



Shippers, relevant Gas Transporters
and other interested parties

Our Ref: Net/Cod/Mod/741
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16 May 2005

Dear Colleague,

Uniform Network Code modification proposal 014: 'To allow the use of a new type of read – an early Point of Sale read – in estimating a Change of Supplier meter reading' (formerly Transco Network Code modification proposal 741).

Ofgem¹ has carefully considered the issues raised in modification proposal 741, 'To allow the use of a new type of read – an early Point of Sale read – in estimating a Change of Supplier meter reading' and having regard to its principle objective and wider statutory duties, Ofgem has decided to direct the implementation of this modification, as we believe that it will better facilitate the achievement of the relevant objectives of the Uniform Network Code, as set out in standard special condition A11 of the GT licence. In this letter we explain the background to the modification proposal and outline the reasons for making our decision.

Background to the proposal

The Customer Transfer Programme (CTP)² was formed in order to address problems with the industry processes for transferring customers between suppliers, which can lead to a negative customer experience and/or unnecessary costs for market participants.

Transition from Transco's Network Code to the UNC

This modification proposal was originally raised in respect of the Transco Network Code, and followed the modification rules pertaining to that code. Following the implementation of modification proposal 745³, and in accordance with the Part IV, paragraph 2.1 of the UNC Transitional Rules, this modification proposal is deemed to be made in respect of the UNC in accordance with the modification rules.

At its meeting of 3 May 2005, the UNC Modification Panel agreed to the re-numbering of live modifications carried over into the UNC under the Transitional Rules, with modification

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter.

² See www.energy-retail.org.uk/changingsuppliers.html

³ See www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11299_745_letter.pdf

proposal 741 being re-numbered as UNC modification proposal 014. The UNC Panel also voted for this modification proposal to proceed without re-consultation.

Ofgem has therefore considered this modification proposal against the relevant objectives of the Uniform Network Code, as set out in standard special condition A11 of the GT licence.

The proposal

The CTP has, amongst other things, identified opportunities for improving the accuracy of estimates to be used as a proxy for a Change of Supplier meter reading. Currently, there are circumstances where a new supplier obtains a meter reading from the customer at the 'point of sale'. Whilst the supplier may use such readings internally, as they are outside of the ordinary opening meter reading window, they are not used by Transco.

The proposal therefore seek to introduce, in respect of smaller supply meter points, the definition of 'Proposing User Read', being a meter reading provided by a proposing user for a period prior to the supply point registration date. Such reads will also be considered a 'Valid Meter Read' for the purposes of the UNC.

Respondents' views

Transco received six representations in response to its consultation on this modification proposal, five of which supported implementation, with the sixth offering qualified support. A common theme amongst respondents was that this proposal would reduce the number of disputed opening and closing meter reads, thereby improving the customer experience and reducing the costs to suppliers.

The respondent who offered qualified support were concerned that this modification addresses what is primarily a domestic issue, and should not impose significant operational costs upon Industrial and Commercial (I&C) suppliers.

Transco's view

Transco supports this proposal and recommends its implementation. Transco generally agreed with the views expressed by respondents in support of the modification. With respect to the impacts upon I&C suppliers, Transco notes that the modification proposal is restricted to smaller Supply Points and that it is unlikely, given the Annual Quantity threshold, that any I&C category sites would be affected, and that relevant system changes would therefore only need to be developed by Users with smaller Supply Points.

Ofgem's view

Ofgem agrees that the proposed modification will contribute towards ensuring that where an estimated read is used for opening/closing meter readings for customer transfers it is as accurate as available data permits. Suppliers who have obtained a meter reading during the sale process are frustrated if a subsequent estimate is generated that does not meet the customer's expectations. Ofgem also supports the approach that confines the use of this process to smaller supply points. The settlement requirements for larger supply points, with reconciliation to meter reads, could lead to uncertainty for customer billing were a point of sale read used.

Ofgem's decision

For the reasons outlined above, Ofgem considers that implementation of this proposal would better facilitate the achievement of the relevant objectives of the Uniform Network Code, as outlined under standard special condition A11 of the GT licence. In particular this modification can be expected to improve the transfer experience of many customers, giving greater confidence in the process as a whole and thereby further facilitating competition between gas suppliers.

In accordance with standard special condition A11 of the GT licences, Ofgem hereby direct relevant Gas Transporters that the above proposal as contained in Modification Reports Reference 741, version 2.0, dated 26 April 2005 be made as a modification to the Uniform Network Code.

If you have any further questions regarding this letter please do not hesitate to contact me on the above number or Nigel Nash on 020 7901 7065.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip Davies', is written over a solid horizontal line.

Philip Davies
Director, Markets