

**August 2000**

**Review of Gas Metering Arrangements**

**Project proposal**

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### **Note:**

On 16 June 1999, the former regulatory offices, Ofgas and Offer, were renamed the Office of Gas and Electricity Markets (Ofgem). References in the text to documents and events before this date use the name of the original regulatory office.

# Executive summary

## Background

Ofgem's Final Proposals<sup>1</sup> on securing effective competition in gas metering and meter reading services consulted on a project plan put forward by Transco aimed at identifying and removing non-price barriers to entry. Transco's rationale in formulating their plan, is based on making the necessary changes to its structure, and industry processes, to allow competition to develop. Ofgem said that it would review responses and consult the Metering Competition Focus Group (MCFG), and then produce with Transco a revised project plan setting out the objectives to be achieved and the means for achieving them. The revised project plan is the subject of this document.

Transco is the *de facto* monopoly provider of gas metering services and meter reading provider to the majority of shippers. In Ofgem's view, increased competition in provision of these services would better protect the interests of consumers. A greater degree of choice over who provides metering services can be expected to deliver significant benefits in terms of costs, quality and innovation.

In order for competition to develop, two factors must be addressed. First, price barriers need to be addressed by ensuring that Transco's services are charged for separately in a clear and cost-reflective manner. This has been addressed by Transco's introduction of disaggregated metering charges<sup>2</sup>, from 1 October 2000 for domestic supply points, and 1 April 2001 for Industrial and Commercial supply points. Second, non-price barriers need to be removed, which presently prevent shippers, and hence the suppliers and customers on whose behalf the shippers contract with Transco, in being able to switch from Transco to another provider of metering services. The costs and risks associated with switching service provider - or faced by potential market entrants - must not be unduly high. This document is concerned with the second point - the non-price barriers that make switching service provider difficult.

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<sup>1</sup> "Securing effective competition in gas metering and meter reading services: The Director General's Final Proposals", Ofgem, May 2000.

<sup>2</sup> Introduced following Transco's Pricing Consultation 54.

## **Non-price barriers to entry**

Following consultation with interested parties<sup>3</sup>, Ofgem has identified a number of non-price barriers to entry that presently hinder the development of competition in metering and meter reading services. Two of the more fundamental barriers are:

- ◆ integration of Transco's activities between its 'natural' monopoly and potentially competitive businesses. For example, IT systems and databases that are common to Transco's Public Gas Transporter (PGT) and metering businesses (e.g. its Sites and Meters Database) but which are not available on equal terms to competing metering or meter reading service providers could be especially problematic. Ofgem believes that it is difficult for Transco to avoid the suspicion of anti-competitive behaviour without a greater degree of separation between its PGT and non-PGT activities; and
- ◆ uncertainty about future responsibilities and industry processes that support the development of a competitive gas metering and meter reading market. This reflects the fact that there are currently no agreed industry processes and infrastructure to support the development of competition. Potential entrants have said that this may make the costs and risks of market entry unduly high.

## **Integration of Transco's business activities**

To help remove non-price barriers related to its integrated business activities, Transco has proposed to separate its metering and meter reading businesses from each other and from its PGT business.

In light of respondents' views and following discussions with Ofgem, Transco has agreed to be as open and transparent as possible in communication of its separation plans to the industry and other interested parties. In Ofgem's view, this is vitally important in order to achieve three objectives:

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<sup>3</sup> "Securing effective competition in gas metering and meter reading services: The Director General's Initial Proposals", Ofgas, October 1998; "Securing effective competition in gas metering and meter reading services: A report on progress and the way forward", Ofgem, July 1999; and "Securing effective competition in gas metering and meter reading services: The Director General's Final Proposals", Ofgem, May 2000.

- ◆ that Transco does not separate in such a way as to result in its metering business potentially gaining unfair advantage in the provision of metering services from its relationship with the PGT business;
- ◆ that Transco does not make systems and other changes affecting external parties without appropriate notice or consultation. To do otherwise may cause unnecessary disruption and costs to industry and ultimately consumers ; and
- ◆ interested parties, can evaluate whether Transco is taking all reasonable steps to ensure that barriers to entry relating to its integrated activities are removed as soon as possible.

### **Responsibilities and industry processes**

Transco has proposed to develop with the industry, and other interested parties, a "Metering Protocol" aimed at clarifying the future roles and responsibilities of participants and the necessary industry processes.

Ofgem notes the support given to Transco's proposals by respondents to our Final Proposals. However, in taking this work forward, Ofgem is keen to ensure that two conditions are met:

- Ofgem believes that the present legislative framework is an appropriate foundation for defining the responsibilities of participants in a competitive metering market and should therefore be the foundation of the "Metering Protocol"; and
- the creation of the "Metering Protocol" must itself, not give rise to structures and behaviour that are anti-competitive. Whilst its content should be consistent with the interests of the incumbent industry, it must not raise unnecessary costs for potential new entrants. Its development must be considered in context of Transco's relevant objectives in respect of the Network Code, as well as in the context of competition law, and in particular, the Competition Act 1998.

### **Managed change programme**

In our Final Proposals document, Ofgem sought views on Transco's proposal to form, with Ofgem, a joint "Project Board" to oversee the work programme associated with the

introduction of competition. Reporting to this "Project Board" would be a representative "Metering Protocol Steering Group" which in turn would oversee the individual work groups and work streams. Public consultation would continue to be provided by the Metering Competition Focus Group, and any consultation documents, as necessary.

Many respondents expressed concern that a "Project Board" comprised of Transco and Ofgem was not representative and therefore might not serve the interest of other parties such as suppliers, shippers and metering and meter reading providers. In addition, Ofgem is concerned that its role on a "Project Board" should not in any way dilute or distort the responsibilities that Transco and other industry participants have to ensure that their behaviour individually or taken together does not act to restrict, prevent or distort the development of competition.

Following further consultation with the Metering Competition Focus Group (MCFG) and Transco, Ofgem proposes to set up a project structure that does not include such a "Project Board". Instead, a Metering Protocol Steering Group will be formed, which will be required to consult regularly with the MCFG. Any changes to network code, proposed by the Protocol Steering Group, will continue to be progressed through the normal network code modification process. Ofgem's role will include arbitrating genuine disputes and providing general guidance but will not include prescribing exact outcomes. Commercial decisions will be a matter for the parties involved.

# 1. Introduction

## **Purpose of this document**

- 1.1 The purpose of this document is to set out Ofgem's position on the project plan put forward by Transco to oversee its proposed work programme associated with removing non-price barriers to entry in the gas metering and meter reading services markets.

## **Background**

- 1.2 Ofgem's Final Proposals on securing effective competition in gas metering and meter reading services set out Ofgem's position on measures to eliminate the potential cross-subsidy from Transco's pricing for transportation services to its pricing for its metering and meter reading services. This was aimed at addressing barriers to entry in metering and meter reading services related to the bundled prices of the monopoly provider. Ofgem said that these measures were necessary to further effective competition, but not sufficient in themselves. It was also important to identify and lower non-price barriers to entry. The document discussed potential barriers relating to Transco's integration and industry processes.
- 1.3 Ofgem's Final Proposals document consulted on a project plan proposed by Transco and aimed at identifying and removing non-price barriers to entry. Transco's plan was based on making the necessary changes to its structure and industry processes to allow competition to develop. Ofgem said that it would review responses, consult the Metering Competition Focus Group (MCFG) and then produce, with Transco, a revised project plan setting out the objectives to be achieved and the means for achieving them. The revised project plan is the subject of this document.

