ofgem

Bringing choice and value to customers

To: Shippers, Transco and Other Interested Parties

Your Ref:
Our Ref: Net/Cod/Mod/0691
Direct Dial: 020 7901 7491
Email:

10 May 2004

Dear Colleague,

Modification Proposal 691: 'Amendment to the Opening Meter Read Requirement to facilitate RGMA Implementation'.

Ofgem has carefully considered the issues arising from modification proposal 691 ("Mod 691") and has decided to direct Transco to implement the modification. This letter sets out the reasons for this decision.

Background to the proposal

Transco is obligated under Amended Standard Condition 31 of its Gas Transporters licence to operate and maintain an information service that includes a Supply Point Register (otherwise known as the Sites and Meters database) containing certain prescribed data. The Supply Point Register includes the identity of the supplier to a customer's premises.

In preparation for the RGMA cutover, Transco considers it necessary to conduct an exercise to ensure that it has the supplier identity recorded accurately. This exercise is being conducted under the auspices of the Network Code and will facilitate the discharge of its obligations under the GT licence, but is primarily intended to enable Transco's metering business to invoice the correct supplier once the newly developed metering contracts come into effect.

Ofgem understands that in the vast majority of cases, the supplier identity is already held or can be derived, though there will be a residual number for which positive confirmation is required from the relevant Shipper. It is possible that for some Shippers these residual cases could be in the several thousands.

Whilst Shippers have the opportunity to update the supplier identity recorded by Transco using the current Supply Point Confirmation functionality, the prevailing terms of the Network Code require that an Opening Meter Reading ("OMR") is also provided, even in circumstances where the Shipper identity and the configuration of the Supply Point remain the same. Where an OMR is not provided, Transco will issue an estimated read, for which it would ordinarily levy a charge.

This area of the Network Code (section M3.8.1) has recently been the subject of discussion in the supply point billing work stream, with Shippers identifying it as an impediment to the management of their portfolios. Modification proposal 663 ("Mod 663") sought, amongst other things, to remove the need for shippers to procure an OMR where a change is made to the supplier identity only. Ofgem accepted Mod 663 on 20 April 2004.

However, implementation of Mod 663 is dependent upon changes to the UK-link system in order to bring it into effect. Transco has informed Ofgem that it will not be possible to implement this change prior to the RGMA cut-over.

The modification proposal

Transco raised Mod 691 in order to remove, for an interim period, the Shippers obligations under section M3.8 of the Network Code to procure an OMR, where a change is made to the supplier identity recorded on Transco's supply point register but no change is made to the shipper ID and/or the Supply Point Configuration. The interim period will be from the date of implementation of this modification to 8th July 2004.

Transco does not intend to carry out any systems changes in order to suppress the production of estimated reads during this period, but simply not to charge for those produced. It is envisaged that this modification will encourage Shippers to ensure that the supplier identity at a given Supply Point is recorded accurately.

Views of respondents

Transco received six representations with respect to this proposal, all of which were supportive. A common theme was the need to ensure an efficient RGMA cutover. One respondent raised concerns that as the estimated reads have not been requested by Shippers, they are less likely to check their accuracy, which may have an impact upon the Annual Quantity ("AQ") review process. However, both the respondent and subsequently Transco acknowledged that the likelihood of any adverse impact is small.

Ofgem's Views

From the date of RGMA implementation and the separation between Transco's transportation and metering businesses becomes effective, it may no longer be appropriate for Transco to put forward modification proposals intended to benefit its metering business. If Transco's metering business wishes to suggest any improvements, the appropriate course would be through the suppliers with whom they are contracted, and thence shippers, as it would for any other metering service provider. However, leading up to RGMA implementation it is appropriate that Transco take all reasonable measures to ensure a smooth transition. Ofgem therefore supports the intent of this proposal.

Ofgem notes that this modification will only impact upon changes to supplier identity where the Shipper identity and Supply Point configuration remain the same, and will not prevent full nomination/confirmation procedures being utilised. The transfer of consumers between suppliers should therefore be unaffected.

Ofgem also notes the concern raised by one respondent with respect to the impact upon the AQ derivation procedures. However, it has already been noted that the likelihood of any impact is small. In particular, any estimated read would be replaced in due course when a valid cyclic read is submitted by the Shipper. Furthermore, if Shippers have any remaining concerns they are not precluded from validating, and if necessary challenging, the estimated reads produced by Transco.

Ofgem's Decision

For the reasons outlined above Ofgem has decided to direct Transco to implement Mod 691 as we believe that it will further facilitate the achievement of the relevant objectives of Transco's Network Code, as set out in Standard Condition 9 of its GT licence.

This modification will facilitate the efficient discharge of Transco's obligations under its GT licence, particularly the maintenance of certain Supply Point information as set out in Amended Standard Condition 31. Facilitating the implementation of RGMA may also further competition between gas suppliers. If you wish to discuss any aspect of this decision, please do not hesitate to contact me on the above number.

Yours sincerely

Nick Simpson
Director, Modifications