

Review Group 0229 'Removal of Competitive Advantages from Transco (MR)'

Review Report

1. Summary

The June 1998 meeting of the Network Code Modification Panel directed that Network Code Modification Proposal 0229 'Removal of Competitive Advantages from Transco (MR)', raised by Eastern Natural Gas should be subject to Review procedures.

It was clear at an early stage in discussion that the issue of competitive advantage was broadly associated with differences between the bundled and unbundled meter reading services. The Review Group subsequently identified a range of recommendations which may be defined as having long, medium or short term solutions. These are further grouped into a number of generic areas, being operational, metering unbundling and Network Code/UK-Link related. In identifying recommendations, consideration was given by the group to those issues identified in the original Modification Proposal.

A common feature of the findings of the Review Group is that a number of the key recommendations are sufficiently far reaching as to require further debate in suitable industry fora. This is particularly the case for example where the optimum solutions lie in the separation of Transco (MR) from Transco (PGT) and the resolution of operational issues associated with shippers opting for an unbundled meter reading service.

The Review Group has made the following core recommendations:

- **Operational issues associated with the unbundled meter reading service.**

A key feature of debate in the Review Group was related to the efficiency of the present unbundled meter reading service in comparison with the bundled meter reading service operated by Transco (MR). The group identified a range of problems which could potentially be a barrier to shippers opting for an unbundled meter reading service, and a competitive disadvantage to those shippers currently operating such a service. Of particular concern to shippers was the validation applied in respect of the meter serial number. In consideration of these, Transco has initiated an operational shipper forum, managed by its Customer Portfolio Management (CPM) department. It is anticipated that this group will meet on a monthly basis. Examples of specific items for debate are described below. The Review Group also identified a number of potential UK-Link systems enhancements with the potential to aid unbundled shippers.

- **Operational issues associated with activities presently undertaken by Transco (MR).**

In consideration of the industry's long term aspirations for the separation of Transco's meter

reading activity from its PGT responsibilities, the Review Group identified that a number of activities are presently undertaken by Transco (MR) which may be more appropriately operated by Transco (PGT). Examples of this are administration of the 'must read' process and facilitation of meter asset queries. Transco has raised a UK-Link change request to facilitate processing unbundled meter asset queries and is addressing the broader issue at an operational level which includes 'ring fencing' such activities to facilitate transfer to another part of Transco's business should that be appropriate.

- **Issues associated with metering unbundling.**

The Review Group identified that Transco (MR) potentially enjoy an advantage in its operation of the bundled meter read service because of its direct interface with the UK-Link suite of systems. The group identified a number of options for addressing the issue, including building an interface between shippers meter read agents and UK-Link. It was, however, considered that the most pragmatic long term solution was the operational separation of Transco (MR) from Transco (PGT). This would involve breaking Transco (MR)'s interface with UK-Link and would require the introduction of a new database and appropriate systems to permit Transco (MR) to operate a 'stand alone' service. Transco (MR) would then interface with Transco (PGT) in the same way as unbundled shippers.

- **Network Code/UK-Link impacts.**

The group addressed each of the five separate proposals identified in Review Proposal 0229 by Eastern Power & Energy Trading. This analysis is described below. It was considered that resolution of each proposal is not simple and in three cases is closely associated with future industry debate concerning metering unbundling and operational responsibilities in Transco MR/PGT. In two other cases, resolution of the issue is associated with enhancement to UK-Link for which Transco has raised and registered a number of change requests.

- **Standards of service/liabilities.**

Review Proposal 0229 makes reference to a wish to extend the standards of service regime to include the update by Transco of any meter information notification received.

This proposal has been largely superseded by the initiatives of Review Group 0122 'Query Management' and the expected implementation of Modification 0204. The group agreed that both of these initiatives should be concluded before the initial proposal could be re-considered.

The group further agreed that any debate with regard to the application of liabilities should be conducted in Review Group 0122, or is appropriate for longer term debate as part of industry discussions on meter reading unbundling.

Next steps.

Transco and Ofgas met on 15 June 1999 to address issues associated with perceived barriers to competition in the NDM read market. The purpose of these discussions was to agree a way forward for addressing the issues raised in Review Group 0229 and to provide a possible input to a forthcoming Ofgas document on the subject.

As a result of the above meeting, Transco agreed to provide Ofgas with two sets of proposals:

- To address those issues associated with perceived barriers to competition in the non-daily meter (NDM) read market that can be managed in the short to medium term (next 6 months), including a timetable of actions.
- To assess how any remaining issues in this area (those not covered in the above document) may, in Transco's opinion, be managed in the longer term ie. more than 6 months.

Note: All references to Transco in this report should be assumed to be to Transco (PGT) unless otherwise referred to specifically as (MR).

2. Background

Modification Proposal 0229 'Removal of Competitive Advantages from Transco (MR)' was initially raised by Eastern Power and Energy Trading on 20th April 1998 as an Urgent Modification Proposal. It proposed a number of changes which were designed to clarify the distinctions between Transco (MR) and Transco (PGT). The proposal suggested that the existing wording of the Network Code and the operational arrangements for Transco's meter reading services afforded Transco (MR) advantages over other MRA's which may hinder the development of competition in meter reading.

In their response dated 7 May 1998, Ofgas advised that they did not believe the proposal warranted urgent status for the following reasons:

- The physical and financial separation of meter reading is best taken forward within Ofgas' work on unbundling metering services.
- The proposal was made too late to resolve the issues prior to shippers having to decide whether to sign the Incentive Based Contract.

Ofgas suggested that the proposal would benefit from further industry discussion and that was best achieved by a Review Group. It suggested that any conclusions from such a review would be considered by Ofgas as part of their review of unbundling of metering services.

The May 1998 meeting of the Network Code Modification Panel directed that the Modification Proposal should be subjected to Review and the June 1998 meeting approved the Review Group

Terms of Reference. The Review Group met on ten occasions and utilised the following terms of reference:

- Identify areas within the Network Code where there is a lack of distinction between Transco's role as a meter reader and it's role as a PGT.
- Identify and quantify areas where Transco (MR) may benefit from direct access to UK-Link over shippers and independent MRAs.
- Determine who should have responsibility for maintaining and/or updating meter information together with the appropriate incentives on all parties.
- Where appropriate, propose non-systems based solutions to address any issues identified.
- Prepare recommendations for longer term resolution of these issues for consideration by Ofgas in their broader review of the unbundling of metering services.
- Identify any shipper requirements for access to meter information or meter read history to be input to the debate on this issue within the SPA/Metering Workstream.

