Modification Report
Meter Reading Unbundling - Non Daily Read Meters
Modification Reference Number 0443

Version 3.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

To further facilitate competition in NDM meter reading a SPA/Metering Workstream sub-group recommended that the Network Code be modified to incorporate the following requirements:

To amend the definition of valid reads so that validated Customer Reads can be used as Valid Meter Reads in all cases.

To introduce a 6 month Meter Reading Frequency for meters installed at a Supply Meter Point comprised in a Supply Point component whose AQ is greater than 73,200kWh but less than or equal to 293,000kWh.

To remove the current monthly portfolio constraint on Meter Reads submitted to Transco.

To remove references to Transco as being a ‘Meter Reader’ as appropriate.

2. Transco’s Opinion

This Modification Proposal was raised by Transco with the objective of ensuring that the Network Code facilitates a fully unbundled environment for Non Daily Metered (NDM) Meter Reading. Transco's opinion is that in addition to the changes required for the Network Code to be compliant with the unbundled environment there is also an opportunity to introduce enhancements to the existing Network Code provisions which would be of industry benefit.

The topic was first discussed in the SPA/Metering Workstream on 23 March 2000 following which a dedicated sub-group was established. The sub-group met on five occasions and concluded with the production of a sub-group report. At the November 2000 SPA/Metering Workstream meeting Transco gave a presentation detailing the recommendations of the sub-group. Workstream members agreed that although there were residual issues requiring resolution, specifically associated with Prime and Sub deduct meters and the monthly 'must read' provisions, these, could be included in a further Modification Proposal. This is necessary to avoid delaying the present Modification Proposal which is required to enable the removal of direct system interfaces between Transco (Meter Reading) and Transco (PGT).

Discussions within the NDM Meter Reading Unbundling sub-group focused on relevant provisions of Principal Document Section M pertinent to NDM meter reading. A primary objective identified by the sub-group was that any future Network Code modification should take account of the legitimate requirements of Transco in its PGT role being provided with

information in the most appropriate and timely way, without precluding other developments which would be of industry benefit.

The sub-group established that Section M in general would need to be modified to remove references to Transco as a meter reader given that Transco (PGT)'s role in procuring reads is diminished by unbundling. The sub-group further discussed each relevant provision of Section M to identify where enhancement may be of industry benefit. The following recommendations emerged:

- **That references to Transco as a 'meter reader' be removed from the Network Code.**

  Five paragraphs containing such references have been removed within the proposed legal text.

- **That validated Customer Reads may be used as Valid Meter Reads in all cases.**

  The current Network Code provisions state that a Customer Read will only be accepted as a Valid Meter Read if a Meter Read (procured by a meter reader) has been obtained, for a Monthly Read Meter in the preceeding three, and in the case of an Annual Read Meter, in the preceeding twenty-three calendar months.

  Sub-group members determined that given that the procurement of meter reads was a mature activity, the industry would benefit from changing the current provisions to permit Customer Reads to be used as Valid Reads in all cases. It was established that this could help shippers meet their cyclic meter reading obligations and lessen the likelihood of a 'must read' situation arising.

- **That a mandatory Six Month read frequency for Supply Meters comprised within a Supply Point Component (>73,200kWh <293,000kWh) be introduced.**

  The sub-group agreed that the current threshold for Monthly Read Supply Meters should be maintained but identified a need to introduce an additional read frequency for Supply Meters comprised in Supply Point Components >73,200kWh <293,000kWh. The new provisions will require that 80% of Supply Meters in a Users portfolio are read within six months and that 100% are read annually.

  Sub-group members felt that the introduction of an additional read frequency would be of benefit to the industry by reducing the period within which meter point reconciliation is likely to be triggered. Supply Meters between >73,200kWh <293,000kWh are currently Annually Read but are individually reconciled.

- **To remove the current Network Code constraint on the number of meter reads, as a proportion of its portfolio, which a shipper may submit to Transco each month.**

  Sub-group members determined that as Annual Read Meters are subject to Reconciliation by Difference (RbD) it was appropriate that the constraint be removed given that the original purpose of this provision was to avoid 'wide swings' in individual meter point reconciliation.

It was also identified that the parameter in the UK-Link Manual which states that a maximum of 44,000 meter reads can be submited per day in total adequately protected Transco's UK-Link system capacity.

3. Extent to which the proposed modification would better facilitate the relevant objectives

Transco believes that this Modification Proposal ensures that the Network Code would be compliant with the unbundled NDM Meter Reading regime and is, therefore, consistent with its PGT Licence 'relevant objective' of securing effective competition between relevant shippers and between relevant suppliers.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

None identified.

b) development and capital cost and operating cost implications:

Transco has not identified any capital or cost implications. Development costs will be incurred through the removal of direct system interfaces between Transco (Meter Reading) and Transco (PGT).