## **Structure of this document**

- 1.5 Chapter 2 outlines Ofgem's guiding principles for developing competition in the gas metering and meter reading markets and for removing non-price barriers to entry. Chapter 3 sets out respondents' views and Ofgem's conclusions on the main non-price barriers to entry. Chapter 4 sets out respondents' views on

Transco's proposed work programme and its initial project plan and timetable. Chapter 4 also sets out a revised project plan and timetable that have been agreed between Ofgem and Transco.

## **Views**

- 1.6 This document has already benefited from discussion at two meetings of the MCFG. If, at any time during this project you wish to express a view on the issues raised in the document, or any related matter, please address correspondence to:

Simon Doggett  
Project Manager  
Review of Gas Metering Arrangements (RGMA)  
Office of Gas and Electricity Markets  
Stockley House  
130 Wilton Road  
London, SW1V 1LQ

- 1.7 It is open to all respondents to mark all or part of their correspondence as confidential. However, we would prefer as far as possible that responses are provided in a form which could be placed in Ofgem's library. If you have any queries concerning this document, Simon Doggett on 020 7932 1657 ([simon.doggett@ofgem.gov.uk](mailto:simon.doggett@ofgem.gov.uk)) or Jon Dixon on 020 7932 5954 ([jonathan.dixon@ofgem.gov.uk](mailto:jonathan.dixon@ofgem.gov.uk)) would be pleased to help.



## 2. Guiding principles

### Introduction

- 2.1 In developing a project plan aimed at removing non-price barriers to entry, it is important that participants understand Ofgem's rationale for this project. It is also important that participants fully understand the role that Ofgem intends to play and the objectives that inform our view about certain decisions and behaviour.
- 2.2 This chapter sets out:
- ◆ the rationale and justification for Ofgem's work programme to secure effective competition in gas metering and meter reading services;
  - ◆ the role that Ofgem will adopt in its participation in the project plan to remove non-price barriers; and
  - ◆ the objectives that Ofgem will have in considering decisions that might need to be taken.

### Rationale

- 2.3 Ofgem is committed to securing effective competition in gas metering and meter reading services. This should enable consumers and suppliers to benefit from better value, increased choice and innovation. When competition is sufficiently developed to protect consumers' interests, it is Ofgem's intention to remove, wherever practicable, metering specific standard conditions of the PGT licence and additional company specific regulation on Transco in its role as a metering services provider. Safeguards for consumers will however, continue to exist via general competition law, in particular the Competition Act 1998.
- 2.3 Ofgem believes that promoting competition in gas metering and meter reading, by addressing the factors affecting its development should act in consumers' best interests, by enabling effective customer choice, providing the scope for potential benefits to consumers and facilitating competition in gas supply.

**a) Enabling effective customer choice**

2.4 Under the Gas Act 1986 (as amended) gas consumers have a statutory right to make their own arrangements for the provision of metering services. However, the existence of such a statutory right is not enough in itself to create effective consumer choice. Ofgem is therefore committed to securing effective competition to enable consumers to freely choose their metering services Ofgem set out in its Final Proposals document a number of barriers to entry, which may frustrate this aim.

**b) Scope for potential benefits**

2.5 Discussions with third parties interested in providing metering and meter reading services indicate that competition could deliver significant benefits to customers in terms of lower prices and improved service. Some potential entrants have already indicated to Ofgem that they could offer discounts on Transco's present annual charge for metering provision. One potential entrant has said that, given sufficient volume, it could charge as little as £20 for the cost of installing a domestic meter, compared to Transco's charge, from 1 October 2000, of £45. The size of the discount varies depending on the type and number of meters.

2.6 In meter reading, some companies have told Ofgem that they already offer prices of up to 40% below Transco's, with improved service standards and performance levels.

2.7 Apart from the benefit of driving down price, a competitive market is more conducive to innovations in products and services than is a regulated monopoly. There are already signs that customers are demanding more varied choice that better enables them to secure their requirements. Currently in the Industrial and Commercial market, many consumers, often in co-operation with Transco, have installed their own more advanced metering equipment to supplement Transco's meters. In the domestic market, one supplier is undertaking a trial of a module attached to the meter that allows for regular payment in advance and avoids some of the costs of the existing prepayment meter infrastructure. In meter reading, some suppliers, in response to customer demands, are currently considering introducing technology to enable them to remotely read meters,

saving costs and the inconvenience of site visits and reducing the incidence of estimated bills.

**c) Facilitating competition in gas supply**

- 2.8 A feature of an increasingly competitive gas supply market is that suppliers are constantly seeking to make better value offers to attract and retain customers. Suppliers will seek to improve their offers to customers in many ways, including the provision of metering services. To the extent that barriers to entry in metering and meter reading services impede this innovation, they will restrict competition in supply and will ultimately act to the detriment of consumers. It should be noted that broadly speaking, suppliers have consistently supported the principle of securing effective competition in gas metering and meter reading for these reasons.

**Ofgem's role**

- 2.9 Ofgem's role in this project derives principally from its statutory duty of protecting consumers' interests, by securing effective competition. In doing so, appropriate safety provisions must also be safeguarded<sup>4</sup>. Ofgem will also seek to ensure that licensees meet the provisions of their licences and the provisions of general competition law, in particular the Competition Act 1998.
- 2.10 Ofgem cannot fetter our discretion as a Competition Authority, in particular under the Competition Act 1998, by taking a pro-active role in prescribing commercial outcomes and agreements. In addition, it is important that Ofgem does not, by the level of its involvement in policy development, in any way prejudice its role in agreeing or not agreeing network code modifications. Therefore aside from its statutory duties, Ofgem's role in this project will chiefly lie in arbitrating disputes and providing general guidance.
- 2.11 In providing general guidance, Ofgem's approach will be to identify and work towards removing the present barriers to entry which prevent customers from choosing their metering providers, inhibit competitive providers from having more keenly priced and innovative metering offers and constrain gas suppliers

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<sup>4</sup> Ofgem's statutory duties are set out in sections 9 and 13 of the Utilities Act 2000.

from making, potentially more competitive offers.

- 2.12 Ofgem's Final Proposals document consulted on some of the main non-price barriers to entry. Ofgem characterised these in terms of Transco's dominance and the general operation of the market. After taking account of respondents' views, Ofgem's conclusions are set out in Chapter 3 of this document.
- 2.13 The list of barriers to entry discussed in this document is unlikely to be exhaustive. Over time it is possible that further barriers might be created as industry structures change and agreements are made between industry participants. It might therefore be appropriate for Ofgem to review the development of competition from time to time in order to identify any such issues. The findings of Ofgem's first review will be published in December 2000.

