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value for all customers*

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Transco, Shippers and other parties.

Dear Colleague,

Network Code Modification Proposal 673: Supply Metering Unbundling – Meter Information requirements in accordance with the Review of Gas Metering Arrangements (RGMA)

Having considered the issues raised by this modification proposal, Ofgem has decided to direct Transco to implement the proposal as we believe that it better facilitates the relevant objectives of Transco's Gas Transporters' Licence. In this letter Ofgem provides some background to the modification proposal and explain the reasons for reaching this decision.

Background to this Proposal

Metering Competition

Under the existing regulatory framework, suppliers and consumers can choose their meter service provider. Suppliers are obliged under their licence to arrange for the provision of a gas meter to any of its domestic customers. Historically, this obligation has been discharged by requesting the transporter (via the shipper), in accordance with the Gas Transporters' Licence, to provide meters to domestic customers. In recent years the gas metering market has become increasingly competitive as demonstrated by suppliers such as British Gas engaging a range of competitive meter providers. In July 2002 Transco established Transco Metering Services (TMS), a wholly owned subsidiary for the provision of gas metering services.

Ofgem has welcomed these market developments as it is hoped that competition in the gas metering market will deliver significant benefits to consumers through lower prices and improved standards of service.



Review of Gas Metering Arrangements

In August 2000 Ofgem initiated the Review of Gas Metering Arrangements (RGMA) in order to address the remaining non-price barriers that were considered to be inhibiting the development of competition in gas metering services. Key amongst these was the integrated nature of Transco's monopoly transportation and metering businesses. The RGMA developed business processes and data flows (as specified in the RGMA Baseline) which will underpin competition in metering and the separation of Transco's transportation and metering business arms. The development of industry standards for business processes and data flows will allow market participants to communicate effectively in the evolving metering market. It is anticipated that the RGMA regime will come into effect on 12 July 2004.

Retail Gas Market

The standard conditions of the Gas Suppliers' Licence specify that a supplier must arrange for the provision of a gas meter to domestic customers. Increasing metering competition has implications for change of supplier processes as the incoming gas supplier can no longer assume that the meter is provided by the gas transporter and must instead make proactive arrangements for its continued provision. The Change of Supplier processes that underpin the competitive supply market will therefore increasingly rely upon metering information, in order to ensure both that the supplier can support the in-situ meter and to make suitable arrangements with the meter provider.

The Modification Proposal

Modification proposal 673 (which has been raised in conjunction with modification proposals 672, 674, 675, 676 and 678) seeks to include new provisions within the Network Code which reflect the new metering arrangements while ensuring Transco's continued ability to meet its continuing licence and Network Code obligations. In particular, the proposed amendments have been raised to facilitate compliance with the Network Code, the Shipper Licence (Condition 11) and the Gas Transporters Licence (Conditions 8 & 31).

The Standard Conditions of the Gas Transporters Licence specifies that the Gas Transporter maintains a register containing relevant data. The register is designed to facilitate supply by any gas supplier to any premises connected to the licensee's pipe-line and to meet the information requirements of shippers for balancing and change of supplier purposes. These licence requirements are reflected in the Network Code which specifies that Transco will operate and maintain the Supply Point Register which records information as specified by the UK Link Manual including all supply meter points, supply points and supply point premises connected to the National Transmission System.

This modification proposal is concerned with the provision and integrity of meter information; that is information relating to the Supply Meter Installation (SMI) as defined in Network Code. Transco considers this modification to be necessary, given the removal of provisions from Network Code relating to Transco providing a SMI (as approved by Ofgem under Modification Proposal 672). The new provisions provide a safeguard for Transco in meeting its obligation to store and provide data to Shippers, while recognising its increasing dependence upon third parties for meter information.

The Modification Proposal specifies five principal requirements regarding the meter information as identified by the Meter Asset/Work unbundling sub-group:

- Provision by the Shipper to Transco of meter information in respect of the installation, removal, exchange or repositioning of a SMI, as required under the Gas Meters (Information on Connection & Disconnection) Regulations 1996);
- Provision of timely and accurate meter information (over and above that required by the above regulations) by the Shipper to Transco;
- Provision of additional information by the Shippers to Transco as required to meet Transco's obligations;
- Provision of information by the Shippers to Transco to demonstrate compliance with Network Code obligations; and
- Amendments to service standards in the Network Code and ancillary documents (Network Code Reconciliation Suppression Guidelines and Gas Reconciliation Energy Invoice Query Incentive Scheme Methodology) to reflect the changes in responsibility for the provision of meter information.

Respondents' views

Four representations were received regarding modification proposal 672, all of which were supportive, though no substantive comments were provided. One respondent suggested minor alterations to the accompanying legal text, which Transco has incorporated where considered appropriate.

Transco's View

Transco supports the implementation of this Modification Proposal given that Transco is obligated under its GT Licence and Network Code to store relevant meter asset data. The new RGMA regime identifies the requirement to provide meter information to Transco in accordance with the Gas Meters (Information on Connections and Disconnections) Regulations 1996. Transco believes that this Modification Proposal aligns the Network Code with the separation of Transco's transportation and supply metering businesses.

Ofgem's View

Paragraph 12(1) of the Gas Code (Schedule 2B of the Gas Act 1986) states that no person shall connect or disconnect a meter without giving notice to either the gas supplier or gas transporter.

The continued integrity of metering data will be crucial to the effective operation of many aspects of the gas regime, not least the transfer of consumers. Any discrepancies in the data relating to the supply point could result in failed or disrupted transfers. Also, if the metering data held by the gas transporter, the supplier and or their agent is not aligned, this could adversely affect any maintenance work that may need to be undertaken.

Ofgem also agrees with Transco that standards of service should be cognisant of market developments and amended accordingly. In particular, Transco will no longer be responsible for providing meter information for Network Code purposes.

Ofgem's decision

Having taken all of the above into consideration it is Ofgem's decision to direct Transco to implement modification proposal 673, as we believe that 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, given that metering data is increasingly important to the Change of Supplier process, it is Ofgem's view that modification proposal 673 will facilitate both metering competition and competition between suppliers.

Ofgem also considers that modification 673 will facilitate the achievement of efficient and economic operation of Transco's pipeline by, for example, assisting in energy balancing, determination of Annual Quantities, invoicing of accurate transportation charges and operating in emergency situations. The modification would also support the parallel work being undertaken to amend a small number of Transco licence conditions to reflect the implementation of RGMA, thereby facilitating the efficient discharge of Transco's obligations under its licence.

If you would like to discuss any of the above, please contact Jenny Boothe on 020 7901 7122.

Yours sincerely



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