Note: The group were aware that since Modification Proposal 0229 was raised in April 1998, an increase in shippers actively unbundling has been recorded in the eleven months since the read liability regime was rescinded, which in itself was recognised to be a disincentive in terms of unbundling.

3. The Review

The meter reading bundled and unbundled processes.

The Review Group established a foundation for its discussions by considering flow charts prepared by Transco which detail the key bundled and unbundled meter reading processes. (Appendix 1A and 1B).

This enabled a more detailed analysis to be made of the process differences between the two types of meter reading service. To facilitate this, a comparison flowchart was developed by the group (Appendix 2) which enabled synergies and differences to be readily identified. The final stage was to develop a comparison matrix (Appendix 3) which contained the following references:

- Advantage in respect of the bundled activity.
- Advantage in respect of the unbundled activity.
- Options for resolution of advantage.

- Where further work is required, where the issue should be addressed.

Group discussion was subsequently broken down into five specific areas:

- Analysis of process differences between the bundled and unbundled meter reading service.
- Operational issues - Transco (PGT) activities currently undertaken by Transco (MR).
- Operational issues - the meter reading unbundled service.
- Sundry Network Code issues.
- Review Proposal 0229 - specific recommendations.

These areas were addressed in detail as follows:

- **Analysis of process differences between the bundled and unbundled meter reading service.**

The groups analysis identified the following areas in which a potential competitive advantage in respect of Transco (MR) may exist:

Access to UK-Link.

1. Transco (MR) has direct access to UK-Link for the purpose of generating meter read requests.

While this process difference cannot be quantified statistically, the group determined that Transco (MR) is able to advantageously generate meter read requests based on 'real time' data available within UK-Link. While unbundled shippers receive current data from Transco at the time of unbundling and routinely receive data updates (MRBILLREADS, etc) which enable them to generate read requests in a similar way to MR, the group considered that unbundled shippers are disadvantaged as they are required to build and maintain new functionality to drive the read process, which in the bundled service MR is not required to do.

2. Bundled meter readings are sent directly by the MRA to Transco (PGT)'s database.

Unbundled meter readings are sent by the MRA to the shipper that then forwards them to Transco. This requires an additional process and consequent time delay. Transco's MRA is able to directly update UK-Link without intervention by Transco (MR). The group noted, however, that to operate an effective bundled read service, Transco (MR) was required to build various separate systems in addition to existing UK-Link functionality.

3. Transco (PGT)'s UK-Link data is used directly for validation purposes where the meter reading is bundled.

Unbundled shippers are required to validate meter reads using their own processes and data which is then revalidated at a high level by Transco on receipt. For the purposes of clarity, Transco notified Review Group members of the detailed process by which UK-Link performs this validation.

4. Transco (PGT)'s sites & meters database is updated directly from files submitted by the MRA in the bundled service.

Unbundled shippers are required to update their database on receipt of information from their MRA, then submit meter readings to Transco (PGT) via an information exchange (IX) link.

Asset queries.

1. Asset queries arising from rejections received from bundled shippers are dealt with by Transco (MR) that resolves the query, updates the UK-Link sites & meters database and reinputs meter readings as required.

Unbundled shippers submit their queries to CPM which resolve these in the same way. The group, however, noted that the process took longer with respect to the unbundled read service. This was for two reasons, firstly that a reading is initially rejected by shippers that are then, if appropriate, required to submit an asset query to Transco. Secondly, following investigation by Transco, asset details are updated but it is then necessary for CPM to inform the shipper that in turn has to resubmit the meter reading.

Response.

The Review Group determined that in respect of the above analysis, for the 'access to UK-Link' related items, the preferred solution was to disengage Transco (MR)'s direct access to UK-Link. This would have the effect of placing Transco (MR) in the same position as unbundled shippers, but would require wholesale development of new systems, databases and procedures. This would be essential to provide for the continued management of the bundled meter reading service.

The group considered the possibility of unbundled shipper MRAs having a direct interface with Transco's UK-Link system (Appendix 4) but this was dismissed for the following reasons:

- Complexities associated with ensuring synergy in processes associated with:
 - i. Passing data directly between Transco and the unbundled shipper's MRA.

- ii. Simultaneously passing data between Transco and the shipper and the shipper and its MRA.

The group agreed that the full implications of operational separation of Transco (MR) should be discussed in a future 'Competition in Meter Reading' forum. This would enable this far reaching requirement to be addressed in conjunction with all other initiatives in the area of metering and meter reading unbundling. Transco plans to outline its proposals to facilitate such a forum in a paper to Ofgas to be provided by 21 July 1999.

Transco also expressed the view that it would not be practical to implement any satisfactory short term manual based solutions in this respect due to the fundamental differences in the nature of the bundled and unbundled meter reading services.

With respect to the item listed under 'asset queries', in respect of the first issue, the group identified that possible resolution lay in the operational separation of Transco (MR) which would ensure its queries are managed by Transco (PGT) in the same way as for unbundled shippers. In respect of the second point, the group determined that the solution lay in the area of reallocating responsibilities from Transco (MR) to Transco (PGT). To enable this future harmonisation of operational processes, Transco has raised UK-Link change request UKL6130 to facilitate the reinput of unbundled meter readings following an update of the corresponding meter asset details.

Group members expressed concern that Transco (MR) had no Network Code requirement to capture meter asset data. On investigation, however, it was found that all shippers are required by Network Code section M3.2.3 - M3.2.7 to provide such data to Transco. Currently Transco (MR) captures such data in the bundled service on behalf of shippers under its obligations under G1.9.8(ii). To enforce this, MR has placed terms and conditions in its contracts with its MRAs requiring such information to be provided on behalf of the bundled shipper. Transco has also included a clause in the legal drafting for the Incentive Based Contract (IBC) v3.0 which makes reference to Network Code section M3.2.3.

