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Direct Dial: 0171-901-

Transco, Shippers and Other Interested Parties

15 May 2001

COM/MET/MTR/100

Your Ref:

Our Ref :

Dear Colleague,

Modification Proposal 0406: "Failure to obtain Meter Readings – Removal of PGT obligations to procure meter readings with respect to Annual Read Meters"

Ofgem has considered the issues raised in modification proposal 0406: 'Failure to obtain Meter Readings – Removal of PGT obligations to procure meter readings with respect to Annual Read Meters'. Ofgem has decided not to direct Transco to implement the modification, because we do not believe that the proposal will better facilitate the relevant objectives of Transco's Network Code.

In this letter, we explain the background to the modification proposal and give our reasons for making our decision.

Background to the proposal

Transco is required to use “reasonable endeavours” to procure meter readings where a User fails to meet its Network Code obligations (M3.5) to obtain a Valid Meter Reading at least once every two years, for which the shipper will be charged. This requirement is commonly termed a “must read” and was originally incorporated in the Network Code to ensure maintenance of the integrity of data supporting the Annual Quantity (AQ) derivation and Non-Daily meter (NDM) reconciliation processes.

Transco considers that as suppliers have obligations (via their shippers) to furnish it with meter readings as part of undertaking a Meter Inspection, that the requirement for Transco to procure “must reads” with respect to Annual Read Meters is redundant.

The modification proposal

The modification proposes removal of Transco's existing reasonable endeavours obligation to procure a meter reading where a User fails to comply with section M3.5.1(i) in circumstances where the meter is a Relevant Annual Read Meter. This would apply to all Annual Read Meters with Annual Quantities of up to 293,000 kWh

Transco does not propose to replace these obligations with other provisions in Network Code.

Respondents' views

Transco received six responses to the Modification proposal, five of which were supportive. One respondent offers only qualified support, as it does not agree that the Modification proposal should apply to Supply Points with AQ over 73,200 kWh. Transco considers that the supplier obligations for all Annually Read Supply Points with Annual Quantities up to 293,000 kWh justifies their inclusion in the Modification.

Two respondents expressed the view that Transco should continue monitoring shipper performance of provision of readings and report those who do not comply to Ofgem. Transco considers that with regard to the use of readings for AQ derivation, present attainment levels would present no detriment to the efficient operation of the transportation system. However, it intends to monitor performance, to ensure that sufficient readings are provided to Transco for AQ derivation.

Ofgem's view

Although Ofgem agrees in principle that a PGT should not carry out meter reading functions, it has concerns regarding removal of Transco's obligations to procure meter readings for Annual Read Meters at this time.

Ofgem does not agree with Transco's assessment that "must reads" provisions are redundant. In the event of shipper failure, these provide Transco's only direct opportunity to acquire readings to meet the Network Code 100% read requirement for Relevant Annual Read Meters. Should Transco no longer regard the 100% requirement necessary, it could seek to amend Code to this effect prior to requesting removal of "Must Read" provisions. Additionally, although Transco states that present read attainment levels have no impact on AQ derivation, the issue of impact on Supply Points with AQ between 73,200 kWh and 293,000 kWh, which are individually reconciled, has not been sufficiently addressed.

Ofgem does not agree with Transco's implication that the need to obtain a "must read" is evidence that suppliers are in breach of Standard Condition 23 of the Suppliers Licence. Until such time as Transco records details of annual inspections and meter readings separately, it is not able to effectively determine whether suppliers have complied with their obligations. However, Ofgem would be concerned if there were evidence that indicated that suppliers were not complying with Standard Condition 23.

Although Transco could acquire readings from suppliers through suppliers licence requirement to inspect meters (via their shippers), Ofgem is concerned over the efficiency of this method and its reliance on the existence of this Licence condition.

Transco has indicated that following Ofgem's rejection of this Modification, it intends to propose a further Modification to reduce the requirement for Shippers to achieve a 100% read performance for annually read meters over a 24 month period (Section M3.5.1(i)). In addition, Transco intends to introduce new measures to encourage shippers to secure readings. Transco is of the opinion that the new, less stringent, requirement would be sufficient to meet its requirements for AQ derivation. However, Ofgem would stress that this would not impact on suppliers' obligation to fully comply with Standard Condition 23 of the Supply Licence.

Ofgem's decision

Ofgem does not propose that this modification should be implemented, as it does not believe that removal of "must reads" will better facilitate the relevant objectives of Transco's Network Code.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

Bryony Sheldon
Metering Policy Manager