### **Objectives**

- 2.14 In pursuance of its statutory duties, Ofgem has identified the following objectives that it would expect to guide its decisions throughout this project.
- a) Securing of effective competition**
- 2.15 Given that Ofgem's overall objective is to promote effective competition in gas metering and meter reading services, and in gas supply, Ofgem would expect to judge actions and proposals by their actual and potential contribution (both positive and negative) towards this objective.
- 2.16 Ofgem has previously set out a number of important characteristics for effective competition,<sup>5</sup> including that:
- ◆ all customers in the market can attract and are aware of a range of competitive offers, whatever their status, location and levels of consumption;
  - ◆ the abuse of market power is prevented; and

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<sup>5</sup> "Review of British Gas Trading's Price Regulation: A consultation document", Ofgem, June 1999.

- ◆ the operation of competition is actually promoting product and service innovation in the market and improved economic efficiency.

2.17 These conditions are inter-related, and underlying them is the fundamental assumption that a competitor will have incentives to seek to offer better value to a customer than its rivals. Abuse of market power may be one of the factors that prevent this happening. Hence, it is important that such abuse is prevented. Over time, effective competition can be expected to lead to innovation – since successful innovation will be properly rewarded – and to lead to improved economic efficiency.

2.18 Ofgem is particularly concerned to ensure that, in devising solutions to the present non-price barriers to entry, Transco and present industry participants do not raise further barriers to future potential market entrants.

**b) Non-discrimination**

2.19 It is essential that all actual and potential metering and meter reading service providers have confidence that they can operate on a level playing field with other providers in so far as the arrangements that support competition are concerned. Ofgem will therefore be concerned to ensure that any arrangements supporting the development of competition do not result in any undue preference in favour of, or undue discrimination against, any party or parties. This should also extend to consideration of future market entrants.

**c) Transparency**

2.20 Ofgem is concerned to ensure that proposals to remove non-price barriers to entry are formulated in a way that is open and transparent and allows for interested parties to fully contribute. Transparency will have three key benefits for the metering project. First, interested parties will be better able to judge the performance of the incumbent Transco. Second, interested parties can assess the effectiveness of the project plan. Third, transparency can further assist Transco and other licensees in understanding their regulatory obligations.

**d) Consistency**

2.21 Ofgem will seek to ensure that, as far as possible, the work carried out in order to secure effective competition in gas metering and meter reading services, is consistent with other initiatives that Ofgem and the industry are taking, and which may impact upon Transco and industry processes and systems. Specific examples include Ofgem's programme of work aimed at improving the domestic customer transfer process<sup>6</sup> and Reform of the Gas Trading Arrangements (RGTA).

**e) Regulatory burden**

2.22 As competition in gas metering becomes more vigorous, Ofgem will review the scope of sector specific regulation over these services. For example, Ofgem said in our Final Proposals that, once competition was sufficiently developed, the present obligation on PGT's, including Transco,<sup>7</sup> to provide metering arrangements at the request of a relevant shipper could be removed and that Transco and other PGT's could operate in these markets on the same basis as rival metering services providers. In addition, subject to the introduction of effective competition, it is Ofgem's intention to remove the price controls on Transco's metering and meter reading activities.<sup>8</sup>

2.23 In judging potential regulatory options, other things being equal, Ofgem would expect to choose the option that minimises the regulatory burden on industry.

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<sup>6</sup> See "Office of Gas and Electricity Markets Plan and Budget April 2000 – March 2001", Ofgem, March 2000.

<sup>7</sup> Set out in Special Condition 23 of Transco's PGT licence.

<sup>8</sup> Set out in Special Condition 9C of Transco's PGT licence.

### 3. Non-price barriers to entry

#### Introduction

3.1 Ofgem's Final Proposals document discussed a number of issues which have been raised as potential barriers to entry preventing the development of effective competition in gas metering and meter reading. Those which referred to price barriers, are being dealt with under price dis-aggregation. This chapter sets out respondents' views and Ofgem's conclusions on non-price barriers. These non-price barriers can be grouped as relating to:

- ◆ Transco's position as the *de facto* monopoly provider of metering services (and meter reading provider to the majority of shippers), aligned to the integration with their PGT. This includes the quality of Transco's metering and meter reading data and Transco's metering and meter reading processes; and
- ◆ the general operation of the market. This includes a lack of industry processes to support competition and suppliers' present ability to object to a customer requiring their own metering arrangements.

#### Barriers related to Transco's dominance

##### a) Integration of Transco's PGT and non-PGT activities

###### i) Ofgem's final proposals

3.2 Ofgem said that the integration of activities between monopoly and potential competitive parts of Transco's business presented a number of difficulties for the development of competition. One of these difficulties was Transco's ability to cross-subsidise between monopoly and potentially competitive activities in order to gain unfair advantage in the latter at the expense of customers in the former. Ofgem expressed concern that integration might provide Transco with operational advantages that were not available to other metering service providers, and would not be conducive to the development of competition. Examples included Transco's direct access as a meter service provider to the Sites and Meters Database (SMD) held by Transco in its role as a PGT and

Transco obtaining metering work through emergency work carried out in its role as a PGT.

3.3 Ofgem said that the present level of operational and informational integration between Transco's PGT and non-PGT activities was not conducive to the development of competition and consistent with a move towards greater deregulation. Separate systems were necessary to ensure that Transco did not gain unfair advantage.

*ii) Respondents' views*

3.4 Of the thirteen respondents that commented on this issue, all supported Ofgem's final proposals for greater separation between Transco's PGT and non-PGT activities, though some questioned whether this was an area of priority. Many of these respondents agreed with Ofgem that particular areas of concern included Transco's unique access to the Sites and Meters Database and its role as an emergency service provider.

3.5 The Health and Safety Executive (HSE) said that Transco's business separation must not prejudice its ability to meet its legislative responsibilities with respect to safety. The HSE expressed particular concern about the issue of whether the pressure regulator upstream of the meter was considered part of the contestable market.<sup>9</sup> The HSE was concerned that Transco, in its role as a PGT, might not be able to ensure that it continued to meet its safety case relating to monitoring pressure delivered to the meter point.<sup>10</sup> Another respondent, a supplier, said that the pressure regulator should remain a PGT responsibility.

3.6 One respondent said that Ofgem's final proposals for greater separation did not go far enough. Even after separation, Transco would have a dominant position in the metering market. Therefore, Transco's metering business should be split into two or three smaller metering businesses.

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<sup>9</sup> The pressure regulator is used to regulate (to prescribed engineering tolerances) the inlet pressure of gas from the PGT's mains network into the pipework system within the gas user's premises.

<sup>10</sup> A 'safety case' is a document submitted to the Health and Safety Executive, and subject to their approval, which contains the particulars required of the duty holder, by the Gas Safety (Management) Regulations 1996.



*iii) Transco's views*

- 3.7 Transco has said that it recognises Ofgem's concerns and is committed to a programme to separate its businesses in such a way to remove any barriers to entry caused by its relationship with its role as a PGT (see Chapter 4 for respondents' views and Ofgem's conclusions on Transco's specific proposals).

