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

Version 2.0

This Draft Modification Report is made pursuant to Rule 7.3 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 implementing measures to ensure 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, any possible future changes, once developed, could be included in a further Modification Proposal. This is necessary to avoid delaying this Modification Proposal which is required to support 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 sub-group made the following recommendations:

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 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 new provisions will require that 80% of such meters in a Users portfolio are read every six months and 100% are read annually.

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 every six months and 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 provision, which constrains the number of meter reads as a proportion of its portfolio 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:

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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:

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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, Storage Operators, suppliers, producers and, any Non-Network Code Party

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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
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Mitigates risk to the community arising through the reduction of the period in which energy is unreconciled.

Introduces flexibility by removing the current monthly portfolio constraint for the submission of meter reads to Transco.

Disadvantage

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)

Representations are now sought.
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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 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the License

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

14. Program of works required as a consequence of implementing the Modification Proposal

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

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

Systems development work is due to be completed within the first quarter of 2001 following which it is recommended that this Modification Proposal be implemented.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be implemented.

17. Text

Proposed Network Code (Principal Document) drafting

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 or a Six Monthly Read Meter (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, in accordance with paragraph 3.4.2, 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) 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 one 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,"

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code Development
Date:

Appendix

Modification Proposal 0443 'Meter Reading Unbundling – Non Daily Read Meters'
Addendum to Draft Modification Report

- **Cyclic Meter Read Requirements (>73,200kWh – <293,000kWh)**

The above Modification Proposal was discussed at the last meeting of the Modification Panel held on 21 December 2000. Panel members voted for it to be circulated for consultation.

At the meeting, panel members queried the proposed relevant percentage of Supply Meters required to be read every six months, this being 90%. The new read frequency applies to Supply Meters comprised in Supply Point Components with an AQ >73,200kWh – <293,000kWh. The 90% performance level is consistent with that currently established in the Network Code for Annual Read Supply Meters within the above consumption band.

Panel members questioned the practicality of Users sustaining this performance level given the new read frequency. Transco agreed to provide information with respect to its current meter read performance within the bundled meter reading regime (where Transco presently operates a six month read frequency).

Transco Meter Reading (MR) is currently achieving an average read performance of 84% in respect of these meters.

Given the above, Transco now believes it reasonable that the relevant percentage for six monthly reading of Supply Meters as proposed in Modification Proposal 0443 be reduced to **80%**. Transco's view is that this performance level will be sufficient to ensure that relevant Network Code processes which are dependant on timely provision of meter reads will not be compromised.

The Draft Modification Report attached has been amended to reflect this change.