

OFGEM DECISION LETTER No. 0515
"Removal of the obligation of Transco to provide Estimated Opening Reads"
Version 1.0

Direct Dial: 0207-901-7174

25 March 2002

BG Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref :COM/MET/MTR/135

Dear Colleague,

Modification Proposal 0515: Removal of the obligations of Transco to provide estimated Opening Reads.

Ofgem has considered the issues raised in modification proposal 0515: Removal of the obligations of Transco to provide estimated Opening Reads. 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

At present upon change of Registered User at a Supply Meter Point, Network Code requires the incoming supplier to obtain and provide to Transco an 'Opening Meter Reading' (Section M3.8.2 (ii)). Where the incoming supplier does not meet this obligation, Transco is required to produce an estimated Meter Reading (Section M3.8.5), for which relevant charges under Section M3.8.10 may apply.

The modification proposal

This proposal would remove the current obligation on Transco to provide an estimated Meter Reading (Section M3.8.5), where a supplier fails to meet their obligation to provide an Opening Meter Reading.

This modification would instead require that upon the change of a Registered User at a Supply Meter Point the incoming supplier must either obtain an Opening Meter Reading, or agree with the incumbent supplier a reading to be adopted for the transfer which may be estimated or an actual reading.

Respondents' views

Transco received 10 responses to the Modification Proposal of which 2 were in favour of implementation and 8 were opposed. Of those responses in favour of implementation, one did not provide reasons. The proposer of the modification BGT, considers that the

proposal would reinforce the obligations of the licensee, the incoming supplier, to provide an opening Meter Reading, which would avoid reliance on Transco Gas Transporter estimated reads.

Transco indicated that it agrees with the argument that it should cease to provide estimated meter reads and that incoming suppliers should be encouraged to obtain actual reads. However, Transco indicated concern that this could impact on its ability to discharge its obligations under the individual Non Daily Metered (NDM) reconciliation process in Network Code.

Further respondents opposed to the implementation of the proposal noted the points detailed below.

It was stated that following a trial, it has been established that Transco's estimated meter reads are accurate and Transco is well placed to carry out this function given that it has meter reading history information and is impartial as to the outcome. Additionally, this proposal would potentially reintroduce 'the Box', which was not previously fully supported by industry. Respondents indicated that due to the conclusion of PC69, Transco's estimated meter reads process would be a more cost effective method of providing estimates to facilitate the change of supplier process than this proposal.

Respondents indicated concern that this proposal would place increased reliance on the supplier agreed reads process, which is regarded as manual, inefficient and expensive. Additionally, the modification does not show what changes would need to be made to the current agreed reads process to facilitate this proposal. Furthermore, respondents suggested that agreeing estimated Meter Readings under this proposal could provide opportunity for gaming between suppliers.

Ofgem's view

Ofgem is aware that current Network Code obligations require the incoming supplier to provide an opening Meter Reading upon change of supplier. In line with this, the requirement for Transco to generate an estimated meter read should only arise in circumstances where an actual opening read cannot be obtained. Ofgem would expect suppliers to make efforts to meet their Network Code obligations.

Although actual meter readings may be preferable, Ofgem does not consider that this proposal is sufficient to ensure opening meter readings will be exchanged. In addition, Ofgem notes Transco's concern that this proposal could impact on its ability to carry out individual NDM reconciliation processes, which could in turn affect the accuracy of consumer billing.

In the absence of a viable alternative, Ofgem is of the view that the removal of Transco's estimated meter reading service at this time could have an adverse effect on Change of Supplier and Transco processes. Ofgem considers that at the present time, Transco's service provides a cost efficient method of facilitating industry processes in the event that relevant Users fail to meet their Network Code obligations.

Given that the accuracy of Transco estimated meter readings was broadly accepted, it would be appropriate for Transco to continue this service for the time being. This should

enable Transco to operate its Network efficiently and economically, and facilitate competition on its Network.

Ofgem's decision

Ofgem does not consider that this proposal would provide a sufficient process for use at Change of Supplier and therefore would not facilitate securing of effective competition between relevant shippers and between relevant suppliers on Transco's Network.

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