

October 2003

**The provision of metering
information by Transco**

Conclusions

Summary

Over the last 18 months Ofgem has been investigating a complaint about Transco's level of performance in supplying information to enable the provision of gas metering services. The complaint raised the following main issues:-

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

Ofgem has taken forward the investigation on the basis of whether Transco has complied with the provisions of amended Standard Condition 4D of its gas transporters licence. The investigation has involved industry consultation as well as a series of formal information requests to Transco and the original complainant. Ofgem has considered the complaint against the backdrop of emerging competition in the provision of gas metering services.

Ofgem has found that there is not sufficient evidence to conclude that there is currently, or has been, an infringement of the provisions of amended Standard Condition 4D of Transco's gas transporters licence. However, Ofgem remains concerned that the current arrangements for the provision of metering information do not adequately facilitate gas metering competition going forwards. In Ofgem's view the regulatory framework needs to be revised to make explicit what is expected of Transco in relation to the provision of metering information.

Ofgem therefore proposes, by the end of the year, to consult on certain changes to Transco's gas transporters licence which will include redefining the transportation and metering businesses. The intention is to formalise Transco's planned operational and system separation. The licence changes also aim to provide greater clarity on the restrictions on the use of certain information between the different parts of Transco's businesses.

In the interim, Ofgem has secured a commitment from Transco to consult with the industry on changes to its meter appraisal scheme and the arrangements for the provision of metering information in order to address the concerns identified.

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1. Introduction

Overview

- 1.1 In April 2002 Ofgem received a formal complaint from an industry participant regarding Transco's levels of performance in supplying information to enable the provision of metering services by third parties.
- 1.2 The information in question related to, for example, the status of the gas service pipe, the loading of the pipe, the operating pressure range for such a pipe, the size and type of emergency control valve for such a pipe and the attribution of an associated Meter Point Reference Number (MPRN).
- 1.3 The specific licence obligations on Transco only relate to the provision of some of this information to shippers. However, Transco's gas transporters licence includes broader obligations, such as amended Standard Condition 4D, to conduct its transportation business in the manner best calculated to secure that neither Transco, or any affiliate or related undertaking, obtains any unfair commercial advantage.
- 1.4 In considering whether Transco have complied with this obligation and whether the current regulatory framework is adequate, Ofgem has analysed in particular whether the information was provided in a manner which was:-
 - ◆ transparent and non-discriminatory; and,
 - ◆ timely and accurate;
- 1.5 As part of its investigation, Ofgem consulted in December 2002¹ in order to seek further information from third parties on Transco's service levels and standard of performance in providing metering information. Ofgem published an update on its investigation in April 2003.²
- 1.6 Ofgem's final decision and the proposed next steps are reported on in this document. It focuses on Ofgem's investigation of the complaint and whether

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

² The provision of metering information by Transco – Update Document – April 2003 25/03

Transco is in breach of its licence obligation. Ofgem does not carry out regulatory impact assessments for its enforcement activities.

- 1.7 In the light of its investigation Ofgem has concluded that, at this stage, there is not sufficient evidence for the Authority to be satisfied that there was a past, or current, breach of standard licence condition 4D of Transco's gas transporters licence. However, Ofgem remains concerned that poor performance by Transco in supplying metering information to third parties could lead to added cost and inconvenience to third parties, because of contractual delays caused by waiting for information and the time and effort required to remedy Transco's errors. It could also hinder the development of competition because third parties, working on behalf of end-consumers, could be perceived to be responsible for delays experienced by the end-consumer. It could also constitute a barrier to entry for new entrants planning to take part in the emerging competitive gas metering market.
- 1.8 Ofgem has therefore considered the options open to it, which include proposing revisions to the regulatory framework to make the obligations on Transco in this area more explicit. A further consultation will be issued by the end of the year which will consider the specific changes proposed in more detail. This consultation will contain a summary regulatory impact assessment for these changes.

