Direct Dial: 0171-901-7174

15 May 2001

Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref : COM/MET/MTR/110

Dear Colleague,

Modification Proposal 0443: "Meter Reading Unbundling – Non Daily Read Meters"

Ofgem has considered the issues raised in modification proposal 0443: 'Meter Read Unbundling – Non Daily Read Meters'. Ofgem has decided not to direct Transco to implement the modification, because we do not believe that the proposal will better facilitate the relevant objectives of Transco's Network Code.

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

Background to the proposal

Transco currently provides a Non Daily Meter (NDM) reading service as part of its transportation business. In order to facilitate the development of competition in the provision of NDM readings, Transco proposes to separate its meter reading activities from its transportation activities. At present, Network Code makes reference to Transco as a meter reader.

Transco raised this Modification proposal to ensure that Network Code is consistent with a separate meter reading "business". Transco also determined that this Modification could be used as an opportunity to introduce additional "enhancements" to Code.

The modification proposal

The modification proposes four separate changes to Network Code. These are:

- the removal of references to Transco as a meter reader, as appropriate;
- the amendment of the definition of valid meter reads to remove the distinction between customer and shipper/supplier meter readings;
- the removal of the current monthly portfolio constraint on meter readings submitted to Transco PGT; and
- the introduction of a 6 monthly meter reading frequency for meters installed at a supply meter point comprised in a supply point component whose AQ is greater than 73,200 kWh but less than or equal to 293,000 kWh.

Respondents' views

Transco received nine responses to the Modification proposal, representing a wide range of views. The majority of respondents' comments related to the proposal to introduce a six monthly meter reading frequency.

Concern was raised with regard to the appropriateness of using the unbundling process to introduce "enhancements" to Network Code. Four respondents did not support the Modification Proposal, due to the additional meter reading frequency. Of those, two commented that separation of Transco should not lead to shipper obligations becoming more onerous than those currently on Transco under Code. The opinion was also stated that the benefits, or reduction in risk, of reduction of the period in which meter point reconciliation is likely to be triggered, would not justify the additional cost.

In response Transco indicated that that the six monthly read requirement was a specific and agreed recommendation of the Network Code sub-group. Transco is of the opinion that the new frequency could be of specific benefit, particularly from a data accuracy perspective and is in the interests of all parties.

The proposed performance levels for the six monthly meter reading frequency was a repeatedly raised concern. Respondents perceived that the levels would not be achievable in an unbundled regime and should be reduced. Transco disagreed with these views on the basis that the proposal is consistent with the existing performance standards.

It was suggested that as Transco has not indicated that the current level of meter readings is detrimental to their business objectives, it should be left to Shippers to choose whether to obtain more frequent meter readings for this band of Supply Points. In response Transco indicated its belief that a "voluntary" arrangement is not a practical way to proceed in view of the adverse impacts that contractually insufficient read frequencies have on the community.

Ofgem's view

Ofgem agrees that in order to reflect the separation of Transco's NDM reading activities, references to Transco PGT as a meter reader should be removed from Network Code. However, Ofgem has concerns with regard to other aspects of Modification 0443.

Ofgem notes that that amending the definition of valid meter readings would achieve consistency with consumers' ability to make their own meter reading arrangements, following the Metering Liberalisation Date. We would agree that this proposal, and removal of monthly portfolio constraints, could assist economic and efficient operation of Transco's system by increasing the range and quantity of consumption information shippers may chose to submit to Transco.

Ofgem does not consider that Modification 0443, as a "meter reading unbundling" Modification, is an appropriate vehicle to introduce a six monthly meter reading frequency. This frequency would not bring any benefits to "meter reading unbundling" or further competition in meter reading in any way. Ofgem would have readily supported implementation of Modification 0443, were it not for the addition of the proposed six monthly meter reading frequency.

Ofgem does not agree that need for a six monthly read frequency has been sufficiently demonstrated, nor that such a frequency would assist Transco to operate its system efficiently and economically. Ofgem considers that Network Code Section M3.7.1, which allows shippers to submit more frequent Meter Readings, is sufficient to allow shippers the choice to reduce the period between reconciliation.

Ofgem would welcome a revised proposal containing the relevant aspects of Modification 0443, i.e.:

- the removal of references to Transco as a meter reader, as appropriate;
- the amendment of the definition of valid meter reads to remove the distinction between customer and shipper/supplier meter readings; and
- the removal of the current monthly portfolio constraint on meter readings submitted to Transco PGT.

Ofgem's decision

Ofgem does not propose that this modification should be implemented, as it does not believe that creation of a six monthly read frequency will better facilitate the relevant objectives of Transco's Network Code.

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

Yours sincerely,

Bryony Sheldon
Metering Policy Manager