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The Joint Office, Transporters,
Shippers and other interested parties

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31 August 2005

Dear Colleague,

Uniform Network Code modification proposal 017: Amendments to the provisions governing 'failure to obtain readings'.

Having considered the issues arising from this proposal and having regard to its statutory duties, Ofgem¹ has decided to direct the implementation of the modification, as we believe that it will better facilitate the achievement of the relevant objectives of the Uniform Network Code (UNC), as set out in standard special condition A11 of relevant Gas Transporters Licences. In this letter we explain the background to the modification proposal and outline the reasons for making our decision.

Background to the proposal

Where a user does not obtain 'cyclic' meter readings in line with frequencies detailed in section M3.4 and M3.5 of the Uniform Network Code (UNC), and subsequently provides valid meter readings to the relevant Gas Transporter (GT) in accordance with Section M3.3.4, the relevant transporter is obliged to use reasonable endeavours (where appropriate) to procure a meter reading (commonly termed a *must read*) from the relevant meter. Users are currently subjected to a charge for the provision of this service.

Where a meter reading is successfully obtained, in some instances the data returned is inconsistent with that contained within the supply point register, hence the reading is rejected. Following the introduction of new data responsibilities with the implementation of the Review of Gas Metering Arrangements (RGMA) project, certain data anomalies require correction by the registered user of the supply point (for example, the amendment of relevant meter information in accordance with section M3.2). Therefore, the relevant transporter will refer the anomaly to the registered user in accordance with section M3.2.15.

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

Each month, the relevant transporter is obliged to make an assessment of meters where the reading is not compliant with that detailed in sections M3.4 and M3.5 of code. Where a user has received such notification from the relevant transporter, it will be subject to an appropriate charge the following month (and each subsequent month where the data anomaly is not resolved) for the reading service provided by the relevant transporter.

With respect to Monthly Read meters, the current wording of the UNC section M3.6.1(a) allows the relevant transporter to exercise its discretion (as may be the case where the user is investigating an 'asset' data anomaly) in the use of reasonable endeavours to procure a meter reading for these meters. However, no discretion is currently permitted in respect of Annual Read meters. The Distribution Workstream (previously known as the Supply Point and Billing Workstream) identified that in the event that a meter asset query has been submitted to the registered user, the relevant transporter should not initiate a further *must read* request until a period of 4 months has elapsed. The Workstream determined that this would provide a reasonable opportunity for the query to be resolved and updated to the supply point register.

The proposal

With respect to using reasonable endeavours to obtain a meter reading (in the event that minimum 'cyclic' reading frequencies are not fulfilled), the proposal would extend the permitted use of relevant GT discretion where appropriate (in respect of undertaking steps to obtain a meter reading) to Annual Read meters in addition to that available for Monthly Read meters. The proposal would also incorporate provisions such that in the event that the relevant transporter has notified the registered user that meter information is incorrect in accordance with section M3.2.15, the relevant transporter will not initiate a meter reading earlier than 80 business days from the point at which the relevant transporter has notified the registered users of the data anomaly.

Respondents' views²

The Joint Office received nine responses to its consultation on this modification proposal, of which eight supported its implementation, with the last offering comments.

A common theme amongst the respondents who supported the modification proposal was that it would provide the transporters with additional discretion, allowing them to avoid taking action unnecessarily. Three of the respondents commented that the time period allowed by the transporter discretion would allow Users the opportunity to investigate and resolve data anomalies without incurring additional charges.

One respondent who supported the proposal went on to suggest that more fundamental review of the current metering arrangements is required in order to address other data quality issues.

Whilst broadly supportive of the proposal, the respondent offering comments urged the proposer to amend the proposal in order to accommodate what they considered to be a further benefit, namely allowing the *must read* to be considered an inspection, in discharge of suppliers

² This section is intended to summarise the principal themes of the respondents' views and is not intended to provide a comprehensive overview of the responses received. These can be found on the Gas Transporters information service (formally known as Nemisys)) <https://gtis.gasgovernance.com>

standard licence condition 17. The respondent did recognise that carrying out such inspections is a supplier obligation, but felt that the occurrence of a *must read* would provide an opportunity to also carry out an inspection, leading to efficiency gains and reducing the impact on the consumer.

The modification panel's recommendation

At the 21 July 2005 modification panel meeting, members considered that this modification proposal furthers the relevant objective of *the promotion of efficiency in the implementation and administration of the code* and voted unanimously to recommend its implementation.

Ofgem's view

Having considered modification proposal 017, the views of respondents and the original discussions of the Distribution Workstream, Ofgem agrees that the prevailing arrangements for *must reads* on Annual Read meters are unnecessarily rigid with respect to transporter discretion. It is appropriate that in the event a reading has failed due to a data anomaly, Users first have the opportunity to address that anomaly rather than a *must read* automatically being carried out. Aside from the obvious cost implications, this can have wider consumer impacts given that access to the meter is required.

As recognised in the proposal, the procurement of a *must read* is entirely different from the suppliers obligation to procure an inspection of the meter under standard licence condition 17 of its licence, albeit that a reading will be taken as part of the inspection. Rather, the *must read* provisions ensure that the GT is able to obtain sufficient readings for it to be able to carry out its core GT activities, such as Annual Quantity (AQ) derivation.

Ofgem has noted the view of the respondent that considered the scope of the modification proposal could be wider, incorporating an inspection of the meter into a visit to obtain a *must read*. As subsequently clarified in the Final Modification Report, a proposal can only be varied up to the point it is issued for consultation. However, the respondent is at liberty to raise any such modification proposal themselves, or alternatively raise it as a topic for discussion at a future workstream. Equally, the respondent who felt that the current metering arrangements are in need of a review may raise such a review proposal.

Ofgem notes that the modification panel has recommended the implementation of this modification proposal on the basis that it furthers relevant objective (f), *the promotion of efficiency in the implementation and administration of the code*. However, Ofgem would note that the rationale for introducing relevant objective (f) earlier this year, as part of the licence modifications necessary to facilitate the sale of several Transco distribution networks³, was more in the context of the provisions of the UNC relating to the agency (xoserve) and the Joint Office of Gas Transporters.

Notwithstanding the above, Ofgem considers that given the GTs undertake *must reads* in order to ensure they have sufficient read data to carry out GT activities such as AQ derivation, this


³ Formal consultation under section 23 and section 8AA of the Gas Act 1986: Ofgem, February 2005

modification proposal would, if implemented, further relevant objective (a) of the UNC, *the efficient and economic operation of the pipe-line system.*

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 UNC as outlined under standard special condition A11, and hereby directs that it be implemented.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. N. Simpson', written over a horizontal line.

Nick Simpson
Director, Modifications