

Direct Dial: 020 7901 7040

07 November 2001

Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref: Net/Cod/Mod/469

Dear Colleague,

Modification Proposal 469: Addition of User Suppressed Reconciliation Value (USRV) to the Network Code

Ofgem has considered the issues raised in modification proposal 469: Addition of User Suppressed Reconciliation Value (USRV) to the Network Code. Ofgem has decided to direct Transco to implement the modification, because we believe that the proposal will better facilitate the relevant objectives of Transco's Network Code. The modification will be implemented with immediate effect.

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

Background to the proposal

Reconciliation principles require consumption at non daily metered (NDM) meter points sites with an AQ greater than 73,200kWh and daily metered (DM) meter points to be reconciled against allocated consumption based on actual meter reads. Actual DM consumption is aggregated on a daily basis and deducted from metered LDZ consumption in order to derive total NDM consumption, which is allocated between the smaller NDM (RbD) and larger NDM supply point markets. Domestic shippers are billed and reconciled for domestic consumption based on their share of the domestic market. Reconciliation for the smaller NDM supply point market is via RbD. The integrity of RbD is in part dependent on obtaining accurate large NDM and DM metered data.

DM meter reads are obtained on a daily basis and the shippers are therefore invoiced on these reads. Meter reads are obtained from NDM sites periodically. Shippers to these sites are initially invoiced according to demand allocation but are reconciled once the actual meter reads are obtained, to the extent that the read differs from the allocated quantity. If the allocated quantity is greater than metered consumption the DM/large NDM shipper is credited in the following invoice. This implies that consumption in the domestic market has been underestimated, and consequently domestic shippers are debited by the same amount.

If a DM or NDM meter point reconciliation charge failed validation, previously Transco would have suppressed that reconciliation charge and investigated whether the charge and underlying data were in fact valid or erroneous before invoicing the shipper. There is a liability package on Transco to investigate suppressed charges in a timely manner and to compensate RbD shippers for delays in the investigation.

With metering liberalisation, it is no longer appropriate for Transco to retain responsibility for resolution of User Suppressed Reconciliation Values (USRVs). Transco continues to be responsible for the resolution of Suppressed Reconciliation Values (SRVs). The Network Code Reconciliation Suppression Guidelines (ancillary document to Network Code) have already been amended to take account of these changes.

The modification proposal

This modification proposes two changes:

- (i) Introduction of a new term into the Network Code, 'User Suppressed Reconciliation Value' (USRV).
- (ii) Clear distinction between Transco and User responsibility with respect to investigating suppressed reconciliation values.

Respondents' views

Three representations were received for this modification proposal. All respondents supported implementation of the proposal.

Two respondents commented that the proposal formalises the responsibility of the User to procure and investigate suppressed reconciliation values where appropriate and aligns the recently revised Network Code Reconciliation Suppression Guidelines with the Network Code.

One respondent noted that resolving suppressed invoices not only benefits the shipper concerned but also RbD shippers who experience an equal but opposite effect. It also stated the importance of monitoring non compliance where necessary.

Transco stated that the process is currently being undertaken by those shippers who obtain independent meter reads. However the proposal will provide RbD shippers with contractual protection to ensure the timely investigation of suppressed reconciliation values.

Ofgem's view

Ofgem agrees that the modification proposal will provide clarity both for the User responsible for investigating a suppressed reconciliation invoice and for domestic shippers affected by the timeliness of the investigation.

Ofgem recognises the importance of suppressed charges being investigated and resolved in a timely manner, and would be concerned if shippers failed to do so. Ofgem therefore support Transco's intention of reviewing the Network Code Reconciliation Suppression Guidelines in January 2002.

On this basis Ofgem believes that implementation of the proposal will further Transco's relevant objective to run an efficient and economic pipeline system.

Ofgem's decision

Ofgem believes that the modification proposal should be implemented because it furthers Transco's relevant objectives as set out above.

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,

Pav Dhesi
Analyst
Industry Codes