

OFGEM DECISION LETTER No. 0602

"Amendment to the required date range for opening meter reads"
Version 1.0

Your Ref:
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Transco, shippers and interested parties

Dear Colleague

Modification Proposal 0602 'Amendment to the required data range for opening meter reads'

Background

Section M of Transco's network code sets out the terms for submitting NDM opening reads. The code obliges shippers to procure an opening read within a required date range of D-2 to D+2 (D is the transfer date). Opening reads obtained in this window should be provided to Transco no later than 16:00 hrs on the 7th business day after the supply point registration date. Transco generates an estimated read if an opening read is not provided in the required date range.

Modification Proposal

Scottish and Southern Energy (SSE) raised the above network code modification. The proposal seeks to align the gas opening read window of D-2/D+2 to the electricity opening read date range of D-5/D+5. The rationale for this approach is to:

- Reduce the current complexity of the change of supplier (COS) process for dual fuel customers;
- enable the new supplier to obtain actual reads, resulting in a reduction in the number of deemed, agreed reads, and inter-shipper disputes;
- increase the use of more actual reads to improve the accuracy of customer billing;
- reduce meter reading agency costs.

Transco's View

Transco does not support SSE's proposal. Transco suggests that there is value in examining the issues and seeking solutions raised via this proposal in an industry forum which will form part of a wider ranging review of the gas and electricity Change of Supplier (CoS) processes.

Views of respondents

Transco received 8 representations to this modification proposal. Six respondents support implementation and two oppose (although sympathetic to the aims of the modification). Respondents raised a number of concerns these are set out and discussed below.

Piecemeal Changes

Three respondents are concerned that the modification is proposing changes to the CoS process in isolation it is not part of a wider review of these processes.

A number of suppliers recently committed to review gas/electricity CoS processes. This project will consider, amongst other things, alignment of business processes that support retail competition. Whilst Ofgem welcomes and supports this review, we believe that it is not appropriate to defer the implementation of modification 0602 until this project is completed as it is currently unclear when this project will present and considers its final proposals.

Allocation of energy charges

A number of respondents suggest that widening the opening read window may result in gas being less accurately allocated to shippers on transfer.

This issues applies to I&C sites. For example, if an opening read is obtained on D-4 the customer's account would finalise/open on this read. However, the incumbent shipper is obliged to source gas for this customer until the transfer date (D) and would not be able to bill the customer for gas supplied beyond the read taken on D-4.

In such circumstances the incumbent is able to recover the costs of energy and commodity from the incoming shipper. This can be achieved via an Inter Shipper Dispute (ISD).

For the avoidance of doubt acceptance of this modification does not oblige shippers/suppliers to submit opening reads within the wider date range. If parties are concerned about the arising impacts like ISDs they can continue to procure and submit reads as close as possible to the transfer date.

Increase in actual reads

A number of respondents suggest that the number of actual reads provided to Transco would increase thus reducing the likelihood of Transco having to generate estimated meter reads.

The use of actual reads rather than estimates to open and finalise customer accounts is supported by a number of respondents to this modification. In particular, one respondent suggests 'it is our experience that the transfer process works best when it is done on the basis of an actual read.' Another respondent suggests that a significant number of customer complaints are due to accounts opening/closing on estimates rather than actual reads.

The use of actual reads to finalise and open customer accounts has the potential to lessen the reliance on estimated opening reads and reduce the need for agreed reads. The resulting reduction in agreed reads would be welcomed by suppliers as the agreed reads process is expensive to operate.

Ofgem's Views

Ofgem supports this modification and believes that its implementation furthers Transco's relevant objective of facilitating competition amongst shippers and suppliers for the reasons set out below. Widening the opening read window to D-5/D+5:

- Increases the ability of gas suppliers to procure and send actual opening meter reads to Transco;

- enhances the likelihood of customer accounts finalising/opening on actual reads which may lead to a reduction in customer complaints about opening/closing bills;
- may result in a reduction in the number of agreed reads processed by suppliers and estimated transfer reads generated by Transco.

Ofgem's Decision

For reasons set out above, we have directed Transco to implement this modification. If you wish to discuss any aspect of this decision please do not hesitate to contact Roger Morgan via the contact details set out above.

Yours sincerely

Iain Osborne

Director, Supply