*iv) Ofgem's conclusions*

- 3.8 Ofgem maintains that the present degree of integration of Transco's PGT and non-PGT activities is not conducive to the development of effective competition in metering or meter reading services and concludes that a greater degree of separation is required. Given Transco's commitment to separate its businesses, Ofgem does not presently intend to take enforcement action against Transco. After considering respondents' views, Ofgem's conclusions on Transco's specific separation proposals are discussed in more detail in Chapter 4.
- 3.9 Ofgem notes the HSE's concern about the safety implications of the pressure regulator, upstream of the meter, being part of the contestable market. This specific issue is part of a broader issue concerning the definition of a meter. Some useful work in this area has been done by the Definitions Expert Group (DEG) set up under the Metering Competition Focus Group (MCFG). This issue is currently under discussion with the HSE, and Ofgem will seek to take this work forward in conjunction with the HSE and the wider industry.
- 3.10 Ofgem notes the concern that Transco is likely to retain a dominant position in the provision of metering services following its separation. However, Ofgem is not concerned by Transco's dominant position in itself. Under competition law, dominance *per se*, is not prohibited. What is of concern to Ofgem is whether Transco is abusing its dominant position in a way that has the effect of adversely affecting the development of competition. It should be noted that abuse of a dominant position is prohibited under the Competition Act 1998.

**b) Quality of Transco's data**

*(i) Ofgem's final proposals*

3.11 Ofgem expressed concern that the quality of data held on Transco's systems could impact on the development of competition. An example of this is the number of meter readings which failed Transco's validation checks, where the overall rejection rate for shippers not using Transco's meter reading services, was about 7%. Whilst Transco's network code requires shippers to submit valid meter readings, it was Ofgem's view that Transco should have taken a more proactive approach in improving its processes and that Transco should accept some responsibility for the level of rejections.

*(ii) Respondents' views*

3.12 Six respondents said that the quality of information, specifically on Transco's Sites and Meters Database, was a continuing barrier to the development of competition. Most of these respondents expressed concern that despite moves by Transco to improve its data integrity, the number of rejections remained high and continued to generate unnecessary costs for shippers, suppliers and ultimately consumers. It was questioned as to whether Transco currently had sufficient incentives to improve its performance and urged Ofgem to put in place remedial measures. Four respondents asked Ofgem to request an audit of Transco's Sites and Meters Database, though opinion was divided as to whether this should be done by Transco, or an independent body.

*(iii) Transco's views*

3.13 Transco made no further comments on this issue.

*(iv) Ofgem's conclusions*

3.14 Ofgem is concerned to ensure that the quality of data, in particular the data held on Transco's Sites and Meters Database, is sufficient to promote effective competition. In order to do this effectively, Ofgem is keen to ensure that the appropriate incentives are placed on Transco and other relevant parties with

regard to data quality and that their performance is monitored and assessed. However, standards of performance on metering data are not separately identified in Transco's present service standards.

- 3.15 Ofgem is therefore encouraged that Transco has agreed to work with the industry ("Project Bosworth") to review its standards of performance and develop a liabilities package. Ofgem's role in "Project Bosworth" will include ensuring that the liabilities package includes appropriate separate provisions regarding metering data.

**c) Transco's processes for metering services**

*i) Ofgem's Final Proposals*

- 3.16 Transco introduced a process in April 1999 that allowed shippers to opt out of Transco's services for meter provision, installation and maintenance and qualify for a rebate from transportation charges. However, these processes were not fully in place until August 1999 and significantly, Transco imposed a limit of 150 per day on the number of rebate applications that it could process. Ofgem's view was that this limit was prohibitively small and precluded any meaningful change in metering provider by supplier. Following discussions with Ofgem, Transco removed this limit and has communicated this to the industry.

*ii) Respondents' views*

- 3.17 No comments were received on this issue.

*iii) Transco's views*

- 3.18 Transco made no further comments on this issue.

*iv) Ofgem's conclusions*

- 3.19 Ofgem is not aware of any continuing problems relating to this issue and intends to take no further action. However, Ofgem would expect to review its position should complaints come to light, that Transco's behaviour in this area was adversely effecting the development of competition.

**d) Transco's processes for non-daily meter reading services**

*i) Ofgem's Final Proposals*

3.20 Ofgem said that it was not aware of any concerns about the rate at which sites could be transferred between Transco's service and other meter readers, but there were a number of areas where concerns remained. For example, Transco's processing of opening domestic meter readings appeared to favour shippers who ordinarily use Transco's meter reading service. Such shippers are able to submit 'non-validated' readings, while shippers who do not ordinarily use Transco must submit 'validated' readings.

*ii) Respondents' views*

3.21 Two respondents said that the present situation whereby unbundled shippers must validate their meter reads whilst bundled shippers do not, gave Transco an unfair commercial advantage in the meter reading market. One cited the additional validation requirement as discriminatory, and the other said that Transco Meter Readers' access to the Sites and Meters Database was in itself an unfair advantage. They said that this was compounded by the costs for unbundled shippers of dealing with rejected meter reads as result of inaccuracies of Transco's Sites and Meters Database.

*iii) Transco's views*

3.22 Transco made no further comments on this issue.

*iv) Ofgem's conclusions*

3.23 Ofgem remains concerned over Transco's ability as a PGT to require validated meter reads from unbundled shippers, but accept non-validated meter reads from bundled shippers. Ofgem believes that this could result in unfair advantage for those shippers that use Transco's meter reading services. Ofgem is keen to ensure that competitors can operate on a level playing field with Transco's meter reading activities. In light of this, Ofgem has asked Transco to address this specific concern in the context of its separation planning (see Chapter 4).

**e) Transco's processes for daily meter reading services**

*i) Ofgem's final proposals*

3.24 Ofgem said that barriers to entry in daily meter reading were more fundamental than the barriers to entry in non-daily meter reading. Transco's network code, in

effect, required shippers at Daily Metered (DM) sites to use Transco's DM reading service. There was currently no process in place for shippers to use alternative daily meter reading service providers. Ofgem accepted the need for Transco as PGT to require daily meter readings for certain sites, but it did not accept that shippers should be obliged to use Transco's service to collect meter readings.

*ii) Respondents' views*

3.25 Two respondents supported Ofgem's position and said that Transco should not be allowed to prevent shippers from choosing alternative meter reader services at DM sites. These respondents believed that Transco's processes restricted choice and frustrated them from supplying their customers with more attractive terms.

*iii) Transco's views*

3.26 Transco made no further comments on this issue.

*iv) Ofgem's conclusions*

3.27 Ofgem remains of the view that shippers should not be obliged to use Transco's service to collect DM meter readings. Ofgem has therefore asked Transco to develop a process whereby shippers can contract for alternative meter reading services at DM sites. Transco, with Ofgem's agreement, propose to develop this work in conjunction with the industry, to ensure that a process is introduced by mid-2001. (See Chapter 4 for further discussion on this issue).

### **Barriers to entry related to the general operation of the market**

**a) Uncertainty about responsibilities and processes to support competition.**

*i) Ofgem's final proposals*

3.28 Ofgem said that the lack of industry processes to support competition was a potential barrier to entry. The development of competition in metering and meter reading services requires a framework for transferring information. For example, legislation requires that the installer of a meter must provide specific details to the relevant supplier or PGT within 48 hours of the work being carried

out. In addition, where a customer with a non-Transco meter switches from one supplier to another, there is a need for data to flow between the incoming and outgoing suppliers, and possibly the respective meter providers. There are presently no processes for transferring the relevant information in these cases. Ofgem said that such processes impact on the industry as a whole, and therefore must be developed collectively by the industry.