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

The costs of implementing this proposal would be treated as ordinary business costs. No extraordinary cost recovery is planned.

d) analysis of the consequences (if any) this proposal would have on price regulation:

None identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

Transco and User's contractual risk would be reduced through implementation of this Modification Proposal. This is because the period over which individual meter point reconciliation is triggered will be reduced by means of the proposed six month meter read frequency.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Transco and User's computer systems would require enhancement. Transco is required to disengage the interface between its UK-Link and meter reading systems. Users which are

presently 'bundled' are likely to be required to undertake systems development through the adoption of existing file formats and the development of mechanisms for communicating meter reads to Transco (PGT).

7. The implications of implementing the Modification Proposal for Users

Implementation of this Modification Proposal would be likely to result in a reduction of costs and risk for Users in the following areas.

- A reduction in meter reading costs by permitting Customer Reads to be used as Valid Meter Reads in all cases. This potentially gives Users more flexibility in managing the procurement of meter reads.
- The mitigation of energy risk to the community arising through a potential reduction in the period in which gas is unreconciled.
- The removal of the current monthly portfolio constraint on meter reads submitted to Transco provides Users with more flexibility in planning the procurement of such reads.

8. The implications of implementing the Modification Proposal for Terminal Operators,Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

None identified.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

None identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

- Facilitates the unbundling of NDM meter reading activities.
- Introduces efficiencies and flexibility by permitting Customer Reads to be used as Valid Meter Reads in all cases.
- Mitigates risk to the community by reducing the period for which energy is unreconciled.
- Introduces flexibility by removing the current monthly portfolio constraint for the submission of meter reads to Transco.

Disadvantages

No disadvantages have been identified.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Nine representations were received with respect to this Modification Proposal.

Four respondents were in favour of its implementation, one respondent did not express a view, two respondents were generally supportive of its objectives and one respondent did not support implementation unless a specific performance standard was amended. One further respondent expressed opposition to its implementation.

Alliance Gas Limited expresses the wish that it be given assurances that any amendments to the current regime will take into account adequate lead times for the industry to update systems and procedures. Transco's response is that its recommendation is that this Modification be implemented commensurate with the 'unbundling' of its Meter Reading systems. Given that these timescales have been extended, it does not envisage that the proposals identified in this Modification Proposal should be unduly demanding on shippers.

Alliance Gas Limited questions the appropriateness of using the unbundling process to introduce 'enhancements' to the Network Code. It suggests that it may be more appropriate to wait until the new regime has 'bedded down' prior to introducing developments. Transco does not concur with this view. Improvements to the regime were discussed extensively by the NDM Meter Reading Unbundling sub-group of the SPA/Metering Workstream. Full support was forthcoming with respect to this principle and for the sub-groups' specific recommendations being incorporated within this Modification Proposal.

The HSE notes that the primary objective identified by the sub-group that the Network Code Modification 'should take into account the legitimate requirements of Transco in its PGT role in being provided with information in the most appropriate and timely way'. The HSE states that it expects this to include information required by Transco PGT to comply with its safety case prepared in accordance with the Gas Safety (Management) Regulations 1996. Transco regards continued compliance with its safety case as paramount, and does not believe that this Modification Proposal materially affects its critical data requirements with respect to gas safety.

Two respondents (TXU and Powergen) note that 'residual' issues identified by the NDM Meter Reading Unbundling sub-group not addressed by this proposal must be dealt with by the industry as a matter of priority. Transco's response is that the topic of meter reading arrangements for Prime and Sub-Deduct Meters in the unbundled environment is being addressed internally as a matter of priority with a view to making specific proposals to the industry in the near future. Transco is considering full and interim solutions to this important matter.

TXU notes that Transco still has reponsibility for Daily Metered (DM) meters.

One respondent, BGT, states that in the Network Code as it exists, the category, Monthly Read meters has a performance level of 90% whilst that of Annual Read meters has a

performance level of 70%. Transco believes that it is important to note that the Annual Read performance value requiring 70% of a User's portfolio to be read in any twelve month period only applies to Supply Points where the AQ is less than 73,200 kWh and that where the Annual Read SP AQ exceeds this threshold, the performance requirement is presently 90 % (M3.5.2). BGT notes that it has previously expressed concern with regard to the originally proposed 90% performance value for provision of six monthly reads in a six month period. BGT, however, acknowledges that Transco has relaxed this value to 80% in response to this concern. BGT claims, however, that the 80% value is in excess of the current performance attained by Transco MRA for the 'bundled' six month read category. Transco's response is that given that the average bundled read performance in the period July 2000 - January 2001 was 83.9%, it believes 80% to be a realistic and sustainable value.