Structure of the document

- 1.9 Chapter 2 provides the background to the formal complaint which Ofgem received regarding Transco's performance in providing metering information. It also provides an overview of the process by which Ofgem has taken forward the investigation.
- 1.10 Chapter 3 provides an overview of the statutory framework within which Transco needs to operate in providing gas metering services and gas metering information. It also gives an overview of the role of Ofgem and its roles and duties in relation to enforcement. The conclusion of this Chapter is that the only relevant provision in Transco's licence at present is amended Standard Condition 4D, which places on Transco a broad obligation to conduct its business in a

manner best calculated to secure that there is no unfair commercial advantage to Transco or an affiliate or related undertaking.

- 1.11 Chapter 4 provides information on the industry relationships and information flows in the provision of gas metering services and gas metering information. This includes an assessment of the extent to which Transco requires third parties to follow processes that are more onerous than those followed by its own metering businesses and hence whether the processes can be considered as transparent and non-discriminatory.
- 1.12 Chapter 5 provides the data analysis used to consider the timeliness and accuracy of information provided by Transco to non-shippers.
- 1.13 Chapter 6 provides an overview of other industry developments which form an important backdrop to the investigation.
- 1.14 Chapter 7 outlines Ofgem's conclusions on the investigations and describes the next steps that Ofgem will be taking.

2. Background to the investigation

Overview

2.1 The purpose of this section is to provide some background on a formal complaint from an industry participant regarding Transco's level of performance as well as an overview of the process by which Ofgem has taken forward the investigation.

Initial complaint (April 2002 – November 2002)

2.2 In April 2002, Ofgem received a formal complaint from an industry participant (*"the complainant"*) regarding Transco's levels of performance, for the period April 2001 to November 2001, in the provision of gas metering services³ and gas metering information⁴. The complainant alleged that Transco:-

- ◆ repeatedly and persistently failed to supply information in a timely manner, or at all; and,
- ◆ required third parties to follow procedures that were different and more onerous than those followed by Transco's own metering business.

2.3 Following receipt of the complaint and initial consideration of the matter internally, Ofgem wrote to Transco in July 2002 seeking information on the specific complaint. Transco provided a formal response later that month upon which Ofgem sought comments from the complainant in August 2002. These were provided the following month.

2.4 In November 2002, Ofgem wrote to both the complainant and Transco indicating that, whilst it did not consider it had grounds to be satisfied that Transco was, or was likely to be, in breach of its licence or of the Gas Act 1986 (*"The Gas Act"*), there was some evidence which caused it to consider that Transco might not have in place appropriate systems to deliver a timely and accurate response to requests for gas metering information. Ofgem concluded that this merited further investigation.

³ Gas metering services are defined as information flows between Transco and shippers/other third parties to enable the provision and installation of Transco meters.

⁴ Gas metering information are defined as information flows between Transco and shippers/other third parties to enable the provision and installation of non-Transco meters.

Ofgem consultation (December 2002 – April 2003)

Consultation document – December 2002

- 2.5 In December 2002, Ofgem published a consultation paper on the quality of service provided by Transco in respect of its provision of metering information. The consultation sought responses from all interested parties including Transco, other gas transporters, shippers, suppliers, meter service operators and other industry participants regarding the quality and timeliness of the information provided by Transco and the procedures that needed to be followed for the period 1 November 2001 to 31 October 2002. The aim of this consultation was to establish whether the original complaints received were isolated or whether they indicated the existence of more general shortcomings.

Industry responses

- 2.6 The majority of respondents indicated that, in general terms, they had not experienced any significant difficulties in obtaining metering information from Transco. One respondent commented they had received a good level of support and co-operation from Transco in developing metering competition and in clarifying interface processes and procedures. This view was echoed by two other respondents who said that Transco's performance had, with the odd exception, been good and exceeded the informal service level in place at the time. Finally, one respondent (who was not the original complainant) expressed concern with Transco's response times in relation to the Meter Appraisal Scheme.

Transco

- 2.7 Transco also commented on the provision of information to shippers and non-shippers.
- 2.8 Transco said that before the start of the Review of Gas Metering Arrangements (RGMA) project⁵, there was little or no activity by non-shippers 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.

