28 September 2000

Direct Dial: 0207-932-5823

Our Ref: Net/Cod/Mod/427

BG Transco, Shippers and Other Interested Parties

Dear Colleague

Modification Proposal 0427: Technical Amendments Required By Introduction of Disaggregated Metering Charges

Ofgem has considered the issues raised in modification proposal 0427 'Technical Amendments Required By Introduction of Disaggregated Metering Charges and has decided to direct BGT Transco to implement the modification. Ofgem's view is that the proposal will better facilitate the relevant objectives of Transco's Network Code. The modification will be implemented on 1 October 2000.

This letter explains the background to the modification proposal and gives our reasons for making the decision.

Background to the proposal

In Pricing Consultation 54 (PC 54) Transco proposed the introduction of disaggregated charges for metering services from 1 October 2000. Following consultation and discussion with Ofgem, Transco modified the proposals so that only charges for domestic meters and dataloggers would be implemented from 1 October 2000.

This is the first occasion on which Transco has levied a separate charge for all metering activities, although previously an explicit charge was made for provision of a prepayment meter. In making such charges Transco recognised that it is possible to interpret Transco's network code such that Transco is prevented from levying such charges. This could result in Transco being unable to finance its activities.

Accordingly Transco produced modification 0422 which was submitted to the relevant workstream for consideration. However the workstream exercised its right not to consider this proposal. Transco therefore withdrew modification 0422.

Transco then submitted the modification discussed here (0427) and requested that Ofgem grant it urgent status.

The modification proposal

The modification makes the minimum of changes necessary to allow Transco to recover charges for metering activities from 1 October 2000.

Respondents' views

Transco received six responses to its proposal. Three respondents expressed support without comment. One respondent expressed "reluctant" support citing concerns about the process of introducing disaggregated metering charges.

The two shippers who did not support the modification also expressed concerns about the implementation of disaggregated charges.

Ofgem's view

It is Ofgem's opinion that implementation of this proposal will facilitate the efficient discharge of Transco's obligations under its licence. In particular amended licence condition 3 obliges Transco to make charges determined in accordance with the methodology established under amended licence condition 4. Without this modification, Transco would be unable to make charges in accordance with its methodology (as amended by PC54).

Ofgem is concerned about Transco's failure to bring forward a modification such as this at an earlier date in the process and feels that an earlier proposal would have given shippers more time to consider the modification.

Ofgem notes shipper concerns about the implementation of disaggregated metering charges. However, Ofgem is committed to the promotion of effective competition in metering and views disaggregated charges as an essential aspect of that competition. Ofgem is therefore monitoring the introduction of disaggregated charges and will make every effort to ensure Transco addresses shipper's concerns.

Ofgem's decision

Ofgem has decided to direct BG Transco to implement the modification.

If you have any queries in relation to the issues raised in this letter, please contact David Howdon on 020 7932 6320 or Colin Sausman on 020 7932 5939.

Yours faithfully

Pam Barrett
Director, Metering and Business Transactions