary meter. Thus a change to a bundled service will impose a cost on the sub-deduct user(s). If, on the other hand, a Shipper wants a primary meter to go unbundled then they have to make the commercial arrangements to recover any costs from the sub-deduct user(s).

- (21) For multi-meter supply points, choice of meter provider is at meter point level, not supply point level.

Agreed

It is possible for different meters within a supply point to have different meter providers.

- (22) Transco(MR) will not be responsible for failure to provide a meter read where meter details have not been provided.

Agreed

This applies even when Transco is responsible for updating meter details.

- (23) Where Transco provides a meter installation then Transco is responsible for the timely and accurate update of the relevant database(s).

Agreed

The accuracy and timeliness of the update will reflect on the ability of Transco(MR) to provide an efficient meter read service.

- (24) When a converter is installed, the Shipper must ensure that details, including ownership, of the converter are provided to Transco within 2 Business Days of its commissioning. (The details are to be specified.)

Agreed

Until the converter details are provided Transco will continue to use the applicable conversion factor.

- (25) Transco will monitor the frequency with which individual supply points change between having a Transco meter and non-Transco meter and back again. A report will be prepared on the results.

Add to issues log

It would be unreasonable and uneconomic for Transco to be in a position of having to provide meters which are then replaced after a few months.

16.3 Existing Installations

16.3.1 Bundled to Unbundled

- (1) Shippers must notify Transco 5 Business Days before a Transco owned meter is replaced by a non-Transco owned meter.

Agreed

Sufficient notice is to be given in order to allow Transco to defer any activities which may be affected by a change of meter. e.g. meter reading, service replacement.

- (2) New meter details (as detailed in the UK Link Manual), and details of where to collect the Transco meter, need to be provided to Transco by 5 Business Days after the meter exchange.

Agreed

The legislation requires the supplier to have received the new meter details from the installer within 48 hours. Additional time is allowed for that information to be passed to the Shipper and then to Transco.

- (3) If a meter exchange does not take place within 2 Business Days after the planned date then the Shipper must inform Transco of the revised planned date or that the meter installation will now not go unbundled, as appropriate. Such notice needs to be provided to Transco no later than 5 Business Days after the original planned date.

Agreed

Transco needs to know not to expect revised meter details.

- (4) If Transco proposes to sell its existing meter installations, Transco will, where possible, publish tables indicating the selling price of its meter installations based on type, make and model and present age of meter.

Subject to Transco Policy Decision

Sufficient information will be provided to enable Shippers to determine for themselves the selling price of the meter installation.

- (5) If Transco proposes to sell its existing meter installations, for those non standard meters for which it is not possible to publish tables of prices, Transco will respond within 20 Business

Days to any request to purchase the incumbent Transco meter. The response will indicate the meter details (type, age, last repair, meter serial number) and the sell price.

Subject to Transco Policy Decision

- (6) If the Shipper wishes to accept the offer price then the Shipper must respond with a 'Agreement to Purchase' Notice indicating change of ownership details and the date of the change of meter installation ownership. The change of ownership date is to be no earlier than 5 Business Days and no later than 20 Business Days after receipt of the 'Agreement to Purchase' Notice.

Agreed

The Agreement to Purchase will be the first indication from a Shipper that it wishes to purchase a standard meter installation. Transco thus needs time to verify the details.

- (7) If Transco is not able to proceed with the sale then Transco will notify the Shipper within 2 Business Days of receipt of the Agreement to Purchase Notice.

Agreed

The Shipper needs to know if the purchase is not going to go ahead as they may want to make alternative arrangements for the provision of a meter.

- (8) The Shipper will be invoiced for the sale of the meter installation as soon as is practicable on an [Ad-hoc] invoice following the change of meter installation ownership date.

Agreed

Invoices will not be raised until after the change of ownership. Meters will only be sold to Shippers as they are subject to existing credit rating arrangements.

- (9) For non-domestic supply points, revised Transportation Charges will be effective from the change of ownership date or date of unbundling as appropriate.

Agreed

Customer charges will be affected and these are levied on a daily basis.

- (10) For domestic supply points, Transportation Charges will be based on the average number of meters in a calendar month of a particular installation type provided to that Shipper. (The average will be the mean of the beginning and end of month positions.)

Agreed

The daily charge for a domestic meter installations is likely to be only a few pence. It is not worth the administrative complexity of trying to account for daily changes in the provision of meters.

16.3.2 Unbundled to Unbundled

- (1) Change of meter ownership details for an existing meter need to be provided at least 2 Business Days before it becomes effective.

Agreed

This allows time for Transco to update its database to ensure that it is always up-to-date.

- (2) Where the meter is exchanged, new meter details (including meter type, make and model, meter serial number and ownership details) need to be provided to Transco within 5 Business Days after the meter exchange.

Agreed

The legislation requires the supplier to have received details of the new and replaced meter from the installer within 48 hours. As the actual meter details will not be known until after the meter has been exchanged, a reasonable amount of time is then allowed for that information to be passed to Transco.

16.3.3 Unbundled to Bundled

- (1) For the purposes of going from unbundled to bundled, Transco will respond with acknowledgement of a request within 5 Business Days. This response will, if possible, indicate the target date for meter exchange.

Agreed

A complex meter installation may require some time to evaluate requirements and lead times for delivery of materials. Thus, it may not be possible to indicate a target date within 5 Business Days.

- (2) If the Shipper wants to offer the sale of the in-situ meter to Transco then they must provide details of the make, model, year of manufacture, [date of last repair] and the reason for the change. Transco may then negotiate to purchase the in-situ meter.

Agreed -Subject to Transco Policy Decision

If Transco propose to purchase meters from Shippers then they need sufficient information to evaluate the worth of the meter.

- (3) Transco will provide 5 Business Days notice to the Shipper of the planned meter exchange window. The planned window will be +/- 2 Business Days. Transco will liaise directly with the gas consumer to plan the meter exchange.

Agreed

The Shipper needs to know when a Transco meter will be fitted so as to be able to continue arrangements to use the existing meter.

- (4) Transco will inform the Shipper within 2 Business Days after the planned window if it has not been possible to fit a Transco meter indicating the revised planned window.

Agreed

A revised planned window will be provided as soon as possible after not being able to keep to the original one.

