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Bringing choice and value to customers

Transco, Shippers and other parties

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Dear Colleague,

Network Code Modification Proposal 689 'Acceptance by the Gas Transporter of valid estimated prepayment reads at change of Supplier, based on existing previous payment reads'

Ofgem has considered carefully modification proposal 689 and having regard to the principle objective and statutory duties of the Authority, has decided to direct Transco to implement the proposal. Ofgem considers that, when implemented, the proposal will better facilitate the relevant objectives of Transco's network code, as set out in standard condition 9 of it's Gas Transporters (GT) licence. This letter sets out the reasons for Ofgem's decision.

Background

Historically, Transco's network code has required that an opening meter read obtained for a non-daily metered supply meter must be a reading of the meter index and procured via a meter reader or via a customer. In the event that a shipper fails to provide a read within the specified meter read window, Transco provides an estimated meter read, generated from meter read history.

The range of valid opening reads was extended when, on 24 August 2004, Ofgem directed Transco to implement modification proposal 690 'Acceptance by the Gas Transporters of domestic prepayment meter reads obtained remotely at change of Supplier and within the meter read window as valid reads'. As the title suggests, this modification allows read data from pre-payment meter gas cards to be passed from the infrastructure provider to the relevant supplier for onward transmission to Transco.

Modification Proposal

The modification would allow a calculated meter read, derived from meter reads obtained via domestic pre-payment gas cards charged prior to the meter read window, to be considered as valid reads by Transco for the purposes of an opening read. In essence, where applicable, this would replace the estimated read produced by Transco with one calculated using more frequently obtained and potentially more recent read data, requiring at least two reads from the preceding 6 months.

Respondents' Views

Transco received seven representations to its consultation, all of which were supportive. A common theme amongst respondents was that the calculation, using an algorithm agreed through the Quantum Business Forum, would provide a notional read which is more accurate than one estimated by Transco. A number of respondents commented that the algorithm should be included within the network code validation rules.

Transco's Views

Transco supports the proposal and recommends that it be implemented. Transco concurs with the views expressed by respondents that the estimated read derived in the manner set out in this proposal would be more accurate than one it estimated itself.

Ofgem's Views

Ofgem supports measures that are put in place to improve the customer transfer process. In the absence of an actual meter reading, the appropriate use of recently obtained PPM reads to calculate a notional read upon customer transfer is potentially more accurate than an estimate derived by Transco, as this would rely on older and less frequently obtained data. This in turn should reduce the instances of meter read disputes.

Whilst the extrapolation methodology does not form part of the modification itself, Ofgem notes that it has been discussed and gained support at both the Quantum Business Forum and the Supply point and Billing Workstream, and was appended to the draft modification report. Ofgem welcomes the inclusion of the extrapolation methodology within the network code validation rules.

Whilst it supports the aspirations of suppliers to introduce innovative ways of obtaining meter read, Ofgem would note that the requirement to inspect the meter (which includes taking a reading of the meter register) is a separate obligation placed upon suppliers by virtue of standard condition 17 of their gas supply licence and will not be affected by this proposal.

Ofgem's Decision

For the reasons set out above Ofgem has decided to direct Transco to implement modification proposal 689 as it will better facilitate the relevant objectives of its network code, as set out in Standard Condition 9 of its Gas Transporters Licence, in particular securing effective competition amongst relevant shippers and suppliers.

If you wish to discuss any aspect of this decision please do not hesitate to contact roger.morgan@ofgem.gov.uk or via telephone on 020 7901 7346.

Yours sincerely,

Nigel Nash
Head of Market Infrastructure