

The Provision of metering information by Transco

Update document

April 2003 25/03

Summary

This document summarises the responses received to Ofgem's December 2002 consultation "*The provision of metering information by Transco*". The consultation followed a number of formal complaints regarding National Grid Transco plc's ("Transco's") level of performance in supplying information to enable competitors to provide metering services. The complaints broadly related to alleged: -

- ◆ Repeated failure, by Transco, to supply information to enable the provision of metering services in a timely manner, or at all;
- ◆ Requirement on third parties to follow procedures that are different and more onerous than those followed by Transco's own metering business.

Ofgem's initial view is that the responses received to the December consultation do not provide evidence that Transco is in breach of any statutory requirement. However, Ofgem's investigation into these matters has not closed. Ofgem will determine whether Transco is in breach of any of its obligations in respect to the provision of metering information and intends to continue to investigate the formal complaints submitted since April 2002 as well as the issues raised in the confidential and non-confidential responses to the December 2002 consultation paper.

In taking forward this investigation, Ofgem will have regard to Transco's Gas Act, licence and Network Code obligations as well as Transco's recent written responses to formal requests for information required by Ofgem under amended standard condition 24 of Transco's gas transporters licence.

These further investigations will confirm whether Ofgem considers a modification of Transco's licence is appropriate which, in itself, will be the subject of further consultation.

Ofgem intend to issue a consultation paper on the preferred form of regulatory action, if any, within three months.

Table of contents

1. Introduction.....	1
Ofgem’s initial views.....	1
2. Summary of responses	3
Failure to supply information and requirement to follow different procedures	3
Other issues	6
3. Conclusion.....	8
4. Next steps.....	9

1. Introduction

- 1.1. In December 2002, Ofgem consulted on the provision of metering information by Transco.¹ This followed an investigation by Ofgem into a number of formal complaints received in April 2002 regarding Transco's level of performance in supplying information to enable competitors to provide metering services. The complaints related to alleged: -
- ◆ Repeated failure, by Transco, to supply information to enable the provision of metering services in a timely manner, or at all;
 - ◆ Requirement on third parties to follow procedures that are different and more onerous than those followed by Transco's own metering business.
- 1.2. Ofgem considered that poor performance in relation to these issues could result in end-customers being over, or under, charged for work, competition being restricted, added cost and inconvenience for end-customers and Transco's competitors in the provision of metering services and, finally, increased risk to consumer safety.
- 1.3. The purpose of the consultation was to seek respondents' views on Transco's performance in the provision of metering information. In particular, Ofgem sought evidence from shippers and other third parties on the service levels and associated standards of performance in metering services that Transco provided for the period 1 November 2001 to 31 October 2002.

Ofgem's initial views

- 1.4. Since issuing the consultation Ofgem has received a number of additional complaints focusing on the accuracy (rather than the timeliness) of the information provided by Transco, particularly in relation to service pipe operating pressures. There was concern that this raised issues of gas safety as well as potential anti-competitive behaviour. In this context, Ofgem referred

¹ The provision of metering information by Transco: Consultation document – December 2002 85/02

these issues to the Health and Safety Executive to consider the health and safety implications. Ofgem continued to consider these issues in respect of anti-competitive behaviour. Although the responses received to the December consultation did not provide evidence that Transco is in breach of any statutory requirement, Ofgem's investigation into these matters has not closed. Any potential new licence condition and / or other measures would follow further consultation by Ofgem.

- 1.5. Ofgem will soon make its decision on Network Code Modification 565 that would formalise Transco's standards of service to suppliers. With the advent of unbundling of Transco's core services a number of these services are no longer relevant. This modification removes those areas which are now subject to competition and adjusts the structure of those standards which are still applicable. Ofgem expects to issue its decision by May 2003. Ofgem will consider as part of this investigation, whether these revised arrangements should also apply on a non-discriminatory basis to non-shippers.
- 1.6. This Update document provides a brief summary of the responses received to the consultation and the next steps Ofgem intends to take.