- (5) Transco will provide the Shipper with the new meter details within 5 Business Days after the meter exchange.

Agreed

Sufficient time is allowed for the information to be collated and entered onto the database.

- (6) For non-domestic supply points revised Transportation Charges will be effective from the date of the meter exchange or ownership transfer.

Agreed

Charges are levied on a daily basis.

- (7) For domestic supply points, Transportation Charges will be based on the average number of meters in a calendar month of a particular installation type provided to that Shipper . (The average will be the mean of the beginning and end of month positions.)

Agreed

The daily charge for a domestic meter is likely to be only a few pence. It is not worth the administrative complexity of trying to account for daily changes in the provision of meters.

16.3.4 Dataloggers

- (1) For the purposes of this Development Work Group it is assumed that the provision of dataloggers for Network Code purposes is a bundled service.

Agreed

The details of the unbundling of dataloggers have not yet been agreed.

- (2) Shippers must provide 5 Business Days notice of planned meter works requiring disconnection of the datalogger.

Agreed

Transco must be advised of any planned work that affects performance of the dataloggers.

- (3) Shippers must notify Transco the same Day when a datalogger has been disconnected following emergency meter work .

Agreed

Failure to do so could result in an inappropriate consumption being applied.

- (4) Shippers must notify Transco when a datalogger needs reconnecting following completion of meter work.

Agreed

Transco will remain responsible for re-deeming the datalogger once the meter work has been completed.

- (5) Transco will arrange to re-deem the datalogger within 2 Business Days of receiving the notice in (4) above.

Agreed

Transco will re-deem as soon as is reasonably practical after receiving the notice.

- (6) Transco will not be required to provide datalogger readings from the date of disconnection due to work on the meter installation until the Day after the 2 Business Days after receiving the notice in (4) above.

Agreed

Liabilities will not be paid where the failure to provide daily reads is not because of a problem with the datalogger system.

16.4 Invoicing

- (1) Customer charges will be amended to show separate charge items to reflect the numbers and types of meter installations (excluding any converters) comprised in a supply point.

Agreed

Mod 42 recommends that meter installation charges are shown separately. The meter installation charge will depend on the physical asset installed.

- (2) A separate invoice will be produced for the invoicing of Transco provided meter installations.

Agreed

A separate invoice allows different invoicing frequencies to be applied for meter charges to that for the main transportation invoice, should this be required.

- (3) A separate charge will be shown for the provision of a converter.

Agreed

It is possible for exactly the same meter installation to require a converter to be fitted if it operates in adverse climatic conditions. To be fully cost reflective a separate charge needs to be shown for the converter. For standard charging purposes a converter is not regarded as being part of the meter installation and, where applicable, will be charged as an extra.

- (4) All meter points will attract a component of the customer charge for the recording and maintenance of the meter details, including ownership.

Agreed

An unbundled meter installation will still be required to pay a small component of the customer charge to cover administration costs for recording meter details.

- (5) Charges will be calculated on a per day basis and will be as detailed from time to time in the Transportation Statement.

Agreed

The option to rebate charges where an unbundled meter installation is provided has been rejected as being impractical.

- (6) Meter charges for Transco owned meters subject to allocation arrangements will be allocated as agreed by the parties involved.

Agreed

- (7) Meter charges for Transco owned primary meters subject to a sub-deduct arrangement will be apportioned to all Shippers taking gas through that meter in proportion to the supply point AQt.

Agreed

Ofgas propose to convene a separate group to look at all issues concerning sub-deduct meters. This issue will be referred to that group.

- (8) If Transco sell meters installations to Shippers then the Shipper will be invoiced for the meter installation as soon as is practicable on an invoice following the change of meter installation ownership date.

Agreed

This is a duplicate of 16.3.1(8). Invoices will not be raised until after the change of ownership. Meters will only be sold to Shippers as they are subject to existing credit rating arrangements.

- (9) See also Business Principles 16.3.1(9), 16.3.1(10), 16.3.3(6) and 16.3.3(7).

16.5 Maintenance

- (1) If Transco were to offer a maintenance service for unbundled meters this would be a service outside of the Network Code.

Agreed

If Transco were to offer a maintenance service for non-Transco meters then the terms and conditions of this arrangement would be individually negotiated with the customer. Transco would not be allowed to use the regulated database to indicate which meters they would be providing a service to.

16.6 Emergency Call Out for No Gas or Leaking Meters

Transco have devised a questionnaire to be used by the emergency call centre to filter out emergency calls where it is quite obvious it is due to a faulty meter, not a gas leak or a no gas situation. This should ensure that Transco only visits a site where it has been led to believe an unsafe situation may arise.

- (1) If an emergency call out is for a meter owned by Transco then Transco will change the meter at no additional charge.

Agreed

This is the current practice.

- (2) If an emergency call out is for a faulty, including leaking, non-Transco owned meter, then Transco will, where reasonably practical, for domestic meters only, exchange the meter for a Transco meter of an equivalent type i.e. credit or pre-payment. The charge for the meter exchange will be included in the emergency call out component. The Shipper will be informed that the meter has been exchanged within 5 Business Days.

Agreed

This process is to ensure that no unfair advantage is conferred to Transco provided meter installation service as a result of Transco providing a monopoly emergency service. This will only be for meters connected to Transco's pipeline system and will only apply in the domestic market.

- (3) Where it is not reasonably practical to replace a faulty, including leaking non-Transco meter, or if the Shipper has specifically requested that Transco do not provide this service, then Transco will make safe and inform the Shipper as soon as is reasonably practical.
- (4) Where Transco exchanges a domestic non-Transco meter for a Transco meter then the Shipper must within 1 month of the exchange date either select a bundled service, purchase the Transco meter, or fit their own meter. Failure to comply will result in a liability payment by the Shipper of £10 per month, or any part thereof, starting from the date the meter is supplied.

Agreed

Where Transco provide a temporary domestic meter then this will be provided at no additional charge for a period of one month. If the situation is not normalised by the end of one month a liability payment of £10 per month is payable by the Shipper.

- (5) Shippers have the right to opt out of the emergency meter replacement service on an all or nothing basis as defined by meter category and by easily defined geographical area

Agreed

Shippers may wish to provide their own emergency meter replacement service in which case they may wish to opt out of the Transco provided service. The opt out cannot be on a meter point specific basis. It has to be all or nothing.