*ii) Respondents' views*

3.29 All respondents that commented on this issue supported Ofgem's view that uncertainty about future responsibilities and the lack of industry processes acted to constrain the development of competition. Several respondents expressed particular concern about the lack of clarity about the future roles and responsibilities of industry participants following Transco's separation of its metering business from its PGT business. For example, there was uncertainty about what would happen to the metering provisions within Transco's network code following Transco's separation.

3.30 All respondents commenting on this issue expressed concern about the lack of an agreed industry data transfer process. Some respondents said that the potential costs involved in communicating data with relevant parties in the absence of such a framework were prohibitive. Other respondents' said that although there was nothing preventing present industry participants agreeing a data transfer framework, many would not choose this course of action unless they had confidence that it would be accepted as an agreed industry format. Many of these respondents noted that a successful data transfer network operated in the electricity industry. Several respondents commented that some of the present electricity arrangements could be extended to include gas, though others warned against the perceived over-prescriptive nature of these arrangements.

*iii) Transco's views*

3.31 Transco notes that effective industry processes are necessary to support the development of competition. In order to remove this barrier, Transco has proposed to develop a "Metering Protocol". This would establish the roles and responsibilities of industry participants. It would also help facilitate the

necessary industry processes to support the development of competition (see Chapter 4 for more details).

*iv) Ofgem's conclusions*

- 3.32 Ofgem has received no evidence to suggest that it should revise its view set out in the Final Proposals document that the lack of industry processes to support competitive metering and meter reading markets was constraining their development. Given that market participants have a responsibility to ensure that their actions individually or taken together are not anti-competitive, Ofgem expects the industry to come forward with proposals on how these barriers might be overcome. Respondents' views and Ofgem's conclusions on Transco's proposal to develop a "Metering Protocol" are discussed in Chapter 4.

**c) Meter liberalisation date**

*i) Ofgem's Final Proposals*

- 3.33 Ofgem said that it was minded to set the "metering liberalisation date" (MLD) as 1 October 2000. From this date, suppliers' licence obligation to supply (as set out in Standard Condition 2 of the gas suppliers' licence) will extend to customers who have a meter that is not owned and provided by the gas transporter. Prior to the MLD date Ofgem said it would consult on a draft "metering code".

*ii) Respondents' views*

- 3.34 Respondents were generally reticent about setting a MLD of 1 October 2000. One expressed concern that a number of technical issues were yet to be resolved in order for shippers to have the appropriate systems in place to "go live" from 1 October 2000. Another stated, that whilst continuing to strive to achieve a MLD of 1 October 2000, they thought it more appropriate to set milestones of system completion rather than dates.
- 3.35 The HSE said that meter liberalisation must not result in unsafe Do-It-Yourself (DIY) installations. Although DIY installations were not prohibited, they should be discouraged. Furthermore, the HSE suggested that suppliers should refuse to supply gas where they suspected that a DIY meter installation was unlawful or unsafe.

*iii) Transco's views*

3.36 Transco did not comment on this issue.

*iv) Ofgem's conclusions*

3.37 Ofgem believes that the MLD will, in itself, not force any major changes upon the industry other than a greater degree of choice for customers. It is envisaged that systems implementation should not be required until sufficient volumes are generated by industry players embracing the new opportunities available to them.

3.38 Ofgem recognises that the industry still has concerns, especially with regard to the information flows and processes needed to support metering liberalisation. In view of the responses to this consultation, Ofgem has decided that 1 January 2001 shall be designated as the MLD.

3.39 Prior to the MLD, it will be necessary for Ofgem to designate one or more 'metering codes', as set out in Standard Condition 8 of the Gas Suppliers Licence. Ofgem will consult shortly, on a generic 'metering code' which has been developed by the Suppliers Metering Forum. This consultation will include a proposed governance structure for the 'metering code'.



## 4. Revised project plan

### Introduction

4.1 This chapter sets out respondents' views and Ofgem's position on the main areas of Transco's proposal for a project plan to remove non-price barriers to entry. Key elements of Transco's proposal included the following:

- ◆ Transco has proposed to make the appropriate changes to its organisation to remove barriers related to the integration of its PGT and non-PGT activities, and thereby facilitate competition;
- ◆ Transco proposes to develop with the industry a "Metering Protocol", which would outline the roles and responsibilities of different participants in the industry and facilitate the necessary industry processes;
- ◆ Transco proposed that this change programme should have a formal project management structure and be overseen by a joint "Project Board" comprising Transco and Ofgem; and
- ◆ Transco proposed a timetable for action with key milestones.

4.2 Following consideration of respondents' views, this chapter sets out a revised project plan proposal. This revised plan has been agreed with Transco.

### Transco's proposals: changes to its organisation

#### a) Transco's proposals

4.3 Transco proposed to separate its metering and meter reading businesses from each other and from its PGT business. The metering business of Transco would retain responsibility for the existing stock of meters. Transco expected this responsibility to decrease over time as competition developed, although whilst the licence obligation remained on Transco to provide a meter if requested, it was possible that the stock of Transco-related meters could increase. The contractual relationship with shippers in respect of metering services would be moved out of Transco's network code and into a separate contract.

4.4 Once Transco's licence obligation to provide domestic meters had been removed, it would continue to maintain its residual stock of meters, which had already been provided to shippers pursuant to Standard Condition 23 of its licence. However, Transco as a regulated body would not install new meters. To the extent that BG plc continued to provide metering and meter reading services, it would be from outside Transco's regulatory "ring-fence" on the same basis as any other competing provider.

**b) Respondents' views**

4.5 All thirteen respondents who expressed a view on Transco's proposal supported it in principle. One respondent commented that Ofgem should apply the same principles to Transco's separation as it had applied to other industry separation programmes and that the proposals should be subject to consultation.

4.6 One respondent questioned the need to separate Transco's metering business from its meter reading business. They thought that the need to do so was less clear than the need to separate metering from transportation, and it may provide little obvious benefit. Two respondents (both data services companies) said that Transco's should separate out its provision of data services, in particular the provision of Transco's PGT database. One respondent said that these services were contestable and should be subject to tender.

4.7 Several respondents noted that Transco's integrated systems and processes were very complex and therefore it was essential that Ofgem and Transco published full details of the scope of separation and how it would be taken forward. Specific examples of areas where more clarity was needed included the issue of whether Transco as a meter operator would gain unfair advantage in relation to its PGT role in operating the Sites and Meters Database or in providing emergency services.

4.8 These respondents believed that transparency would help to limit concerns that Transco would continue to receive unfair advantage as a meter operator because of its links with Transco in its role as a PGT. It would also allow shippers and suppliers to better understand and prepare for changes to their systems and processes introduced as a result of Transco's actions.