Acknowledging the importance of ensuring that meter asset information stored on Transco's sites & meters database is maintained as accurately as possible, the group suggested that the existing requirements which incentivise Transco to update meter asset information could be extended to shippers as they were equally responsible for ensuring asset data was provided and updated within a defined time period. The group additionally noted that it would be prudent to establish a form of policing facility to monitor/enforce the performance of shippers in providing updated asset information to Transco (PGT).

The group acknowledged that while the above process differences were those identified following extensive debate, the possibility of further examples existing cannot be ruled out.

- **Operational issues - Transco (PGT) activities currently undertaken by Transco (MR).**
- **Processing and resolution of meter asset queries.**

The group identified a difference in the processing of meter asset queries with respect to the bundled and unbundled meter read service. This was associated with queries arising from a shipper using the bundled meter reading service being managed by Transco (MR) and queries arising from shippers using an unbundled meter reading service being managed by Transco's Customer Portfolio Management department (CPM).

While the group agreed that the internal processes for managing queries within CPM and Transco (MR) were the same, there was a fundamental difference in the way asset queries are submitted and recorded on UK-Link. In respect of bundled shippers, Transco (MR) is able to receive rejections, outsort these immediately for attention and upon resolution of the query, if necessary, update the asset details and meter reading at the same time. In respect of unbundled shippers, however, it is necessary for the query to be submitted to CPM following rejection, addressed and upon resolution of the query and update of the meter asset details by CPM, for the shipper to resubmit the read to Transco. In conjunction with this, it was noted that Transco (MR)'s direct access to UK-Link assists it in resolving meter asset queries although any income for the read is unlikely to be derived as contractual timescales in terms of read delivery will inevitably be missed.

- **Other Issues**

- The group identified that Transco (MR) manage all opening meter read rejects including queries and receive income from the generation of domestic estimated reads.
- It was noted that Transco (MR) manage the 'must read' process.

Transco acknowledged these concerns and is producing a 'Review of Processes' paper which will identify and address a full range of all such activities for submission to Ofgas in the near future.

- **Operational issues - the meter reading unbundled service.**
- **Issues associated with a shipper considering opting for an unbundled meter read service.**
- Portfolio.

Group members identified that a potential impediment to bundled shippers making a decision to move to an unbundled meter reading service was that they were unable to routinely request and receive meter information based on their portfolio prior to registering their intention to unbundle with Transco. While acknowledging that this

information was available on an ad-hoc basis from CPM, in order to make the service more efficient, Transco raised UK-Link change request UKL5275 to enable bundled shippers to request meter information utilising the current S32/U06 functionality.

- Testing.

Shippers reported that they had been experiencing problems with testing UK-Link file transactions in anticipation of moving to an unbundled meter reading service. Transco reported that this issue had been raised in the UK-Link Committee and discussion is now underway with the intention of developing an agreed plan for the use of Transco's permanent test environment. Shippers confirmed to the group that progress in this area was satisfactory.

Transco advised the group that the above issues were being dealt with at an operational level within CPM and that it intends to update shippers on progress at the monthly CPM operational forum now established.

- **Validation of unbundled meter readings.**

- Validation undertaken by Transco.

The Review Group registered its concern with regard to the method by which Transco validated meter readings received from unbundled shippers. Concern was expressed that unbundled shippers already had an obligation to undertake Network Code validation. Transco, however, applied a further sequence of validation checks prior to permitting the reads received to update its sites & meters database. Transco responded that files were not rejected for reasons other than fundamental data related problems, for example an incorrect meter point reference number. Shippers did, however, receive information notifications in respect of domestic opening readings where such data provided was questionable, for example for inner and outer tolerance reasons.

In response to a formal request for information from Ofgas, Transco developed and issued to Review Group members a specification which detailed the criteria for outright rejection of meter reads, the information notifications generated and the sequence in which the validation is applied. Transco's analysis was reported to the CPM operational forum.

- Meter read rejections - meter serial number.

The group identified that the ability of shippers to successfully submit unbundled meter readings to Transco was compromised by rejections based on the meter serial number. The group identified that this was partly due to an inadequacy in the validation applied by Transco's UK-Link system and partly due to issues associated with the quality of data within Transco's sites & meters database.

Acknowledging that this does not happen in the bundled read service and was therefore potentially a source of advantage, Transco's analysis subsequently identified the following:

The strict application of the rationale 'the meter serial number must be that of the meter shown on the Transco database at the meter point on the actual read date' has previously led to unbundled shippers experiencing problems in processing successful reads onto UK-Link and, as a result, significant volumes of rejected reads have not been able to be included in any AQ review process.

To facilitate the flow of read information into UK Link, change request UKL1862 was introduced. This removed all leading zeros from both shipper and Transco serial numbers and any trailing alpha characters from the Transco serial number. Whilst this addressed some of the issues concerned, problems were still experienced with rejects occurring due to mismatches on the meter serial number. The implementation of the above change request caused a number of problems as the initial exact match functionality was removed leading to the exact match serial numbers with alpha characters sent in by shippers failing. The correct functionality was reinstated on 5 June 1999.

UK-Link change request UKL3275 implemented on 21 March 1999 is designed to address issues arising from E6 meters by removing 4 trailing digits matching from the right hand side of the meter serial number. Following discussions with shippers, a further related change request (UKL6008) has been raised and the implementation date will be communicated to shippers and Ofgas via the CPM operational forum.

The group expressed the view that the 'fuzzy matching' functionality should be a short term solution which maintained a level of validation on the quality of data entering Transco's sites & meters database while not compromising the ability of unbundled shippers being able to successfully submit meter readings to Transco in a timely manner. The group identified, however, that the need for such functionality would reduce over time as data quality improved and on this basis could ultimately be removed. Some shippers also questioned the need for meter serial number validation in the long term.

- Meter read rejections - general.

Unbundled shippers identified that they were experiencing a significant rate of read rejections. Acknowledging that this could be for a wide range of reasons, the group agreed that the issue should be addressed in detail within the initiatives proposed by Transco in its paper to Ofgas, to be provided by 25 June 1999.

- **Miscellaneous operational issues.**

Shippers asked whether appropriate functionality could be included within UK-Link to identify cosmetic 'dummy' meter exchanges recorded on Transco's sites & meters

database as opposed to those recording actual physical work. Transco subsequently raised UK-Link change request UKL5969 to facilitate this, although it was acknowledged that implementation would be subject to prioritisation by the SPA/Metering Workstream and would not occur prior to March 2000.