16.7 New Installations

16.7.1 General

- (1) Individual siteworks quotations will be provided for providing a connection and for the fitting of a meter installation.

Agreed

Individual quotations will be provided, rather than itemised quotations, as it has proved confusing to try to accept parts of itemised quotations. The quotation for providing a connection includes both the provision of a service and the connection of a self lay service.

- (2) A Meter Point Reference Number (MPRN) will be provided when a quotation to provide an offtake from Transco's pipeline system is accepted. (Not when a meter is fitted as is the present case.)

Agreed

Provision of an offtake includes a connection to a DIY service.

- (3) For housing developments to be adopted by Transco, MPRNs will be allocated to each existing service pipe when the connection to the Transco system is made.

Agreed

At the time the connection is made there may be, say, four houses already connected. In this case 4 MPRNs will be allocated. As new houses require to be connected individual applications need to be made to Transco and additional MPRNs will be allocated.

- (4) New supply meter points must be confirmed individually (i.e. cannot be aggregated with other existing meter points on initial confirmation.)

Agreed

To try to aggregate new meter points at initial confirmation may lead to problems if an objection is received for one of the existing meter points. This could lead to the new meter point not being confirmed as expected.

16.7.2 Transco to Provide Meter

- (1) No changes are proposed to existing processes except for 16.7.1(1).

16.7.3 Non-Transco to Provide Meter

- (1) Transco will publish standard fees for the verification and inspection of COP/1c meter installations.

Agreed

Standard fees are to be based on meter size.

- (2) The standard fee is to be submitted with each application for the verification and inspection of a COP/1c meter installation.

Agreed

This is to avoid Transco having to provide quotes for standard works and then have Shippers accept those quotes.

- (3) Transco will acknowledge receipt of each application, together with a remittance advice.

Agreed

- (4) COP/1c designs will be approved/rejected by Transco within 30 Business Days of its submission. Designs are to be submitted to District Office in which the installation would reside.

Agreed

Most applications would be approved well within the 30 Business Days. However, some may require analysis of system dynamics requiring specialist input.

- (5) Transco will refund 60% of the application fee with each failed application for verification.

Agreed

- (6) The Shipper must notify Transco that an installation requires inspection no later than 2 Business Days after its substantial completion.

Agreed

- (7) Transco will arrange to inspect the meter installation at a mutually convenient time within 30 Business Days of receiving the notice above.

Agreed

- (8) If a meter installation fails the inspection then Transco will take appropriate action to make the installation safe. The Shipper is responsible for ensuring that the installation is brought up to standard and will be required to resubmit a request for a subsequent inspection together with a fee for 60% of the standard fee.

Agreed

- (9) Meter installations installed in accordance with COP/1a or COP/1b will be accepted by Transco without further verification.

Agreed

16.8 Additional Issues

16.8.1 Bulk Transactions

- (1) 'Bulk' transactions means all meters of a particular type, at all supply points registered by that Shipper within an easily defined geographical area as recognised by the sites and meters database e.g. LDZ, Exit Zone, Post Code.
- (2) The arrangements (including pricing, meter detail enquiries, timing of transfer and payments) for the bulk selling of meters will be by individual negotiation.

16.8.2 Maximum Number of Transactions/Day

- (1) For initial design purposes it is to be assumed that a change in meter ownership can take place at every supply point confirmation

16.8.3 Shipper Trials

- (1) Shippers wishing to select an unbundled service must first successfully demonstrate that they can receive from Transco and transmit to Transco, by means of the communication methods specified in the UK Link Manual, such additional files required to conform with the unbundled principles.

Agreed

Before a Shipper goes unbundled they must successfully complete a trial of the communication systems as devised by Transco.

17 The Process Flow Diagrams

Change of Ownership - No Meter Exchange

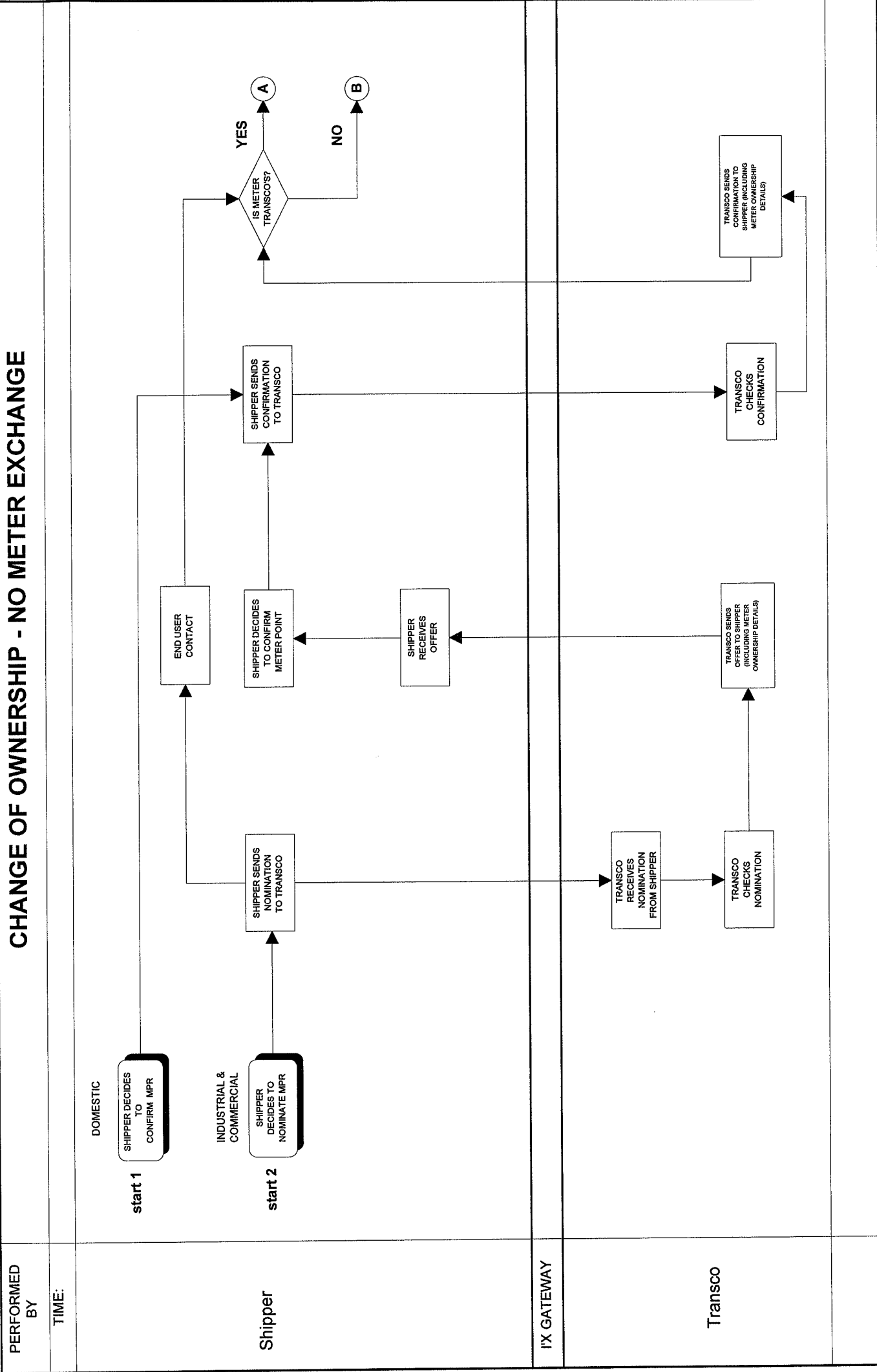
Provide Pre-Notification of Installation/Disconnection