2. Summary of responses

- 2.1. This section summarises the responses made to the December 2002 consultation paper. Ofgem received 7 responses from industry participants, 3 of which were confidential. The non-confidential responses have been made available on the Ofgem metering website.²

Failure to supply information and requirement to follow different procedures

Respondents' views

- 2.2. The majority of respondents who commented on this issue indicated that, in general terms, they had not experienced any significant difficulties in obtaining metering information from Transco. One respondent commented that they had received a good level of support and co-operation from Transco in developing metering competition and in clarifying interface processes and procedures. They added that, to date, the alternative meter service providers they were using had not made any adverse comment on the levels of service provided by Transco.
- 2.3. Two other respondents who said that Transco's provision of metering information had, with the odd exception, been good and exceeded the informal service level currently in place echoed this view. Both respondents supported the proposed modification to Transco's Network Code (Modification 565), which seeks to revise Transco's Network Code Standards of Service. This modification would formalise standards of service and be supported by an appropriate compensation scheme in circumstances where service fell below the agreed performance.
- 2.4. However, one respondent was concerned with the service levels contained within the "Service Appraisal Scheme". This scheme places obligations upon alternative meter service providers to confirm service pipe operating pressures

² www.ofgem.gov.uk/ofgem/work/

with Transco in a number of particular circumstances. They were concerned that the current service levels and associated timings were unacceptable and were looking to Ofgem to help resolve the issue.

- 2.5. Finally, one respondent added that the quality of information provided by Transco from its Sites and Meters Database was not acceptable. They considered that this system contained a wide range of duplicate Meter Point Reference Numbers (MPRNs), incorrect or incomplete meter serial numbers, incorrect meter types, incorrect measurement details as well as invalid addresses/locations and supply points. They felt that Transco was reluctant to address this issue seriously. This was of concern as data quality issues principally caused difficulties for suppliers and customers.

Transco's comments

- 2.6. Transco's comments covered the provision of information to third parties and the provision of information to shippers.

Third parties

- 2.7. Transco took the view that, before the start of the Review of Gas Metering Arrangements (RGMA) project,³ there was little or no activity by third parties to connect meters to Transco's transportation system. Where an alternative meter provider wanted to install a meter, Transco provided the relevant information through ad-hoc arrangements to suit the particular circumstances.
- 2.8. Transco acknowledged that there was a future need to establish consistent business processes to facilitate the connection of meters by third parties, albeit they were aware that third parties could install meters in advance of any agreed industry cutover to the RGMA processes.

³ The RGMA project is responsible for the design and implementation of industry wide business processes and dataflows to facilitate competition in gas metering services and the system separation of Transco's transportation and metering businesses. It is targeted at a go-live date in November 2003.

2.9. In these circumstances Transco stated that they had developed a set of transitional processes to facilitate meter installation by third party providers. As such, in November 2001, Transco had published procedures for the provision of service information to third parties which included the: -

- ◆ provision or confirmation of the MPRN;
- ◆ confirmation of live gas service pipe (for an existing service);
- ◆ confirmation that the service pipe was capable of providing the planned capacity of the meter installation;
- ◆ the network pressure tier to which the service pipe is connected and associated pressures;
- ◆ any special engineering constraints.

2.10. Transco also indicated that they had voluntarily agreed to a range of supporting performance levels for these services. As such, service pipe information requests were to be provided within eight working days from receipt, meter appraisal requests within five working days and combined information request and appraisal requests within eight working days. For the year 2002 Transco reported that they had received over 1,200 requests of which only 87 had not reached the required standard.

Shippers

2.11. Transco was of the view that metering information services provided to shippers and other third parties were fundamentally different and as such, it was inappropriate to make comparisons.

2.12. Transco said that there were two main services used in the provision of metering information to shippers, namely the Request For Information (RFI) service and the Conquest query service. The RFI service allows shippers to make enquiries about existing meter installations at their own supply points, using an MPRN or address as the reference point. The Conquest query service allows shippers to query data in respect of their own supply points. It is subject to agreed standards

of service for query resolution. In their response, Transco provided details of their performance level in respect of the RFI and the Conquest query services.

Other Comments

- 2.13. Transco said that in addition to the development of information services for alternative meter providers, they had already made a number of changes to their supply point administration processes to ensure suppliers obtained the necessary metering data.
- 2.14. Transco took the view that they had voluntarily progressed a number of initiatives, such as the provision of data to third parties, to support competitive meter provision. They had endeavoured to develop services that were effective for the prevailing market conditions, whilst ensuring compliance with their safety and regulatory obligations, including the provision of domestic meters where requested.
- 2.15. Finally, Transco considered that although there may be some benefit in developing agreed standards of performance in areas such as the provision of service pipe information, it did not believe it appropriate to establish new legislative requirements during a period in which competitive gas metering services were beginning to emerge. Transco said that any decision on whether services developed in support of metering competition should be subject to statutory standards of performance, and any possible liabilities, should only be considered after the implementation of the RGMA project, in light of experience of the competitive market.

