

Supply Point & Billing Workstream

Daily Meter Reading Unbundling

Sub-group update report

Introduction and summary

The purpose of this paper is to provide a progress update to interested parties with regard to the deliberations of the Supply Point and Billing Workstream and to outline the Workstream view relating to the future Daily Read Metering (DM) Network Code regime post metering unbundling.

It has been identified that in the short/medium term, the DM regime should remain largely as currently structured. The Workstream believes that in the longer term it may be possible that elements of choice could be introduced into the procurement of Daily Read data by Transco and provision of such data to shippers. However as there is uncertainty about the extent to which this would be of benefit, such measures should not be considered until after Transco Metering separation in [April 2003]. This will allow focus to be maintained on the immediate industry priorities.

Interim measures (Stage one)

The Workstream has previously established its view that:

- The read data collected by dataloggers attached to Daily Read Supply Meters is primarily used for gas transportation purposes. It is therefore logical that the Gas Transporter should be responsible for procurement of this data.
- The net benefits from fully unbundling Daily Meter Reading are doubtful given the size and structure of the market and the likely investment required to introduce and sustain such a regime.
- In recognition of the above, priority should be placed on the key metering competition deliverables, for example, meter asset and ownership unbundling.

The Daily Meter Reading Unbundling sub-group of the Workstream therefore concluded that it was appropriate that the current DM regime continues. This requires modification of the Network Code to reflect third party ownership of meters and other associated matters.

The sub-group further identified that the existing pricing structure and price controls should be modified to reflect that data procured as part of the Daily Read Requirement is used primarily for transportation purposes. This regime would feature:

- All relevant costs being recovered via transportation charges.
- DM shippers should only directly bear costs associated with Transco making meter reads available to them.

A further component of Stage One is the introduction by Transco of arrangements for meter pulse utilisation at Daily Metered Supply Meter Points. A pilot was introduced in June 2002 but has been extended to November 2002 in view of low shipper participation and a small number of implementation issues. A report on the pilot is expected in October 2002.

Transco subsequently developed the following timetable (which is aligned to the programme for metering separation).

Modification of Network Code

Finalise Network Code business rules (concluded).	-	March 2002
Prepare draft Modification Proposal (concluded).	-	March 2002
Modification Proposal to Modification Panel.	-	December 2002
Consultation process.	-	January 2002
Ofgem direction.	-	March 2003
Implement Modification Proposal.	-	April 2003

Review of Transco Licence

Ofgem/Transco review of Licence position.	-	September 2002
Ofgem consultation (if required).	-	November 2002
Amendments effective.	-	February 2003

Review of DM Reading Service Pricing Structure

Determine revised charges for DM Reading.	-	September 2002
Consultation process.	-	October - November 2002
Produce consultation report.	-	November – December 2002
Ofgem decision.	-	January 2003
Give notice of revised charges.	-	January 2003
Implementation subject to prior agreement of licence amendments.	-	April 2003

Automatic Meter Reading Contract

Invite shippers to participate in DM pilot study (concluded).	-	March 2002
Responses from interested parties (pilot study) (concluded).	-	March 2002
Develop and circulate 1st draft of AMR contract (concluded).	-	April 2002
Carry out pilot study on DM sites.	-	April - May 2002 (Extended to November 2002)
Daily Read Equipment contract available.	-	June 2002

Note: Ofgem's timetable published on its web site will need to be updated to reflect the modified timescales.

Longer term

The DM sub-group identified that an additional measure aimed at further facilitating competition could be considered as follows:

- Investigate the possibility of providing an 'opt out' mechanism to enable Users to avoid receiving Daily Meter Readings from Transco.

The potential benefit or the extent to which competition would be facilitated with regard to such a measure is, however, unclear and the subject of contention within the sub-group. The following issues have been identified:

- Opt out in principle enables competition in DM read provision.
- Opt out must be by Supply Meter Point.
- Extent to which Users would opt out is unclear assuming a 'marginal' read provision charge from Transco.
- Transco would require written undertakings regarding participation prior to commencing any systems development work.

Workstream recommendations

The DM Meter Reading unbundling sub-group has previously established the following view:

- The primary 'customer' for Daily Read data is Transco (GT).
- The costs of Daily Read Metering unbundling are thought likely to outweigh any consumer benefits which may accrue.
- The DM market is of insufficient size to warrant investment in significant development of IT and business processes.
- It is appropriate to review the Daily Read charges.

The Workstream believes that the measures identified in Stage One meet the immediate industry requirements. There is a strongly held view that any further changes at this time potentially threaten the smooth transition period associated with the separation of Transco's metering systems

As there is no evidence of any demand for further 'unbundling' of the DM regime, it is recommended that 'Stage One' as described above be implemented and following Transco metering separation the potential benefits of any further measures affecting shippers may then be properly evaluated.