In its representation, BGT challenges the inclusion of a 100% performance level for six monthly read meters in a twelve month period given that 'there will be circumstances where it may not be possible to obtain meter readings'. BGT suggests that a less than 100% performance standard would be more appropriate in these circumstances. Amerada Hess raises similar concerns to those described above with regard to its ability to meet the 80%/100% standards of performance and proposes a performance level of 70% in six months and 100% in twenty four months. Scottish & Southern Energy proposes a performance level of 75% in six months and 95% annually. The former respondent suggests that to meet these, it would need to read such meters quarterly, which it is prohibited from doing by M3.7.2(iii). Transco does not support the views expressed by the above respondents given that it's proposal is consistent with the existing performance standard for Annual and Monthly Read Meters; (M3.4.1(i) and M3.5.1(i)).

Alliance Gas Limited expresses concern that the average read performance quoted by Transco is reflective of a bundled market and one major operator and that under the new regime there will be several players within the read chain and more complex data flows. Transco does not believe that perceived complexity of the market should be a barrier to efficiency of read performance. Transco believes that regardless of the chosen meter reader, key industry activities, in this case individual meter point reconciliation should be protected in the interests of all parties. The respondent suggests that further analysis should be carried out post-unbundling to establish whether 80% is a reasonable target. Transco believes such work to be superfluous as the values proposed seek to maintain existing quality standards and are thus based on present code parameters.

Amerada Hess questions the benefits that implementation of a six monthly read frequency brings to the regime and challenges that obligations arising from separation of Transco (PGT) and Transco as a 'Meter Reader' should lead to more onerous requirements for shippers. Transco's response is that this requirement was identified and recommended for implementation by the 'NDM' Meter Reading Unbundling' sub-group of the SPA/Metering Workstream. The sub-group identified that as part of its remit it should not only identify pre-requisites for metering unbundling but should also take the opportunity to develop enhancements to the regime which could be of industry benefit. The six monthly read requirement was a specific and agreed recommendation of the sub-group and is included in

the sub-group report circulated to SPA/Metering Workstream members. Transco believes the proposed new read frequency could be of significant benefit, particularly from a data accuracy perspective, and, since billing and reconciliation integrity will be improved, it is in the interests of all parties.

Amerada Hess comments that a shipper 'can choose whether they wish to obtain more frequent meter readings for this banding of Supply Points'. Transco believes that given the adverse impacts that contractually insufficient read frequencies for individually reconciled supply meters have on the community, a 'voluntary' arrangement is not a practical way to proceed.

Amerada Hess expresses the view that 'all meter reads provided by shippers to Transco under all circumstances are to be loaded and used on all occasions'. Amerada indicates that it would like to see this requirement reflected within the Network Code. Transco's response is that while such a requirement is 'out of scope' of this Modification Proposal, it would be sympathetic to facilitating discussion on this matter in an appropriate forum if requested. Transco believes that industry debate on this topic may be useful given that while it normally loads all reads received to its UK-Link system, with the advent of industry initiatives such as 'automated meter reading', it may be contractually necessary to introduce 'rules' in addition to the daily constraints currently incorporated within the 'IS Service Definition' section of the UK-Link Manual.

Amerada Hess suggests that the 'Customer Read' definition may need to be revised as customers are able to make their own meter reading arrangements which may be through a recognised meter reading agency. The respondent expresses the view that a 'Customer Read used to refer to a reading provided by a consumer to correct the reading in an estimated account'. Amerada asks under what category should a customer 'opted out' reading be placed'? Transco's response is that the Network Code M1.4.3(d) defines a Customer Read as 'a Meter Reading in respect of a Supply Meter obtained by inspection of the Supply Meter by the owner or occupier of the Supply Point Premises (and not by inspection by a Meter Reader or automated meter read)'. Transco is sympathetic to the respondents comments and concurs with its view that it may be appropriate that the definition be updated. Any such change would, however, require industry discussion and, to avoid unnecessarily delaying this Modification Proposal, Transco will include this topic on the agenda of the next meeting of the 'Meter Asset/Work Unbundling' sub-group of the SPA/Metering Workstream.

Alliance Gas Limited seeks further clarification of the proposal to accept Customer Reads as Valid Meter Reads specifically as to whether this will include opening and closing reads and whether these reads will be used in the annual AQ process. Transco's response is that Customer Reads, being Valid Meter Reads, may be used in all of the above circumstances.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Not applicable.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Implementation of this proposal is not required to facilitate any such change.