Provide Post-Notification of Installation or Disconnection/Removal

Meter Exchange

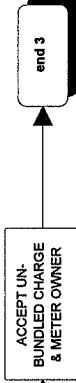
Meter Removal

CHANGE OF OWNERSHIP - NO METER EXCHANGE

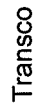


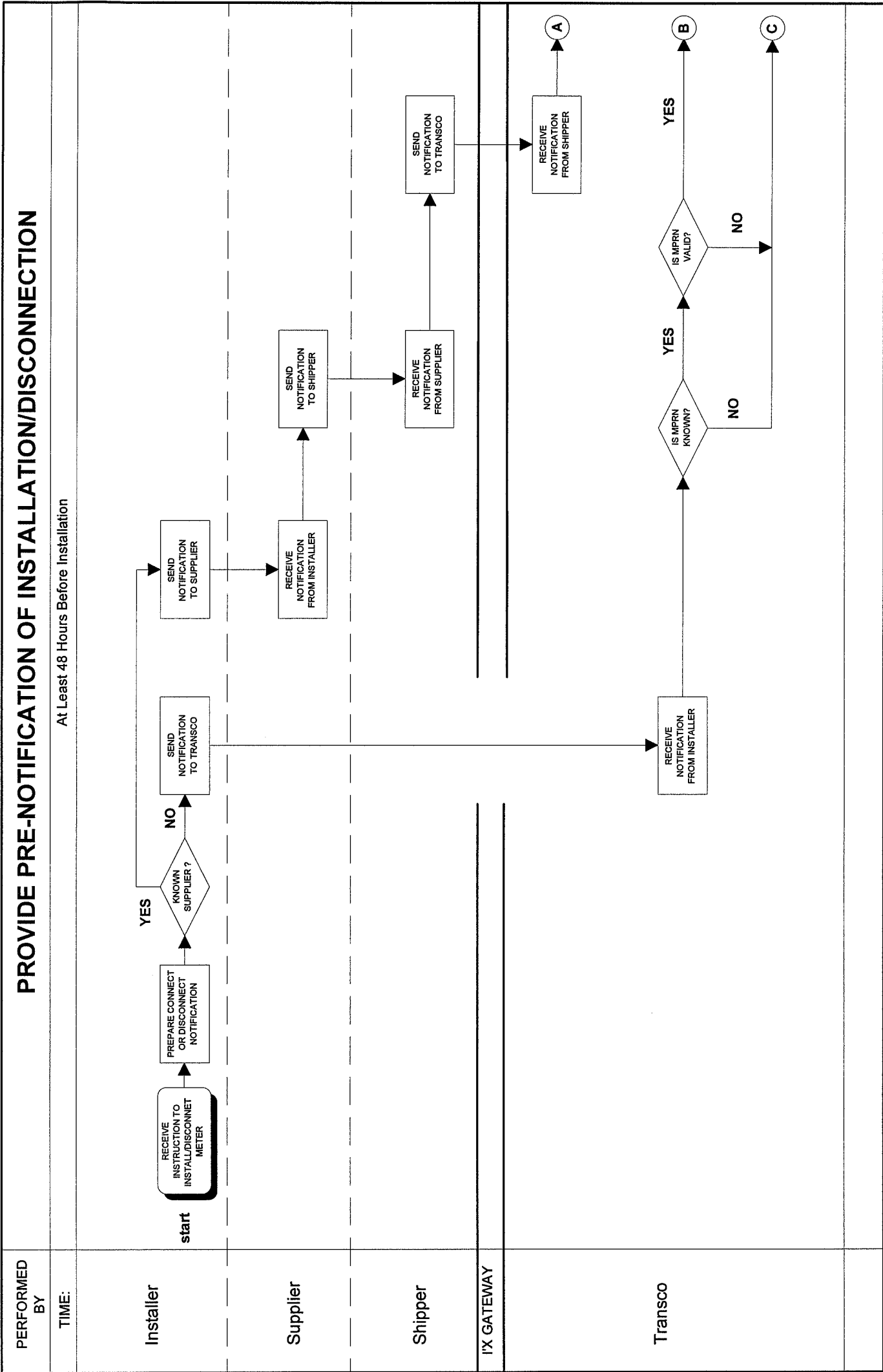
PERFORMED
BY

Ownership of Meter Changes



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PROVIDE PRE-NOTIFICATION OF INSTALLATION/DISCONNECTION

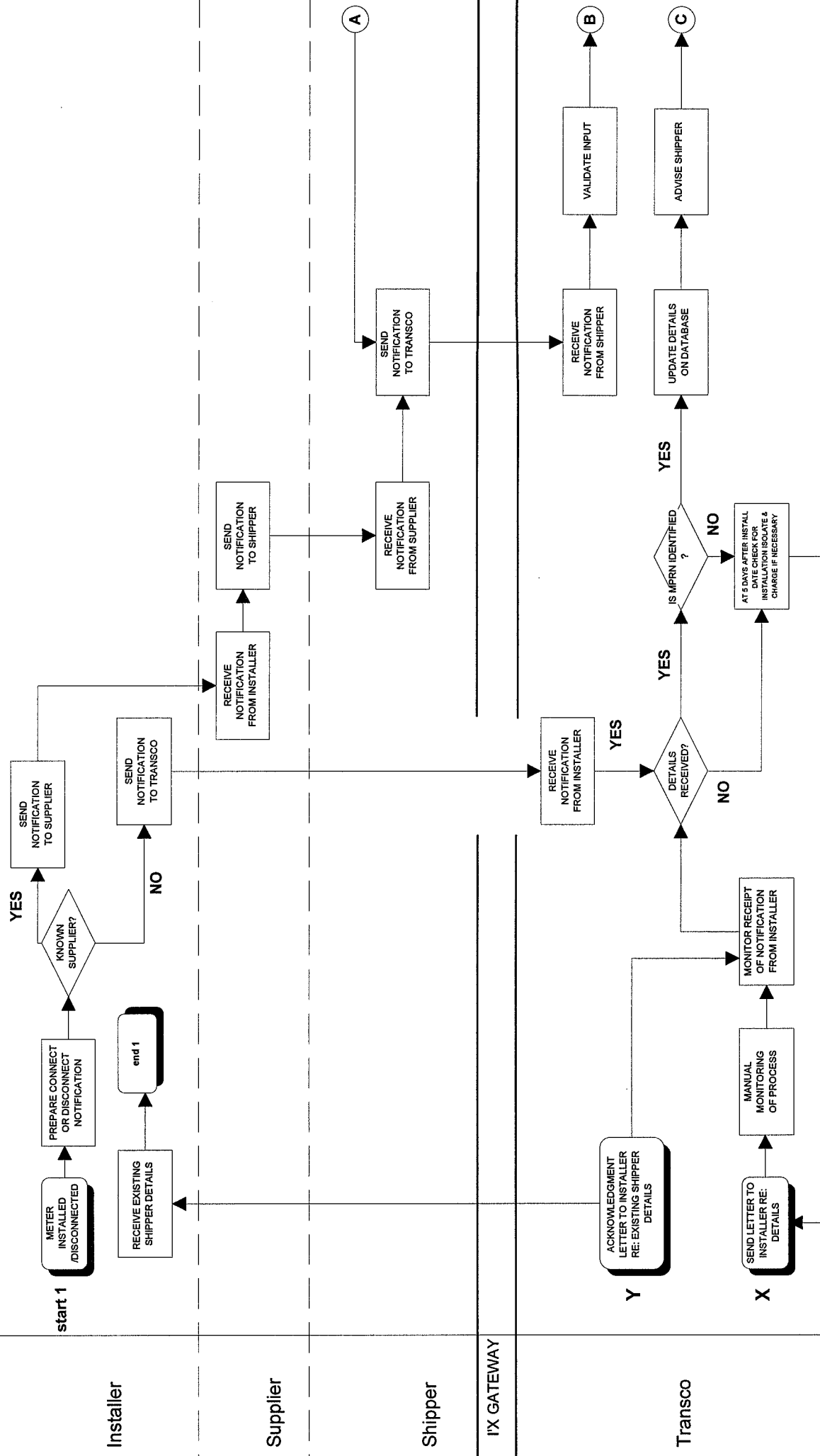
PERFORMED BY			
TIME:			
Installer			
Supplier			
Shipper	<div> <div>RECEIVE REJECTION FROM TRANSCO</div> <div>end 2</div> </div>		
I'X GATEWAY			
Transco	<div> <div> <div> <div>A</div> <div>VALIDATE FILE FORMAT</div> </div> <div> <div>NO</div> <div> <div>VALIDATION ACCEPTABLE ?</div> <div>YES</div> <div> <div>RECORD PROPOSED DATE AND DETAILS</div> <div>Y</div> </div> </div> <div> <div>YES</div> <div> <div>RECORD PROPOSED DATE AND DETAILS</div> <div>X</div> </div> </div> </div> </div> <div>REFER TO PROVIDE POST NOTIFICATION OF INSTALLATION DISCONNECTION/REMOVAL PROCESS</div> </div>		

