

Development Workgroup Report. 30th July 1996

Modification Proposal No 0005. Provision of an Unbundled Meter Reading Service

1.0 Extent to which the modification would better facilitate the relevant objectives

At time of writing, TransCo is the sole provider of meter reading services under the Network Code Regime. The modification will facilitate customer choice and competition as required under condition 36A of the 1986 Gas Act, as amended in 1995, under which TransCo are required to develop competition in ancillary services.

2.0 The Implications for TransCo of Implementing the Modification Proposal

2.1 Implications for the Operation of System and any BG Storage Facility

None

2.2 Development and Capital and Operating Cost Implications

TransCo are currently analysing the cost implications and recovery. This will be covered in the modification report (in Draft).

2.3 Consequence of Implementing the Modification Proposal on the level of contractual risk to TransCo

- With choice on a supply point basis, the TransCo meter reading service may experience an increase in unit price for procurement of the service from its contractor, as overheads are recovered over a decreasing workload.
- The level of rebate to a shipper is at a supply point level. TransCo may be left in a position where it is left with reading "multi-meter" supply points. Thus there will be a mismatch between the revenue obtained through Transportation Charges and the costs of service provision (which is paid for on an individual meter basis)
- Should shippers choose to target "easy to read" supply points for unbundling, TransCo may be left with problem supply points and the possibility of an increased level of liability exposure for the remaining supply points, due to a drop in reading performance.

3.0 The Development Implications and other Implications for Computer Systems of TransCo and related Computer Systems of Relevant Shippers

3.1 TransCo

The implications for TransCo systems are significant. Current functionality for meter reading is geared around exchanging requests and readings within the TransCo service; changes are necessary to exchange files with unbundled shippers for the reading and enquiry process; changes are necessary to the degree of validation required for the new processes; system enhancements are necessary to monitor and control activity across the new processes.

3.2 Shippers Remaining with TransCo Service

For shippers who remain with the TransCo service, there are some minor changes to file formats.(No field changes; new values within existing fields)

3.3 Shippers Choosing the Unbundled Service for all or part of their Portfolio.

For these shippers the changes are more significant.

- Shippers will be required to adopt new file formats for the receipt of meter related data from TransCo; for the transmission of reading data to TransCo; for the exchange of meter asset enquiry data with TransCo.
- Shippers will need to enhance databases and exchange data with third party meter reading companies.(This includes the management of the read request process)
- Shippers will be required to subject readings to validation according to the amended validation rules.

The above changes have been developed in accordance with the terms of reference and will be detailed in the modification report.

4.0 The Implications of Implementing the Modification for Relevant Shippers

4.1 Administrative and Operational Implications

One member of the Development Workgroup expressed a desire, in writing, to opt for unbundled choice in October; a shipper invitation trial start date of the middle of September was requested - the S.I.T. will therefore be scheduled to commence from 23 September 1996.

4.2 Cost Implications and level of contractual risk

TransCo has received no notification from shippers regarding these factors. However Development Workgroup opinion has always been that a key driver, in the decision to opt for unbundled choice, is the level of rebate available on Transportation charges.

5.0 Implications of Implementation for Terminal Operators, Suppliers and Producers, and any Non-Network Code Party

The Development Workgroup has not been informed of any impact for the above parties. However, it is recognised that Suppliers will have a key role in the procurement of unbundled meter reading services.

6.0 Consequences on the Legislative and Regulatory Obligations and Contractual Relationships of TransCo and each Relevant Shipper

As mentioned in 1.0 above, TransCo has a Regulatory Obligation to facilitate competition in meter reading ; the modification proposal is consistent with complying with that obligation.

TransCo has discussed with the Development Workgroup the effect on the relationship with TransCo's meter reading service provider. In particular the effect of "churn" away from and back to the meter reading service provided by TransCo. A principle of a relaxation of liabilities and/or a premium price has been agreed to address the risk that TransCo carries with regard to shippers returning at short notice.

TransCo has not been made aware of the implications for shippers in this area.

7.0 Analysis of Advantages or Disadvantages of the Implementation of the Modification Proposal

The Development Workgroup have not been informed of advantages or disadvantages, other than those discussed above.

8.0 Summary of Representation Received

No representations have been received. There were a number of requests for clarification regarding the proposed file formats to which a response was provided.

9.0 Any other matters that need to be addressed for production of the Modification Report

The Development Workgroup has been reviewing Invoice linkage; in particular the meaning of "a significant proportion of the User's Monthly Read Meters" as detailed in Transition Document, part II S.1.4.2(3).

The shippers' view differs significantly from the TransCo view; an analysis will be detailed in the Modification Report.

10.0 Timescale for Implementation

The nature of the modification has been to progress system changes in parallel with the business principles (as specified in the terms of reference). This approach has been adopted in order to achieve the Ofgas deadline of 1 October 1996 for system functionality to be available. The following implementation timetable has been adopted:

24 June	File Formats to all Shippers
10 July	Finalise Business Principles
23 September	Commence Shipper Trial (S.I.T)
1 October	System available
1 January 1997	Must Read released
1 April 1997	Audit released