Other issues

Respondents' views

- 2.16. One respondent said they did not consider that the existing regulatory framework needed extending or refining to ensure Transco's compliance with metering competition obligations and levels of service. They considered that the framework already provided a sufficient incentive to encourage positive behaviour from Transco and, as necessary, allow Ofgem to enforce compliance.

- 2.17. This respondent believed that the only way to ensure metering competition was successful was to ensure that Transco's transportation and metering businesses were completely separated. In addition, the provision of services from Transco's transportation business should be on a non-discriminatory basis to all metering service providers.
- 2.18. Another respondent said that although they had established an effective working relationship with Transco they had a particular concern with Transco's post emergency metering service. This respondent indicated that they were not receiving reports from Transco on the nature of the meter problems and the work undertaken by Transco. Such information was vital to ensure that the respondent took appropriate action to avoid repetition of the problem. Although the matter had been raised with Transco it did not appear they were treating it as a priority issue and there was no indication when a solution was likely to be implemented.
- 2.19. Another respondent expressed concern with Transco's apparent inability to deliver acceptable performance in relation to guaranteed and overall standards of performance. They indicated that an apparent recent failure rate of 3.6% in keeping meter appointments was unacceptable, particularly as suppliers had to bear the additional administration costs of having to deal with customers' complaints and the re-booking of such failed appointments.
- 2.20. Finally, one respondent expressed concern that Transco's non-regulated metering business (Utility Metering Services) had successfully tendered for the provision of gas and electricity metering services for British Gas in four geographical areas. They were concerned that this successful bid had been supported by knowledge and experience derived from Transco's regulated metering business, including information on pricing, procurement and business processes. This respondent concluded that it was inevitable a substantial financial cross subsidy between NGT's regulated and non-regulated metering businesses would occur. This would present a serious and unfair barrier to entry for new market entrants.

3. Conclusion

- 3.1. Ofgem considers that the responses to the December 2002 consultation do not by themselves, provide evidence that Transco is in breach of any obligations in respect to the provision of metering information.
- 3.2. However, Ofgem notes that number of the responses identify weaknesses in Transco's processes. They also confirm Ofgem's view that this is a complex issue that needs to be considered in the light of emerging gas metering competition and the organisational and system separation of Transco's transportation and metering businesses.
- 3.3. It is also important to consider the complaints in light of parallel initiatives, which seek to address other concerns. For example, Network Code Modification 565 proposes to amend Transco's Network Code to refine existing service standards and incentives to more clearly reflect the changing industry structure. The modification has been formally presented to Ofgem and is now awaiting a decision.
- 3.4. It is in this context that Ofgem's investigation is continuing.

4. Next steps

4.1. Following the publication of this consultation paper, Ofgem will continue to consider whether there has been a breach of any of Transco's obligations and whether it is appropriate to take any form of enforcement action against Transco. Ofgem will therefore continue to investigate as a matter of urgency: -

- ◆ The formal complaints submitted to Ofgem since April 2002 regarding Transco's levels of performance in supplying information to enable the provision of metering services;
- ◆ The issues raised in the confidential and non confidential responses to the December 2002 consultation paper

4.2. In taking forward this investigation, Ofgem will have regard to: -

- ◆ Transco's Gas Act obligations – These include, for example, Sections 9(1A) and 9(2)(b) of the Act which place a specific duty on Transco to facilitate competition in gas supply and avoid any undue discrimination in the terms on which the conveyance of gas is undertaken.
- ◆ Transco's licence obligations – These include, for example, amended standard condition 4(D) (Conduct Of Transportation Business), amended standard condition 31 (Supply Point Administration Service), special condition 23 (Provision of metering and meter reading services) and Special Condition 32 (Non-discrimination in the provision of metering activities)
- ◆ Transco's Network Code obligations - These require Transco to provide a range of information to shippers to allow for the installation of meters onto the transportation network.
- ◆ Transco's written responses to separate formal requests for information required by Ofgem under amended standard condition 24 of Transco's transportation licence

- ◆ Other developments – This includes, for example the modification to Transco’s Network Code to refine the existing standards of service and incentives to reflect more closely the separation of Transco’s transportation and metering business and the emergence of competition in the provision of gas metering services.
- 4.3. If these further investigations indicate that there are failings in Transco's systems which are not currently covered by any regulatory obligation, but which have an adverse effect on gas metering competition, Ofgem will consider whether a modification of Transco’s licence may be appropriate. Any such modification would be the subject of further consultation.
- 4.4. Ofgem intend to issue a consultation paper on the preferred form of regulatory action, if any, within the next three months subject to any unforeseen issues materialising.