**c) Ofgem's conclusions**

- 4.9 Following discussions with Ofgem, Transco has agreed to undertake its separation plans in an open and transparent way, whilst taking account of any commercial confidentiality's. Transco has said that it is still at the preliminary stages of assessing the scope of its business processes and activities that will need to be separated. Transco has agreed to publish an initial separation plan for Meter Reading in August 2000, and for Metering Services by March 2001.
- 4.10 Although two respondents questioned the need to separate Transco's metering business from its meter reading business, no evidence of such separation causing significant problems was offered. Ofgem believes that Transco already treats these businesses separately and the price control split is based on this separation.
- 4.11 Ofgem notes the point about the need to separate out data provision services, and agrees that potentially these services are contestable. However, until the framework for competition is developed, the need for existing and new data services is unclear. Ofgem will keep this issue under review during the project.

**Transco's proposal to develop a "Metering Protocol"**

**a) Transco's proposal**

- 4.11 Transco has proposed the development, with the industry, of a "Metering Protocol" aimed at clarifying the future roles and responsibilities of participants and the necessary industry processes.
- 4.12 In developing the "Metering Protocol", Transco said that the following issues would need to be addressed:
- ◆ the definition of services, including the definition of a meter (i.e. does provision of a meter cover the entire meter installation, or just the meter itself);
  - ◆ obligations in respect of gas safety;

- ◆ obligations in respect of data flows and the maintenance of data accuracy;
- ◆ obligations in respect of minimising the risks of theft of gas;
- ◆ specification of scope and formats for data flows;
- ◆ implications for existing statutory and contractual obligations; and
- ◆ impact on the operation of effective competition in supply.

**b) Respondents' views**

4.13 Of the respondents that commented on this issue, all expressed support for Transco's proposal to develop a "Metering Protocol". It was also suggested that the industry should draft the "Metering Protocol" with Ofgem having only a facilitation or disputes role.

4.14 A number of respondents suggested issues that should be considered in developing the "Metering Protocol". These included:

- ◆ obligations with respect to data quality;
- ◆ metering and billing arrangements for sub-deduct meters; and
- ◆ arrangements for identifying and removing non-existent meters on Transco's database (so-called "phantom" or "dead" meters).

**c) Ofgem's conclusions**

4.15 Ofgem supports Transco's proposal in principle, subject to two conditions being met. First, Ofgem's position is that the present legislative framework provides an appropriate basis for defining the responsibilities of participants in a competitive metering market and should therefore be the starting point in developing the "Metering Protocol". Second, in developing the "Metering Protocol" beyond this, Ofgem wishes to ensure that it does not give rise to structures and

behaviour that are anti-competitive or raise unnecessary costs for potential new entrants.

- 4.16 There was some confusion in the responses as to the relationship between the metering protocol proposed by Transco, and the Metering Codes being developed by the MCFG. Ofgem considers that these documents are essentially the same thing. The DEG sub-group of the MCFG originally envisaged there may be several individual codes, each applicable to a particular role in metering, for example, the 'Metering Code for Asset Managers'. The Metering Protocol is envisaged as being a collection of metering processes, as required by legislation or the PGT, or desired by the market itself. The work started by the DEG, will in essence, provide the third element of the Protocol.

### **Transco's proposals: a jointly managed change programme**

#### **a) Transco's proposal**

- 4.17 In the Final Proposals document, Ofgem sought views on Transco's proposal to form a joint "Project Board" with Ofgem to oversee the work programme associated with the introduction of competition. Reporting to this "Project Board" would be a representative "Metering Protocol Steering Group" which in turn would oversee the individual work groups and work streams. Transco's proposal built on work already carried out and retained the MCFG in an advisory role.

#### **b) Respondents' views**

- 4.18 All respondents that expressed a view on the subject supported the need for a managed change programme. All agreed that a formal project structure was needed.
- 4.19 Two respondents suggested variations to the proposed structure. One believed that the MCFG could fulfil the Project Board role and would be advised by the Suppliers Metering Forum. Another respondent suggested that the MCFG could fulfil the role of the proposed Protocol Steering Group.

- 4.20 All thirteen respondents expressing a view said that the Project Board should have a wider representation, for example by including suppliers and shippers. There were a variety of suggestions for further representation on the Project Board. Two respondents suggested the inclusion of representation from the independent PGTs. Three other respondents suggested representation from independent meter operators or data processors. One respondent proposed a consumer representative. No respondent suggested how these industry representatives should be selected.
- 4.21 Of those respondents who supported the proposal for a Protocol Steering Group, all felt that this should have representation from across the industry. One respondent suggested that it would be appropriate for Transco to chair this group given that it had the relevant resources and expertise in this area. Four respondents suggested the use of an independent project manager. The benefits of this would be independence, experience and the ability to work full time in the project.

**c) Ofgem's conclusions**

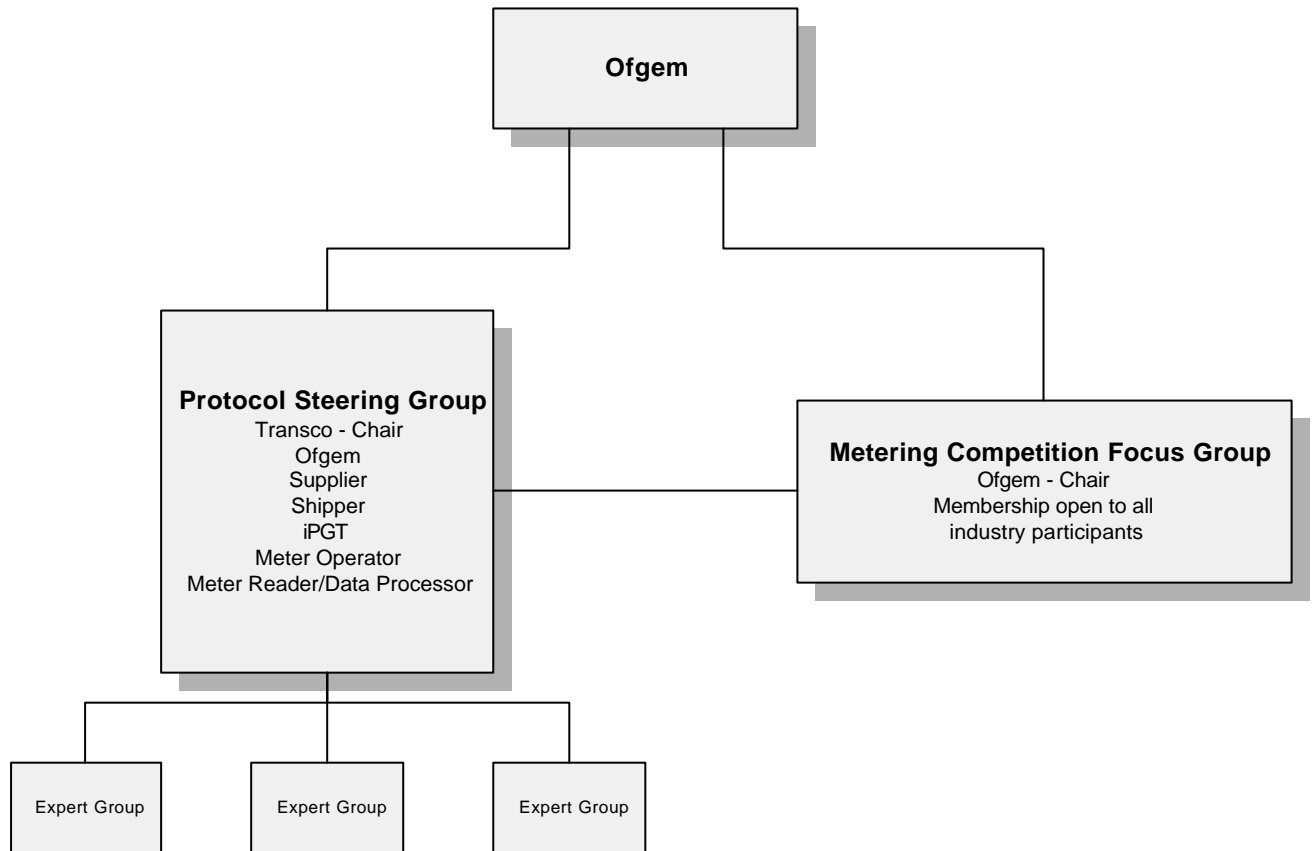
- 4.22 Ofgem is encouraged by the high degree of support for the establishment of a project structure to remove the non-price barriers to the development of competition for metering and meter reading services. Ofgem believes that in taking this project forward, an effective project structure must meet the following objectives:
- ◆ all interested parties should be able to contribute to the project;
  - ◆ the project structure should be efficiently management and conducive to making decisions in taking work forward;
  - ◆ the project does not over-ride the agreed industry governance arrangements that are already in place, such as for modifications to Transco's network code;
  - ◆ the project structure should not in any way dilute or distort the responsibilities on industry participants to meet the provisions of their licences or general competition law; and