- **Miscellaneous Network Code issues.**

- **Restrictions on the submission of meter readings by unbundled shippers.**

Group members questioned the continued relevance of Section M 3.5.3. which states "Each User shall secure that the number of Relevant Annual Read Meters for which the Meter Read Date occurs in any calendar month does not exceed the greater of 5,000 or 1/6th of the number of Relevant Annual Read Meters on the 1st Day of that month".

The group identified that while the figures were established to protect against large swings in reconciliation in the industrial and commercial market, the above paragraph potentially offered competitive advantage to larger organisations eg; BGT and Transco (MR), and unnecessarily constrained other shippers. It was also suggested that Meter Reading Agents may be affected where they are contracted with multiple shippers. Transco stated that the number of meter readings that could be submitted to Transco on any business day was 44,000 which was established in the UK-Link manual IS service definition. It was agreed that this value should be reviewed as a separate topic within the SPA/Metering Workstream.

The group therefore recommended that the Network Code be modified to incorporate the following requirements with regard to Section M3.5.3:

- To amend the 1/6th value to a lesser constraint.
- To amend the frequency constraint to quarterly instead of monthly.
- To insert a tolerance "allowance" around the 5000 quota.

- **Review Proposal 0229 - specific recommendations.**

The Review Group expressed the desire that the issues raised in the original Modification Proposal 0229 be addressed satisfactorily. Five specific recommendations were identified. These are as follows (quotations with responses):

1. "In Paragraph M3.1.4(d), a Meter Reading and details must be provided to Transco in the way prescribed under paragraph 3.3.1 **"(except where Transco is appointed as Meter Reader)..."**. Paragraph 3.3.1 specifies how reads must be supplied in accordance with the UK Link Manual with compliance deemed if Transco is the Meter Reader. This is potentially a lower standard and certainly allows Transco(MR) more flexibility in the

supply of information allowing, potentially, greater levels of performance.

The text in bold above, quoted from paragraph M3.1.4(d), should be deleted and paragraph M3.3.1 should be similarly modified. Unbundled shippers should have the same access to Transco(PGT) as that enjoyed by Transco(MR)."

Transco advised the group that it was not practicable to modify the Network Code prior to the operational separation of Transco (MR) from Transco (PGT). This was due to the significant and costly systems functionality changes required to provide that MR have the same systems interface with Transco (PGT) that unbundled shippers have. Transco indicated its belief that prior to embarking on such a major development, the full implications and requirements of metering/meter reading unbundling should be addressed in its entirety. This would enable all future business/systems developments to be fully co-ordinated, thereby maximising efficiency and minimising industry costs.

The group therefore determined that this requirement be addressed as part of the unbundling debate in a future industry forum to address competition in metering and meter reading.

2. "In Paragraph M3.2.2, it is only **"Where Transco is not to be Meter Reader in respect of a Supply Meter Point comprised in a Proposed Supply Point..."** that Transco will supply Meter Information (details of the Meter and Access Details) to the Proposing User. This means that paragraphs 3.2.3 to 3.2.7 only become effective for unbundled meter readings. These paragraphs detail the obligations to provide updated Meter Information which Transco will use to update the Supply Point Register. This is a theoretical advantage to the unbundled service in that, at the point of contact with a customer, there is an opportunity for the supplier to update access details which is denied to the bundled shipper who does not get told the original state of the access details. However, in reality, there is such a potential for those access details to deteriorate in the bundled service that the risks of giving notice to unbundle become unmanageable. The text in bold above, quoted from paragraph M3.2.2, should be deleted. At the point of unconditional Confirmation, the incoming shipper should have the opportunity to update all Meter Information and so should be told the current state of that information automatically."

Noting that the quality of access information provided is the responsibility of the shipper, Transco agreed to raise a UK-Link change request to supply asset information at D-7 to bundled shippers. Upon completion of this, Transco will raise the requisite Network Code Modification Proposal which will establish the requirement for Transco to provide all proposing shippers, whether they use a bundled or unbundled meter reading service with meter information prior to supply point registration.

3. "Paragraphs 3.2.4 to 3.2.7 deal with the provision of updated Meter Information via a Meter Information Notification. It should be clarified that Transco(MR) will use the same vehicle to notify the User and Transco(PGT) of any changes. This should ensure

that details are updated on the same timescale regardless of whether the shipper is using a bundled or unbundled service.”

The issue is concerned with differences between the files submitted by unbundled shippers when compared with those submitted by the MRA in the bundled service. Resolution may ultimately lie in the operational restructuring of Transco (MR) - See 1 above.

4. “On request, Transco (PGT) should divulge the Meter Information contained on the Supply Point Register for any meter or group of meters for which a User is Registered. This empowers (and puts the obligation on) all shippers to maintain the information on the Register (in accordance with G1.9.8). This puts the duty on Transco(PGT) to keep the User informed of the content of the Supply Point Register and will give the User control of the timing of the process of cleaning data which will allow management of the risk when choosing to unbundle. The Information held on Sites and Meters must be improved so that a shipper who wishes to use an independent meter reading service will not be disadvantaged if they use a non-incumbent MRA.”

While shippers are already able to request ad-hoc reports, to render the process more efficient, UK-Link change request UKL5275 has been raised by Transco to issue on request a shipper’s meter asset portfolio (U06 file).

5. “Transco(PGT) must update Meter Information supplied quickly and correctly. Currently, Transco pays a liability when Meter Information is not updated after siteworks (M2.7). Paragraph 2.7 should be amended such that Transco is liable for failure to update following receipt of any Meter Information Notification. The liability cap in M2.7.5 to be increased to [£9,000,000]. This applies whether the Meter Information comes as a result of Siteworks, shipper notification (from an unbundled meter reading service) or Transco(MR) notification.”

The proposal to amend the existing meter asset update standard of service and liability (together with the the associated liability cap) had been largely superseded by the initiatives of Review Group 122 (Query Management) and the expected implementation of Modification 0204. The group agreed that both of these initiatives should be concluded before the initial proposal could be re-considered by Review Group 0122.