14. Programme of works required as a consequence of implementing the ModificationProposal

The removal of system interfaces between Transco (Meter Reading) and Transco (PGT).

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Implementation of the required systems enhancements to facilitate NDM unbundling is expected to take place on 1 August 2001. It is recommended that this Modification Proposal be implemented effective from that date.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be implemented.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

Section E

Paragraph 8

Paragraph 8.1.1 Delete ", or where Transco otherwise secured meter readings.":

Section G

Paragraph 2.3.2(f)(ii) to read:

"(ii) Where the Annual Quantity of the NDM Supply Point Component is less than 293,000 kWh (*10,000 therms*), whether the relevant Supply Meters are proposed to be a Monthly Read Meter <u>or a Six Monthly Read Meter</u> (for the purposes of Section M3.4);"

Section M

Paragraph 2.3

Paragraph 2.3(ii) delete "(other than Transco where it is engaged as Meter Reader)"

Paragraph 3

Paragraph 3.1.4(d) delete:

"(except where Transco is appointed as Meter Reader)"

Paragraph 3.1.6 Amend to read:

"A Customer Read obtained in any calendar month will (subject to the requirements of paragraph 3.1.4) be a Valid Meter Reading."

Paragraph 3.1.7(b) Amend to read:

"(b) Subject to paragraph (d) the Meter Reading Frequency of a Non-Daily Read Supply Meter is:

(i) monthly where it is installed at a Supply Meter Point comprised in a Supply Point Component whose Annual Quantity is 293,000kWh (*10,000 therms*) or greater, or the Registered User has (in accordance with Section G2.3.2(f)(ii)) so elected (a Monthly Read Meter");

(ii) six monthly where it is installed at a Supply Meter Point comprised in a Supply Point Component whose Annual Quantity is greater than 73,200 kWh (*2,500 therms*) and less than 293,000 kWh (*10,000 therms*), or the Registered User has (in accordance with Section G2.3.2(f)(ii)) so elected (a "Six Monthly Read Meter");"

3.1.7(c) Amend to read:

"(c) Subject to paragraph (d) the Meter Reading Frequency of a Non-Daily Read Supply Meter other than a Monthly Read Meter or Six Monthly Read Meter (an "Annual Read Meter") is annual;

Paragraph 3.2.2 – delete:

"Where Transco is not to be the Meter Reader" so text reads:
"In respect of a Supply Meter Point . . . . before the Proposed Supply Point Registration Date."

Paragraph 3.3.1 delete:

"(but where Transco is appointed as Meter Reader this requirement shall be deemed to be satisfied in respect of any Meter Reading obtained by Transco as Meter Reader)"

Paragraph 3.4 Amend to read:

"3.4 **Cyclic reading**: Monthly Read Meters and Six Monthly Read Meters

3.4.1 Each User shall secure

(a) in relation to Monthly Read Meters, that a Valid Meter Reading is obtained:

(i) for each Relevant Monthly Read Meter, not less frequently than once every 4 calendar months;

(ii) in each calendar month, in accordance with paragraph 3.4.2, for not less than 90% of the number of Monthly Read Meters which are Relevant Supply Meters for the whole of the month);

(b) in relation to Six Monthly Read Meters that a Valid Meter Reading is obtained:

(i) for each Relevant Six Monthly Read Meter, not less frequently than once every 12 calendar months;

(ii) in each period of 6 calendar months, for not less than 80% of Six Monthly Read Meters which are Relevant Supply Meters for the whole period of 6 calendar months)."

3.4.2 For the purposes of paragraph 3.4.1(a)(ii) the Meter Read Date in respect of a Monthly Read Meter is required to be not less than 23 Days (or in the month of December 16 Days) and not more than 37 Days (or in the month of January 44 Days) after the Meter Read Date of the preceding Meter Read under paragraph 3.4.1(a)."

Add new paragraph 3.4.3 to read:

"3.4.3 In respect of a New Supply Meter Point, the Meter Read Date of the first Meter Read obtained pursuant to Paragraph 3.4.1(b)(i) shall be not less than 1 nor more than 6 months after the First Supply Point Registration Date."

Paragraph 3.5.3 delete text and replace with "Not used."

Paragraph 3.7, add paragraph 3.7.2(iii) to read:

"(iii) in the case of a Six Monthly Read Meter, the Meter Read Date is less than three months,"

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Gas and Electricity Markets Authority Response:

> In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0443**, version **3.0** dated **28/02/2001**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **3.0**.

Signature:

Process Manager - Network Code

Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:

   (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or

   (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

   provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.

2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.

3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.

4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.