- ◆ Ofgem's role cannot fetter its discretion in regard to its statutory duties or in its role as a competition authority and concurrent powers under the Competition Act 1998.

4.23 Against these objectives, Ofgem has a number of concerns with Transco's proposal to establish a joint Ofgem-Transco "Project Board". Ofgem shares respondents' views that such a composition would be unrepresentative and may not serve the best interests of other relevant parties such as shippers and suppliers. Ofgem believes that these and other interested parties have relevant expertise and incentives to contribute to the successful outcome of this project. It is also important to consider what decisions such a Project Board could make. Where a decision relates to Ofgem's statutory powers, it would be for Ofgem alone to make. Decisions, which did not relate to Ofgem's statutory powers, would be for relevant industry participants, and Ofgem's role would be limited to arbitration. As discussed in Chapter 2, Ofgem cannot fetter its discretion as a competition authority, or in agreeing or disagreeing network code modifications, by taking too proactive role in devising industry solutions and agreements.

4.24 Following further consultation with the MCFG, Ofgem proposes to amend Transco's proposal and to establish a project structure that does not include a "Project Board". Instead, Ofgem proposes that a separate "Protocol Steering Group" should be created, which would fulfil a project management function and be required to formally consult with, and have its work reviewed by, the MCFG. The MCFG has provided a valuable consultation mechanism, and Ofgem believes that it should continue to serve this purpose. However, Ofgem reserves the right to consult more widely if necessary. Ofgem's role will include enforcing its statutory duties, arbitrating disputes and providing general guidance. This revised project structure is shown in figure 1.

**Figure 1: Revised project structure**



4.25 The Protocol Steering Group (PSG) will have two distinct roles. First, it would manage the project on a day to day basis, acting within a framework agreed with Ofgem and reviewed and broadly endorsed by the MCFG. Second, it would identify risks and issues that could prevent the project being delivered within this framework. The group would then report these issues to the MCFG together with options for resolution and a recommended course of action. Ofgem will participate in both the PSG and the MCFG and offer early informal guidance where appropriate in relation to Ofgem's powers and statutory duties.

4.26 Ofgem agrees with those respondents who expressed the view that the proposed Protocol Steering Group should have wide industry representation. Ofgem proposes that the Protocol Steering Group should comprise of Ofgem, Transco



and one representative from each of the following interested parties:  
independent PGTs, suppliers, shippers, meter manufacturer, meter reader/data processors and a potential market entrant. Ofgem and Transco will propose to the MCFG a nomination process for representatives to sit on the PSG.

- 4.27 If the PSG has sufficient representation, clear terms of reference and its work is transparent to the wider industry, Ofgem believes that the group could carry out the project management function in addition to its work to develop the protocol. Ofgem recognises that the management of the Protocol Steering Group will be relatively demanding in terms of its resource commitment. Ofgem is therefore content with Transco's proposal that it should chair this group. Ofgem will continue to chair the MCFG.
- 4.28 Regarding the management of the project, Ofgem is attracted to the suggestion of using a full time, independent project manager. However, at this stage it is unclear whether an independent project manager will in practice be needed. It is also unclear how this individual would be selected (assuming someone with relevant experience is available) or how the work would be funded. Ofgem therefore does not propose to appoint an independent project manager at this stage, but will keep the situation under review, especially when the project moves from a period of planning and design to one of implementation.
- 4.29 Ofgem proposes that the project be divided into three month management stages. The MCFG would meet approximately every six weeks. A meeting at the start of each stage would review both progress against the plan to date, and the detailed plan for the following stage. A meeting at the mid-point of the stage would allow any issues raised to be discussed, progress to be monitored and if necessary, corrective action to be taken. Consideration will be taken, as to whether each stage of the plan, once approved, should be published, possibly on the Ofgem web-site.
- 4.30 The PSG would initially meet every three weeks, though work would also be progressed outside of these meetings. It is envisaged that the group would progress most of the required work, with *ad hoc* groups being formed, or individuals requested, to carry out specific tasks where further expertise or resource is required.

## **Timetable**

### **a) Transco's proposal**

4.31 Transco proposed a timetable for the work required, commencing in April 2000 and concluding in April 2002. (See appendix 1).

### **b) Respondents' views**

4.32 Of those respondents who expressed a view, five respondents thought that Transco's suggested timetable was challenging, three respondents cautioned against undue haste and stressed the need for a consensus view and one respondent said that the timetable was unrealistic. A number of respondents said that the project timetable should not compromise the development of agreed and robust systems and processes to support the development of competition.

4.33 Regarding the detail of the timetable, one respondent thought that the detail and sequencing of the work was logical. However, two respondents said that competition in certain aspects of Daily Meter reading should be brought forward in the timetable from stage 3. They believed that there were no compelling reasons why competition in this market should be delayed. One respondent thought that other aspects could be brought forward, notably the notification of meter replacements, planned for October to April 2001. Another respondent suggested that consideration of theft of gas should be factored into the timetable.

### **c) Ofgem's views**

4.34 Ofgem agrees with those respondents who feel that the timetable is challenging, however, we believe that this is not unreasonable given that Ofgem is committed to securing the benefits of competition for consumers as quickly as possible. Nevertheless, we would not wish to force the pace of change to the extent that the interests of consumers are prejudiced. Adequate time should be allowed for establishing robust systems which do not compromise data integrity and allow industry players to comply with their legal obligations in a manner which maintains adequate standards of safety and accuracy.