4. Conclusion

It is the view of the Review Group that shippers opting for an unbundled meter reading service are at a disadvantage when compared to those utilising Transco (MR) as the meter reader (the bundled service). The group identified that the differences which exist, while not quantified, are material and it was readily apparent that one of the main categories of problems impacting on unbundled shippers, (or those considering moving to an unbundled service) was associated with data quality mismatches and processing anomalies. Review Group members therefore believe that it is essential that systems/data related anomalies be addressed as soon as possible. Transco

has therefore established an operational forum to enable issues in this area to be discussed and a strategy for resolution developed.

It is also clear to group members that it is impractical to resolve many of the issues associated with competitive advantage to Transco (MR) in isolation of the broader debate of the industry's aspirations for a competitive meter reading market. Transco asserted its belief that the likely solutions may lie in the area of operational separation of Transco (MR) from Transco (PGT) and mean that proposals such as disengaging Transco (MR)'s direct interface with UK-Link which are likely to involve fundamental and costly reworking of systems can only be economically and effectively addressed in association with the industry's long term strategy for meter reading.

Following a meeting with Ofgas held on 15 June 1999 to agree a way forward for addressing the issues raised in this report, Transco has agreed to provide Ofgas with two papers containing the following proposals:

- Proposals to address those issues associated with perceived barriers to competition in the non-daily meter (NDM) read market that can be managed in the short to medium term (next 6 months), including a timetable of actions. Target date for delivery, 25 June 1999.
- Proposals to assess how any remaining issues in this area (those not covered in the above document) may, in Transco's opinion, be managed in the longer term ie. more than 6 months. Target date for delivery, 21 July 1999.

5. Recommendations

The following recommendations are made by the Review Group commensurate with its analysis contained within this report:

- **Operational.**

The facilitation by Transco (PGT) of an appropriate user forum for the purposes of providing shippers with an opportunity to raise operational issues associated with meter reading. (See above for specific items raised).

The possible removal of the following activities from Transco (MR) to become the responsibility of Transco (PGT).

- Management by Transco (MR) of meter asset queries arising from read rejections in the bundled meter reading service.
- Management by Transco(MR) of all domestic opening meter read rejects including queries and the receipt of income from the provision of estimated meter readings.
- Management by Transco (MR) of the meter reading 'must read' process.

- **Meter Reading unbundling.**

The creation of a 'Competition in Meter Reading' industry forum by Transco to include a mechanism for the industry to prioritise unbundling issues and to address the following specific requirements:

- The operational separation of Transco (MR) from Transco (PGT) to include decoupling from UK-Link any relevant systems interfaces and rights of access currently undertaken by MR as the provider of the bundled meter reading service.
- The amendment of the Network Code standards of service regime to include provision to incentivise shippers to provide information in an appropriate manner for the purposes of maintaining data accuracy on Transco's sites & meters database or alternatively to establish methods by which the standard of provision of meter information by shippers may be monitored and enforced.

- **Network Code/UK-Link changes.**

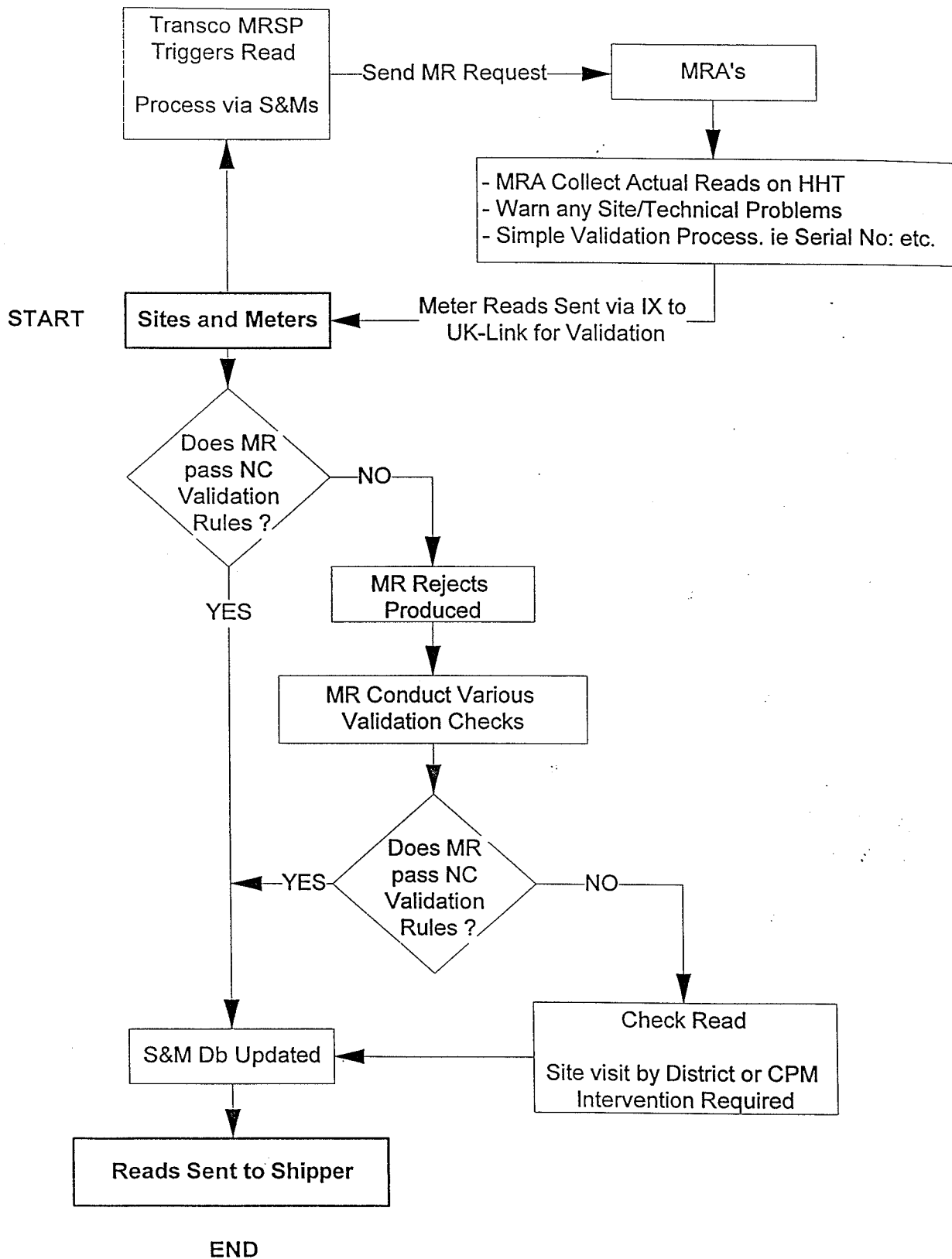
- A Network Code Modification Proposal to amend the rules applying to the submission of unbundled meter reading quotas to Transco.
- A review of the Network Code meter asset update standards of service and liabilities (together with the the associated liability cap) by Review Group 0122 'Query Management'.
- The review of the UK-Link Manual limit in respect of the maximum number of NDM meter readings which can be submitted on a daily basis to Transco.
- Subject to prioritisation, the implementation of UK-Link change request UKL5275 to enable shippers to request their portfolio of meter information at any time prior to unbundling.
- Subject to prioritisation, the implementation of UK-Link change request UKL5970 to enable issue of the meter information notification file to bundled shippers at D-7 (To be accompanied by a Network Code Modification Proposal to amend M3.2.2).
- Subject to prioritisation, the implementation of UK-Link change request UKL5969 to identify cosmetic 'dummy' meter exchanges recorded on Transco's sites & meters database.
- Subject to prioritisation, the implementation of UK-Link change request UKL6130 to facilitate the reinput by Transco of unbundled meter readings following a corresponding meter asset update.

