OFGEM DECISION LETTER No. 0677

"Supply Metering Unbundling - Non-effective day required for the Review of Gas Metering Arrangements (RGMA) 'cutover'."
Version 1.0

Our Ref: Net/Cod/Mod/0677
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Transco, Shippers and other parties.

Dear Colleague,

Network Code Modification Proposal 677; 'Supply metering unbundling: non-effective day required for the Review of Gas Metering Arrangements (RGMA) cutover'

Having considered the issues raised by Network Code Modification Proposal 677, Ofgem has decided to direct Transco to implement the proposal as Ofgem believe that it better facilitates the relevant objectives of Transco's Gas Transporters Licence. In this letter Ofgem provide some background to the modification proposal and explain the reasons for reaching this decision.

Background to the Proposal

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.

The Modification Proposal

This modification proposal seeks to introduce a 'non-effective' day into the network Code for the purposes of relieving Transco of some of its obligations in respect of Daily Meter Reading, given that during this period it will be facilitating the implementation of the RGMA related systems. Shippers will receive the meter readings for the relevant period following cutover, once Transco's systems are fully back on line.

This modification has been de-scoped during the development process, as Transco considers that the majority of processes, such as those relating to Supply Point Administration and Site works, will remain operational throughout the cutover period.

Respondents' views

Transco received four representations with respect to this modification proposal, all of which were supportive. One respondent welcomed the clarity provided on the contractual scope of the RGMA cutover. Another suggested that it would be unreasonable for Transco to be liable for payment of charges associated with the provisions of Daily Meter readings during the period that its systems will be unavailable. However one respondent noted that this modification should not impact upon Transco's obligations to continue to pay such liabilities where an enduring failure outside the cutover period has occurred.

Transco's View

Transco recommends that this modification proposal is implemented and concurs with the views of respondents.

Ofgem's view

Ofgem acknowledges that it will be impractical for Transco to operate all of its systems on a normal basis, and at the same time implement the significant system changes that are required to implement the RGMA processes. Ofgem welcomes Transco's confirmation that the disruption will be limited to the provision of Daily Read Services and that even in that instance, reads relevant to the cutover period will be made available to shippers immediately following its conclusion. Ofgem also agrees that it would be unreasonable for Transco to be exposed to liabilities relating to the provision of Daily Meters Reads for the cutover period.

Ofgem's decision

Ofgem has decided to direct Transco to implement modification proposal 677, as it will better facilitate the relevant objectives of its Network Code, as set out in Standard Condition 9 of its Gas Transporters Licence, most notably by facilitating competition between relevant shippers and relevant suppliers.

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

Yours sincerely

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