- 4.35 In particular, we acknowledge that the systems changes, of the kind metering competition will almost certainly demand, are not trivial and will affect all industry players. The planning and timing of such changes will therefore demand careful consideration and consultation with all interested parties. Ofgem will seek to minimise the impact of required systems changes by encouraging full consultation and a realistic timetable.
- 4.36 Ofgem agrees with those respondents who feel that certain aspects of the timetable can be accelerated. In particular, we see no reason why certain aspects of competition in Daily Metering cannot be brought forward. Transco has suggested, and Ofgem would agree, that generally acceleration of the timetable should be considered under the auspices of the PSG where a range of views and impacts on other elements of the plan, will be discussed. We agree that certain aspects, such as theft of gas, could be incorporated into the planning.
- 4.37 On this basis, Ofgem has taken the respondents' views into account and produced a revised timetable shown in appendix 2. It is for the MCFG to review this timetable and provide feedback to the PSG. Subsequent changes to the timetable would need to be agreed with Ofgem and reviewed by the MCFG. The timetable should not preclude work being completed early, or market entrants independently progressing contacts.

## Appendix 1 Transco's initial timetable

Transco's initial proposal for a managed change programme, as set out in Ofgem's Final Proposals<sup>11</sup> on securing effective competition in gas metering and meter reading services, was based around the timetable set out below. As proposed by Transco, the end point of this timetable is the complete deregulation and meter reading services by April 2002. It is proposed within this timetable that particular services, such as NDM reading, could be deregulated before April 2002.

### April to October 2000

- Publication of a charging proposal to rebalance metering and transportation charges with effect from 1 July 2000;
- Specification and establishment of managed change programme, including establishment of the metering protocol workgroup;
- Publication of charging proposal to disaggregate existing meter rebate into separate charges for provision, installation and maintenance;
- Publication of discussion paper on disaggregation of data-logger charges;
- Implementation of systems changes (e.g. UK Link) in consultation with the industry, to support disaggregated charges and separate invoicing for metering services;
- Immediate removal of volume restriction on applications by shippers for meter rebates;
- Ring-fencing and then migration of existing Transco meter reading staff performing PGT activities (e.g. 'must reads');
- Development of separate meter reading IT systems, in consultation with the industry; and
- Completion of the 'Metering Code' and designation of metering liberalisation date by Ofgem.

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<sup>11</sup> "Securing effective competition in gas metering and meter reading services: The Director General's Final Proposals", Ofgem, May 2000.

### **October 2000 to April 2001**

- Implementation of disaggregated metering charges (October 2000);
- Development of a plan to separate Transco's metering and PGT businesses;
- Establishment of a Transco network code development workgroup to facilitate removal of metering services from Transco's network code and replacement with 'stand-alone' contracts;
- Commencement of Transco outsourcing of meter work;
- Implementation of stand-alone NDM reading IT system, and removal of Transco's meter reading business' access to sites and meters database; and
- Delivery of metering protocol, and managed change programme fully in place.

### **April to October 2001**

- Removal of Transco's provision of metering services from its network code and introduction of new 'stand-alone' contracts;
- Roll-out of systems to enable suppliers (or their agents) to own and operate meters, and to enable transfer of information (e.g. change of supplier);
- Creation of separate database for Transco's meter assets;
- Completion of separation of Transco's metering and meter reading businesses from each other and from Transco's PGT business; and
- Establishment of a stand-alone DM system and agreed competitive processes, enabling competition in DM reading to begin.

### **October 2001 to April 2002**

- Publication by Transco of information on meter requiring replacement.

### **April 2002 onwards**

- Ofgem to review progress and development of competitive market with a view to removing existing licence obligations on Transco; and

- The introduction of Transco's new price control possibly excluding a price control on metering and/or meter reading activities.

## Appendix 2 Revised timetable for the project plan

Set out below is the revised timetable for the project plan. This plan may be updated and amended over time. Relevant material, e.g. papers and meeting notes may also be posted on Ofgem's web site ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)) from time to time.

PSG = Protocol Steering Group

MCFG = Metering Competition Steering Group

### A1.1. Stage 1 - July to September 2000

| Action   | Responsibility | Timing         |
|--|----------------|----------------|
| 1. Publish revised project proposal document   | Ofgem          | August 2000    |
| 2. Review/endorse overall project plan and stage 1 plan  | MCFG           | August 2000    |
| 3. Publish Transco Meter Reading Separation paper  | Transco        | August 2000    |
| 4. Publish description of Transco's current activities   | Transco        | August 2000    |
| 5. Publish consultation paper on Metering Code and designation of Metering Liberalisation Date | Ofgem          | September 2000 |
| 6. Develop process for non-Transco installation of Transco meters                              | Transco        | September 2000 |
| 7. Establish Protocol Steering Group   | Transco        | September 2000 |
| 8. Complete research of legislative framework  | Ofgem          | September 2000 |
| 9. Produce project plan for stage 2.   | PSG            | September 2000 |

Note: Timing for stages 2 to 4 will be specified at the commencement of each stage. It is likely that stage 4 will be subdivided at the commencement of that stage.

### A1.2. Stage 2 - October to December 2000

| Action   | Responsibility |
|--|----------------|
| 10. Review/endorse stage 2 plan  | MCFG           |
| 11. Implementation of disaggregated metering charges (domestic).             | Transco        |
| 12. Commence roll-out process for non-Transco installation of Transco meters | Transco        |

|   |                        |
|---|------------------------|
| 13. Industry consideration of network code implications to support competitive DM reading   | PSG/Industry           |
| 14. Expert groups to complete analysis of business processes  | PSG                    |
| 15. Undertake gap analysis between business processes (proposed and Transco's) and legislation  | PSG                    |
| 16. Carry out desk-top trials of processes  | PSG/MCFG               |
| 17. Establish Network Code Development workgroup to facilitate migration of Transco's metering services from Transco's network code to separate contracts | Transco/ PSG/ Industry |
| 18. Produce project plan for stage 3.   | PSG                    |

### ***A1.3. Stage 3 - January to March 2001***

| <b>Action</b>   | <b>Responsibility</b> |
|---|-----------------------|
| 19. Review/endorse stage 3 plan   | MCFG                  |
| 20. Network Code Development workgroup to progress migration of Transco's metering services from Transco's network code to separate contracts         | Industry/ MCFG        |
| 21. Develop systems and processes requirements for competitive Daily Metering   | Transco               |
| 22. Publish Ofgem guidance notes for market participants  | Ofgem                 |
| 23. Specify Network Code changes to cover PGT requirements for competitive DM provision and migration of Transco's DM services to separate contracts. | Transco/ Industry     |
| 24. Publish Transco separation plan   | Transco               |
| 25. Systems design and development  | Industry/ Transco     |
| 26. Produce project plan for stage 4.   | PSG                   |

### ***A1.4. Stage 4 - March to December 2001***

| <b>Action</b>   | <b>Responsibility</b> |
|---|-----------------------|
| 27. Review/endorse stage 4 plan   | MCFG                  |
| 28. Implement Network Code, systems and process requirements for competitive DM | Industry/ Transco     |
| 29. Migration of metering provisions from network code to contracts             | Transco               |
| 30. Roll-out new systems  | Transco/ industry     |



|  |         |
|--|---------|
| 31. Complete separation of Transco's metering and meter reading businesses | Transco |
|--|---------|