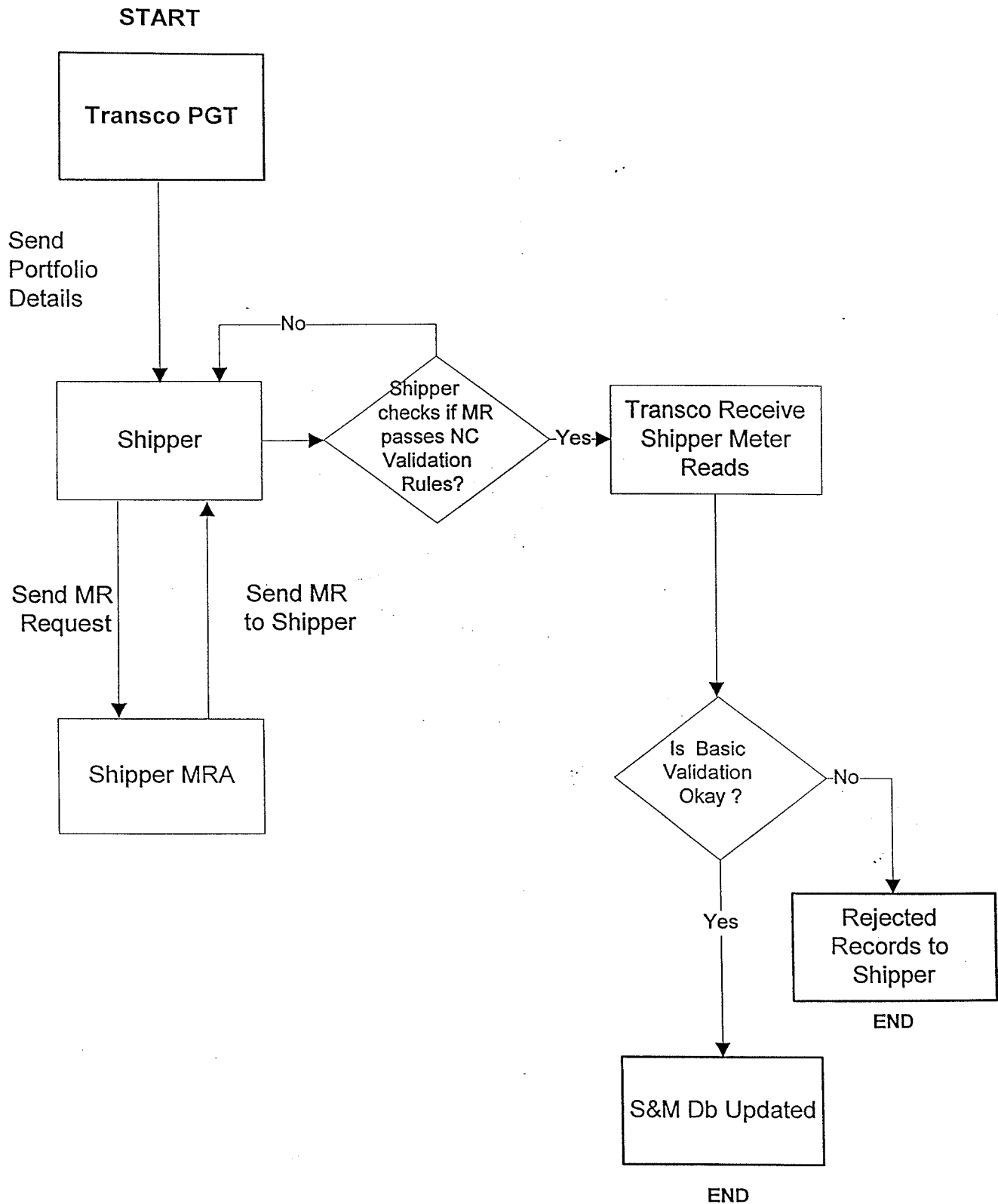
Appendix 5 summarises the above recommendations.

6. Modification Panel

The July 1999 meeting of the Modification Panel gave its approval to the Review Group Report.