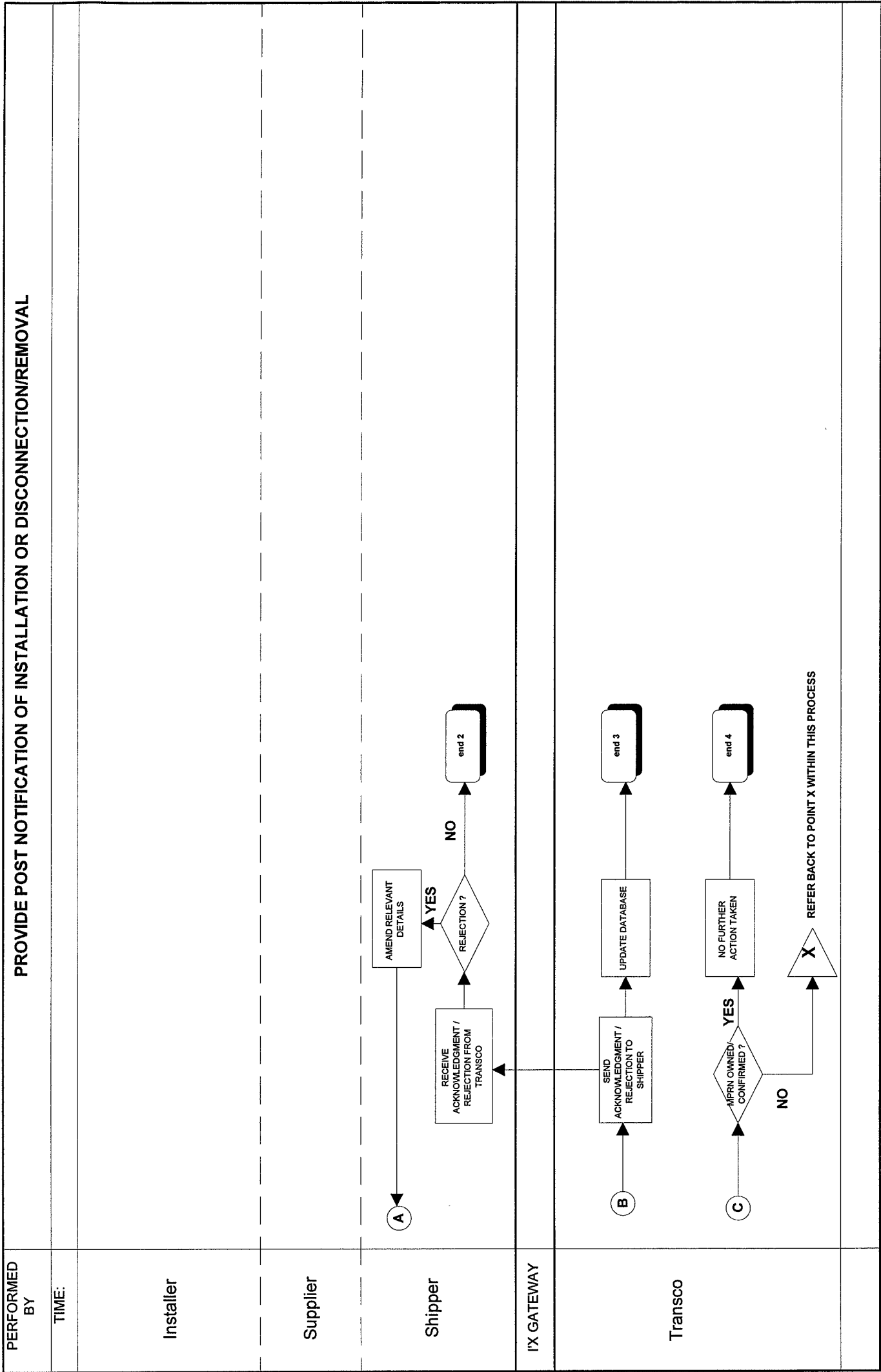
PROVIDE POST NOTIFICATION OF INSTALLATION OR DISCONNECTION/REMOVAL

PERFORMED
BY

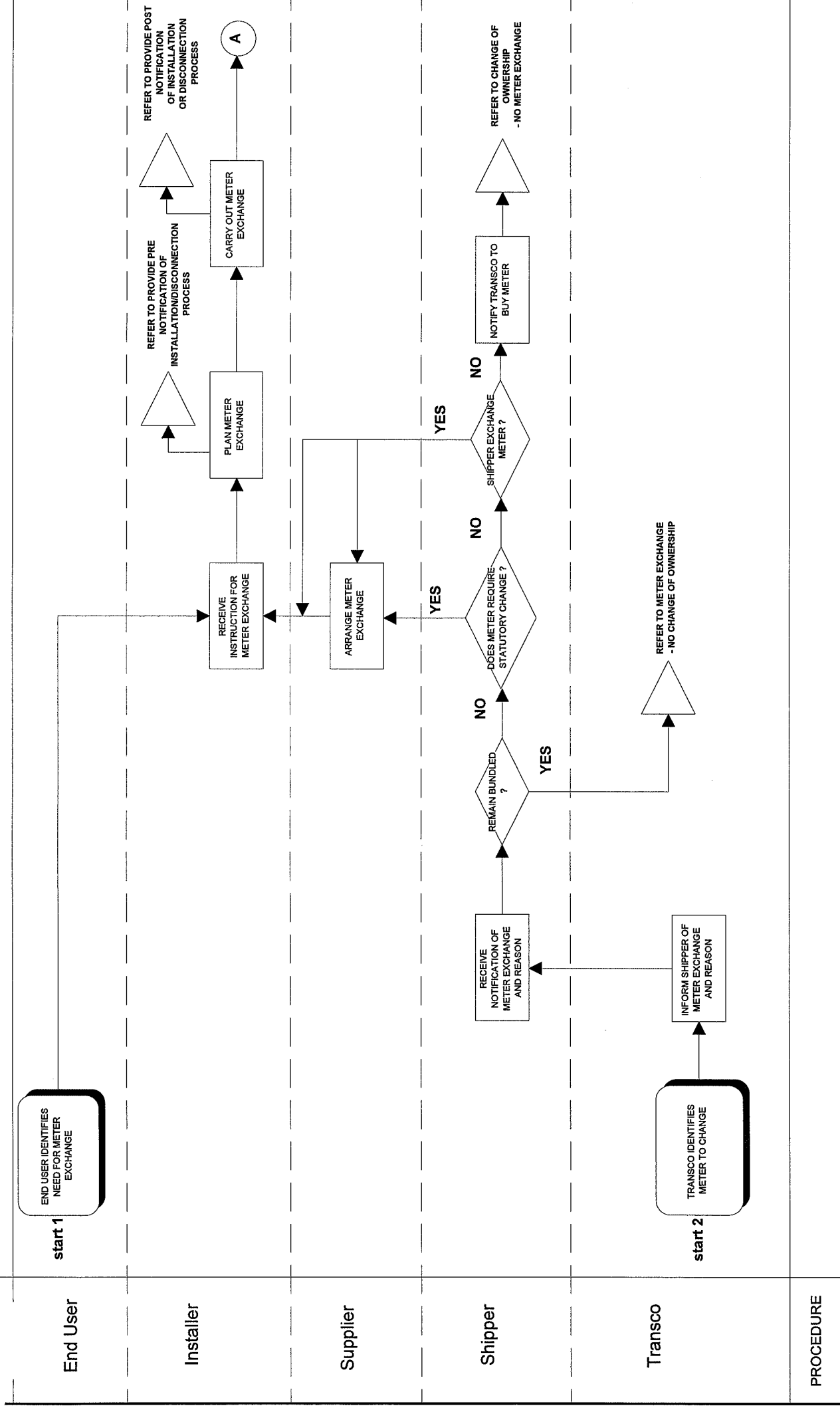
TIME:

WITHIN 48 HOURS OF INSTALLATION

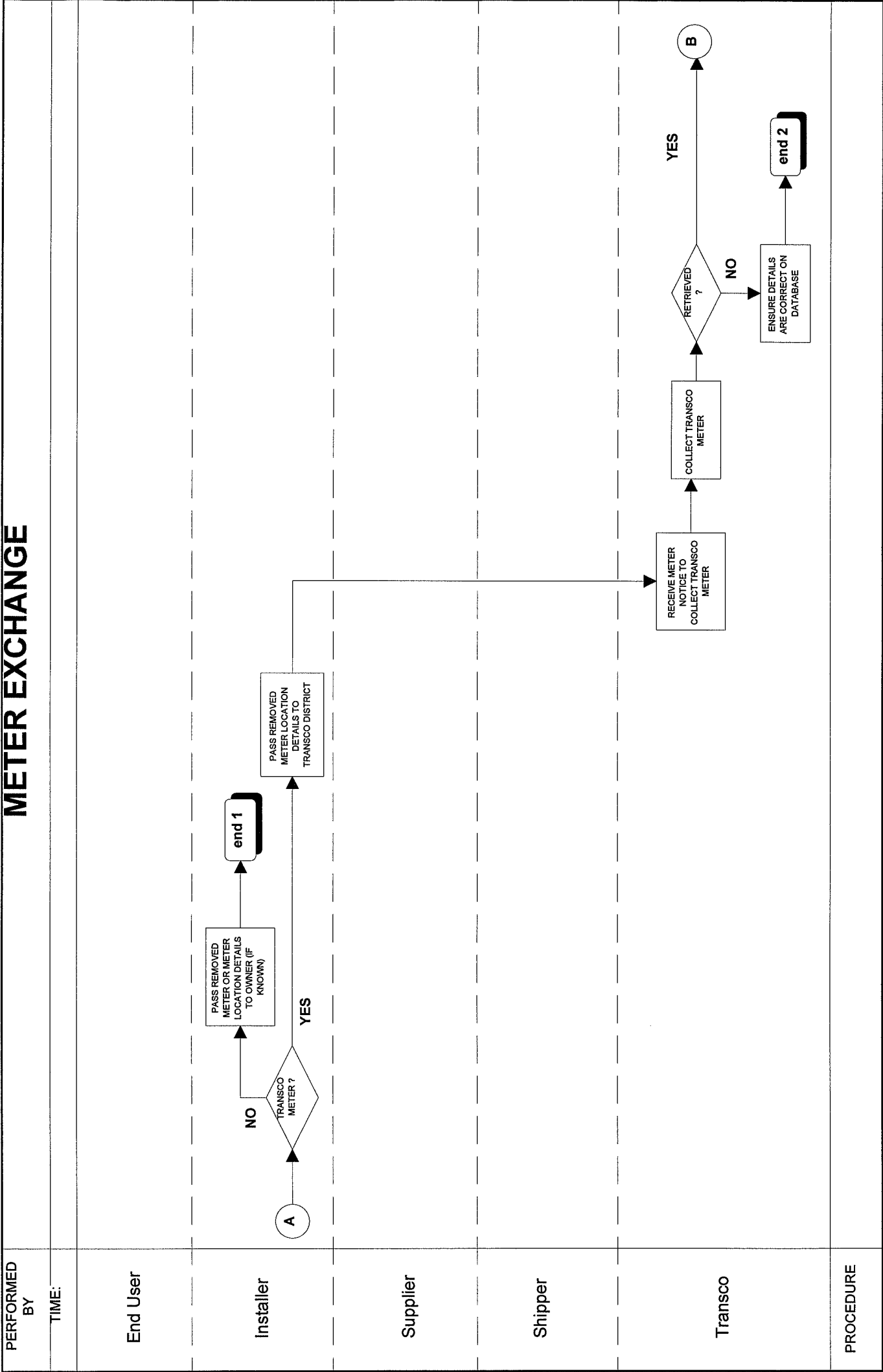




METER EXCHANGE



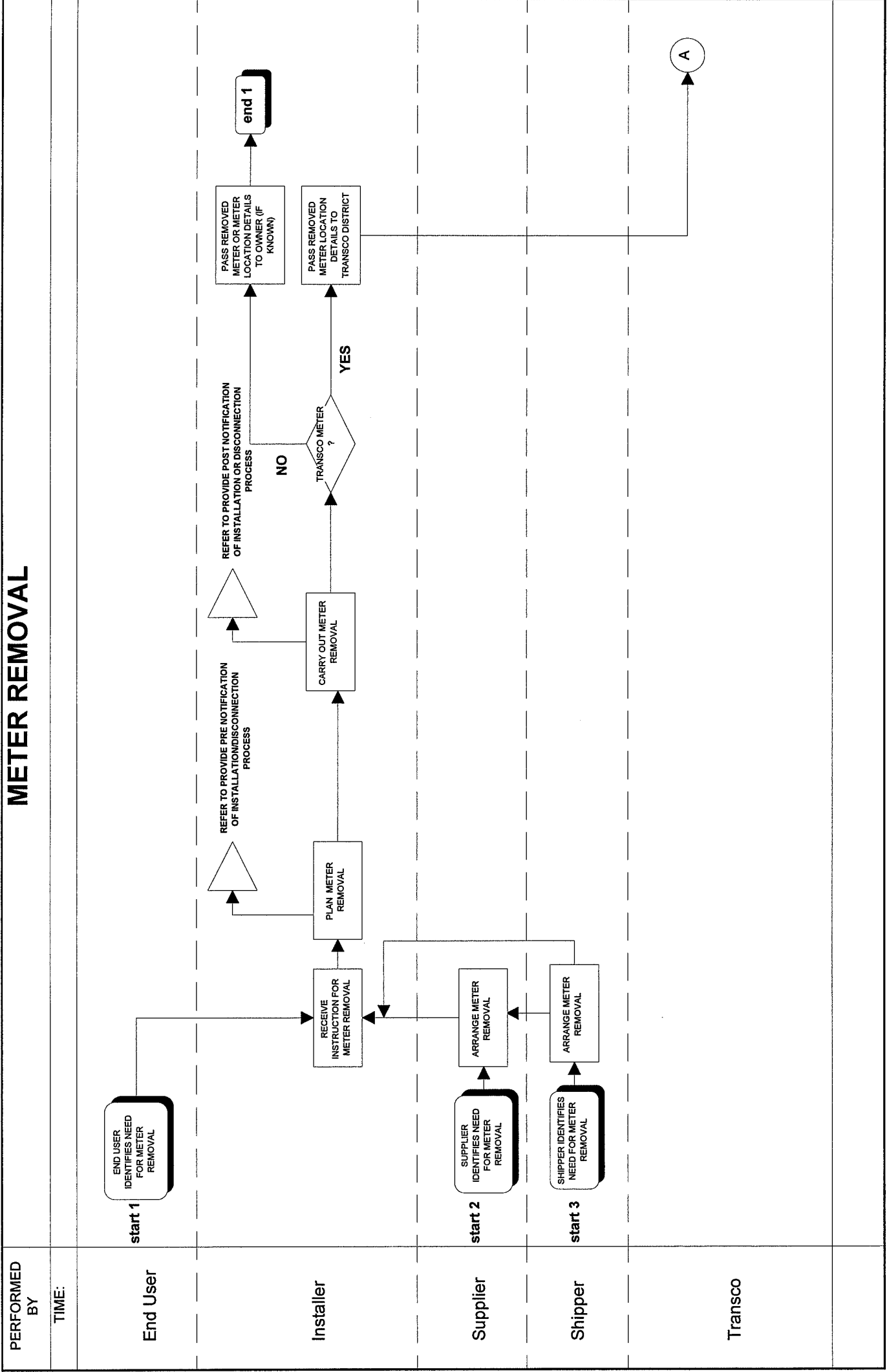
METER EXCHANGE



METER EXCHANGE

PERFORMED BY	
TIME:	
End User	
Installer	
Supplier	
Shipper	
Transco	<pre>graph TD; B((B)) -- YES --> E[ENSURE DETAILS ARE CORRECT ON DATABASE]; E --> C{CORRECT?}; C -- NO --> A[AMEND INCORRECT DATA AND INPUT]; A --> E; C -- YES --> end3([end 3]);</pre>
PROCEDURE	

METER REMOVAL



METER REMOVAL

PERFORMED BY

TIME:

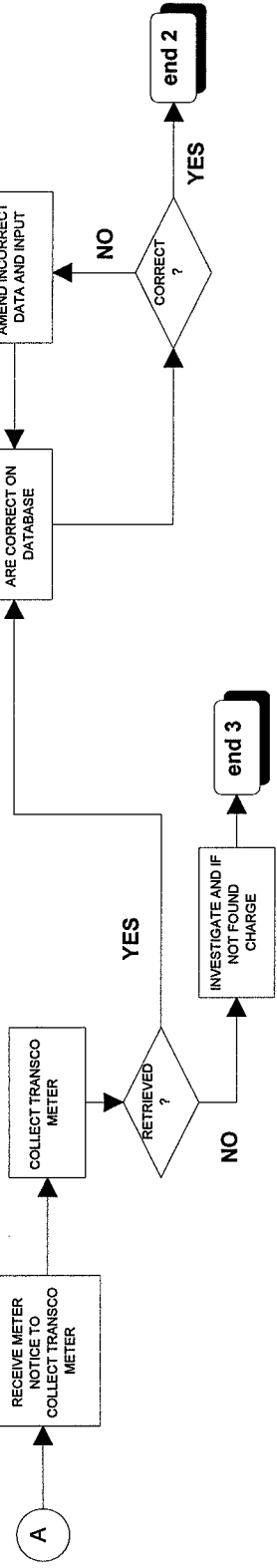
End User

Installer

Supplier

Shipper

Transco



18 Copy of Shippers letter to Ofgas

To: Peter Thomsen	
Fax: 0121 712 4545	
From: Tim Smith	
Date: 6-5-97	Pages: 2

Alliance Gas**Gas Limited**

se

11 Regent Street
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Direct Line 0171 410 6140
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3 April, 1997

Mr S Doggett
 OFGAS
 Stockley House
 130 Wilton Road
 LONDON
 SW1V 1LQ

Dear Simon

COMPETITIVE METER INSTALLATIONS

As representatives of the Suppliers Forum on the Network Code Modification 42 working group, we are concerned that the pressure to create a competitive market for meter installation within the envisaged 12 month time scale will lead to excessive short term costs for the industry and the probability of further data problems in the long term.

The benefits of a competitive market have not yet been clearly defined, other than an idealistic view that competition must be more effective than regulation, and until this is clearly seen there is no incentive for suppliers and shippers to take on additional resources to develop the market. Any attempt to force the pace of development through regulatory price increases may simply increase costs for the whole industry at a time when some suppliers are suffering from the volatility in gas supply prices and end-users are experiencing price increases for the first time since competition was introduced.