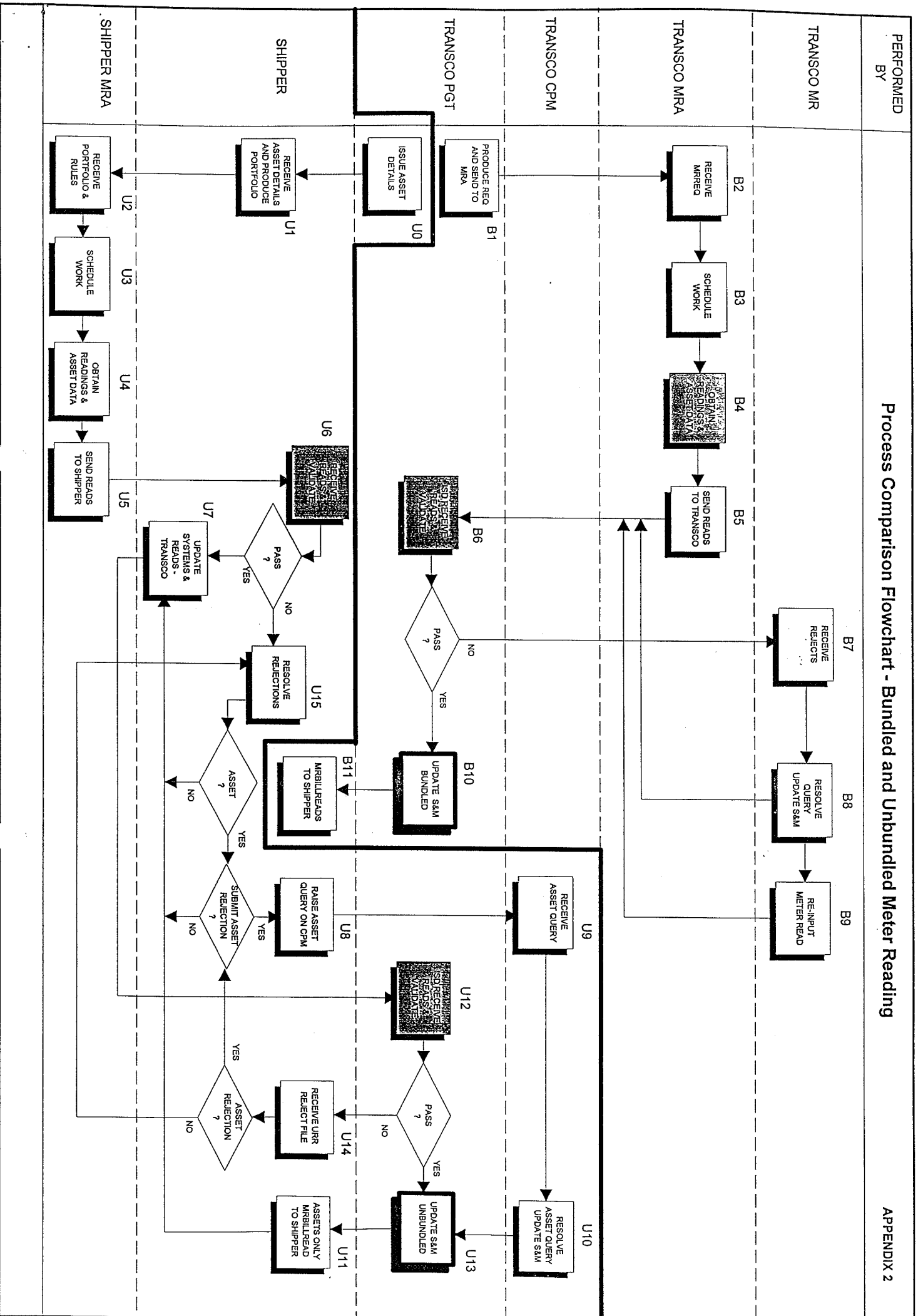
OVERVIEW OF THE BUNDLED METER READING PROCESS



CURRENT UNBUNDLED METER READING PROCESS

Process Comparison Flowchart - Bundled and Unbundled Meter Reading

APPENDIX 2

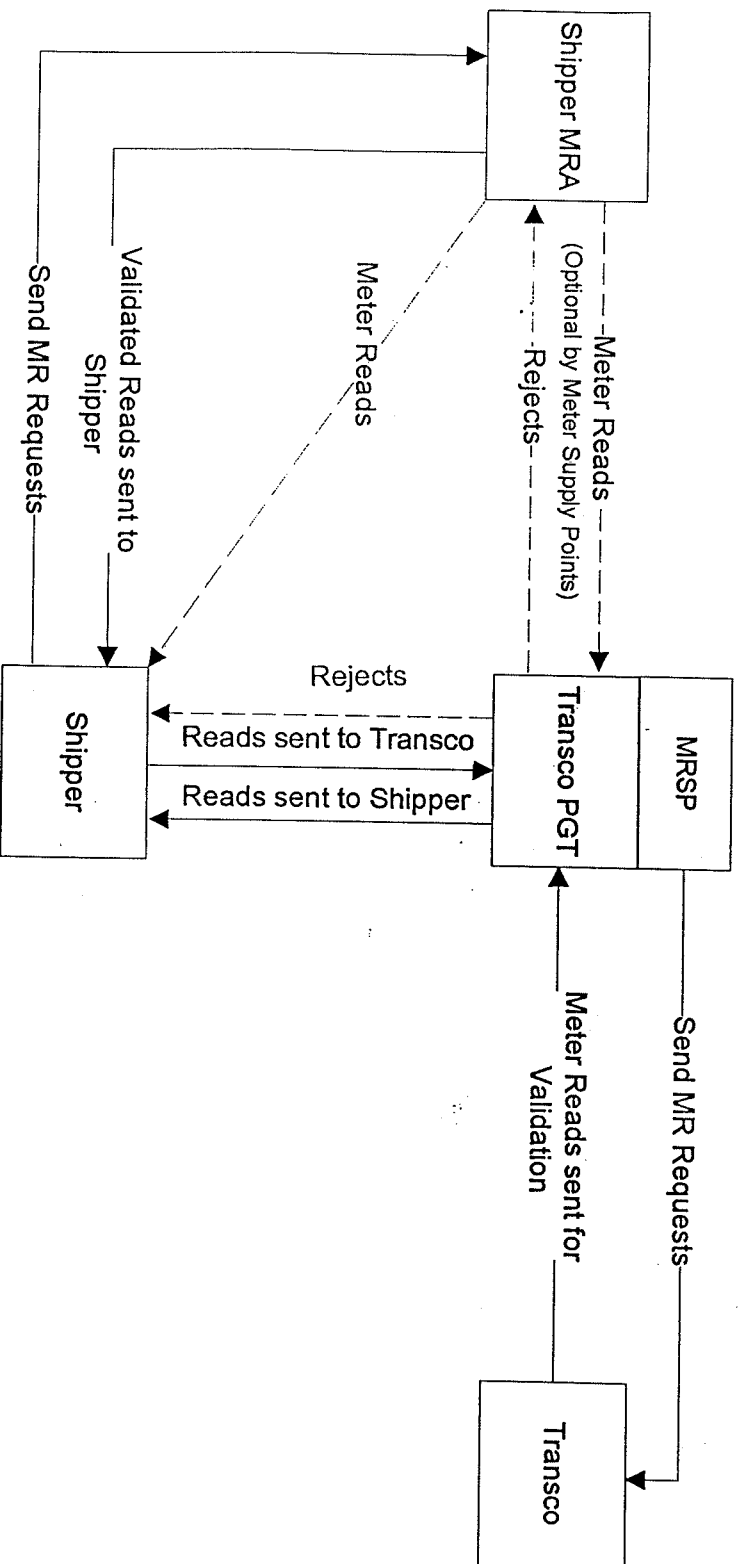


Appendix 3 - Review Group 0229 'Removal of Competitive Advantage from Transco (MR)'.

Process comparison between bundled and unbundled meter reading services.

Processes		Differences		Processes		Option 1	Option 2	Addressed By
Bundled (B)	Bundled (B)	Unbundled (U)	Unbundled (U)	Unbundled (U)	Unbundled (U)			
	N/A	'1 off Shipper transaction	U1	Separate MR Data Base	Allow Shipper MR/PGT Communication direct	Unbundling Forum - to be defined		
	N/A	'1 off Shipper transaction	U2	Separate MR Data Base	Allow Shipper MR/PGT Communication direct	Unbundling Forum - to be defined		
B1	Transco Process - Advantageous use of PGT Data	N/A		Separate MR Data Base	N/A	N/A		
B2	Transco Process - Advantageous use of PGT Data	N/A		Separate MR Data Base	N/A	N/A		
B3	No Difference	No Difference	U3	N/A	N/A	N/A		
B4	No requirement by Transco to provide asset data	Network Code rule for Transco to provide asset data - Advantage	U4	Review Network Code	N/A	N/A		
B5	Sent To Transco PGT - Advantage	Sent to Shipper	U5	Separate MR Data Base	Allow Shipper MR/PGT Communication direct	Unbundling Forum - to be defined		
B6	PGT data used in validation - Advantage	Validates against Shipper held data	U6	Dependent on Option 1 or 2 above		As above		
B10	S&M updated directly - Time Advantage	Shipper systems updated/Reads to Transco	U7	Dependent on Option 1 or 2 above		As above		
	N/A	Further validation - Disadvantage	U12	Dependent on Option 1 or 2 above		As above		
	N/A	S&M Updated	U13	N/A	N/A	N/A		
B11	MRBILLREADS = Acceptance File - Advantage	Reject File only	U14	Implement Change Request 2817	N/A	September Release		
	N/A	Asset Query to CPM - Disadvantage	U8	Operational Issue		Unbundling forum - to be defined		
B7	No Process Difference	No Process Difference	U9	N/A	N/A	N/A		
B8/B10	Asset Data update - No Process Difference	Asset Data update - No Process Difference	U10/U13	N/A	N/A	N/A		
B9	Read Re-Input to S&M - Advantage	Asset update communicated to Shipper	U11	CPM Update Asset and Meter Reading		CPM Forum		
	N/A	Repeat U7 - Disadvantage	U7	Separate MR Data Base		Unbundling Forum - to be defined		
B6	Post Query Resolution validation - No Difference	Post Query Resolution validation - No Difference	U12	N/A	N/A	N/A		
B10	Post Resolution S&M Update - No Difference	Post Resolution S&M Update - No Difference	U13	N/A	N/A	N/A		

OPTION FOR SHIPPER MRA TO INTERFACE WITH TRANSCO (PGT)



KEY:

POSSIBLE INTERFACE WITH SHIPPER MRA's.

CURRENT UNBUNDLED MR PROCESS

CURRENT BUNDLED MR PROCESS

Appendix 5:

Review Group 0229 - Recommendations

CATEGORY	ISSUE	SUB-ISSUE	RESOLUTION	WHERE	TIME SCALE
Operational	(1) Lack of opportunity for shippers to raise operational issues associated with meter reading (2) Meter reading activities that are undertaken by Transco (MR) and would be more appropriately be operated by Transco (PGT)	N/A	Facilitation of Transco of an appropriate shipper forum. Management of queries by party other than Transco (MR)	CPM Operational Forum Competition in metering/meter reading workgroup	Commenced 10/05/99 protected monthly meeting
		(a) Facilitation of meter asset queries (b) Facilitation of domestic opening meter read rejects including queries and receipt of income from the provision of estimated meter readings. (c) Facilitation of the must read process.			To be determined
Unbundling	(1) Need to establish an industry 'Competition in Meter Reading' forum to include specific requirements:	(a) The requirement to operationally separate Meter Reading from Transco (PGT) to include decoupling relevant UK Link system interfaces and rights of access currently enjoyed by Transco (MR). (b) The requirement to amend the Network Code SOS regime to incentivise parties other than Transco (PGT) to provide timely information to maintain data accuracy on the S&M database. Or, to establish methods by which the standard of provision of meter information by Shippers may be monitored and enforced.	Discuss in a competition in metering/meter reading industry forum	Competition in metering/meter reading workgroup	To be determined
Network Code/UK Link	(1) Requirement to amend the rules applying to the submission of unbundled meter readings quotas to Transco. (2) A review of the Network Code meter asset update standards of service and liabilities (3) Issue concerning the maximum number of NDM meter readings which can be submitted to Transco (4) The facility to enable shippers to request their portfolio of meter asset data prior to unbundling. (5) The facility to enable issue of the meter information notification file to bundled shippers at D-7 (6) The need to identify cosmetic 'dummy' meter exchanges recorded on S&M database (7) The facility for Transco (CPM) to re input unbundled meter readings following a corresponding meter asset update	N/A N/A N/A N/A N/A N/A N/A	The raising of a Network Code Modification Proposal Address as part of established standards & service Forum. The review of the UK-Link Manual The implementation of UK-Link change request UKL5275 The implementation of UK-Link change request UKL5970 The implementation of UK-Link change request UKL5969 The implementation of UK-Link change request UKL 6130	Network Code Development Query Management Review Group 0122 Network Code Review Group UK-Link UK-Link UK-Link UK-Link	August 1999 In Progress August 1999 Subject to prioritisation Subject to prioritisation Subject to prioritisation Subject to prioritisation