The trial system of transportation rebates for non-Transco meters is acceptable for small numbers but requires excessive administration for general use. Consequently, one of the major developments identified by the working group is the requirement for meter level transportation costs to ensure cost reflective pricing. This has a major impact on everyone's IT systems when both Transco and many suppliers and shippers are still trying to validate the meter information on their databases following the introduction of SPA. This is a major concern for the industry at the present and until that is settled the suppliers and shippers are unable to divert resources into developing a competitive market for meter installations. Until these systems are developed, there is a real danger that the haphazard installation and exchange of meters will cause major



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3 April, 1997

Page 2

problems for the end user, leading to supply interchange problems and even safety issues.

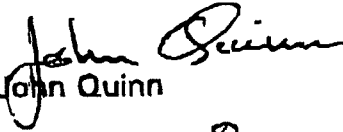
Consequently, we would urge you to consider the proposed time scale as inconsistent with a planned deregulation of the market and allow the competitive market to develop at a more natural pace.

Yours faithfully



Tim Smith

for Alliance Gas



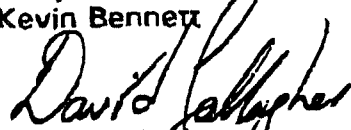
John Quinn

for Centrica



Kevin Bennett

for Eastern Natural Gas



David Gallagher

for Mobil



Steve Brown

for Quadrant Gas



Alliance Gas