⁵ Further information on the RGMA project is provided at Chapter 6.

- 2.9 Transco acknowledged the need to establish consistent business processes to facilitate the connection of meters by non-shippers, albeit they were aware that non-shippers could install meters in advance of any agreed industry cutover to the RGMA business processes.
- 2.10 Transco was of the view that metering information services provided to shippers were fundamentally different from those provided to non-shippers and, as such, it was inappropriate to make comparisons.

Update Paper – April 2003

- 2.11 In April 2003, Ofgem published an update paper which summarised the responses received to the December 2002 consultation. Ofgem noted that it had also received a number of additional complaints from the original complainant focusing on the accuracy (rather than the timeliness) of the information provided by Transco, particularly in relation to service pipe operating pressures. The complainant was concerned that this raised issues of gas safety as well as being potentially anti-competitive. Ofgem referred these complaints to the Health and Safety Executive (*“the HSE”*) to consider the health and safety implications. Ofgem continued to consider the commercial issues.
- 2.12 In the update paper, Ofgem concluded that the responses to the December 2002 consultation did not, by themselves, provide sufficient evidence that Transco was in breach of any obligations in respect of the provision of gas metering information. However, Ofgem signalled its intention to continue to consider whether there had been a breach of any of Transco’s obligations and whether it was appropriate to take any form of enforcement action.
- 2.13 In considering any further action Ofgem indicated that it would have regard to Transco’s Gas Act, licence and Network Code obligations. It would also have regard to Transco’s written responses to formal requests for information required by Ofgem, and other industry developments such as the proposed modification to Transco’s Network Code to refine the existing standards of service⁶.
- 2.14 Ofgem stated that it intended to issue a consultation paper on the preferred form of regulatory action, if any, within the following three months. Delays in

⁶ Further information on this and other relevant Network Code modifications is provided in Chapter 6.

obtaining further information have resulted in this timetable being slightly extended.

Transco information requests (January – July 2003)

- 2.15 In parallel with the publication of the December 2002 consultation paper Ofgem submitted three formal information requests to Transco pursuant to the provisions of amended standard condition 24 of its gas transporters licence. Ofgem also requested additional information from the original complainant. The information requested is summarised in Appendix 1.
- 2.16 Ofgem has considered the information provided in response to the consultation paper as well as the individual information requests. The analysis, which is provided in Chapters 4 and 5, focused on the Transco-non-shipper relationships across three time periods:-
- ◆ April-November 2001: the period of the original complaint;
 - ◆ December 2001-July 2002: the period leading to the establishment of Transco Metering Services Ltd (TMSL);
 - ◆ August 2002-May 2003: the period following the establishment of TMSL, until an appropriate cut-off point.

3. Statutory Framework

Introduction

- 3.1 The purpose of this Chapter is to provide an overview of the statutory framework within which Transco and other industry participants need to operate in providing gas metering services and gas metering information. It also gives an overview of the role of Ofgem and its roles and duties in relation to enforcement. It provides a backdrop against which Transco's level of performance is considered.

The Gas Act 1986

Ofgem

- 3.2 Ofgem has a principal objective as set out in Section 4AA of the Gas Act 1986 (*"The Gas Act"*) to protect the interests of consumers, both present and future, in relation to gas conveyed through pipes, wherever appropriate by promoting effective competition. Ofgem has to have regard, amongst other things, to the need to ensure that all reasonable demands for gas are met and that licence holders are able to finance those activities which are subject to Gas Act obligations. Sections 5–8AA of the Gas Act set out the legal framework for the present gas licensing regime in Great Britain.
- 3.3 The Gas Act also sets out Ofgem's duties and powers in relation to enforcement. Where Ofgem is satisfied that a licensee is, or is likely to be, in breach of a relevant obligation then Ofgem has a duty to take requisite action to secure compliance through the issuing of a provisional or final order. In addition, where Ofgem is satisfied that a licensee has breached a relevant obligation then it has powers to impose a financial penalty.

Transco

- 3.4 Transco plc, a subsidiary of National Grid Transco plc, owns and operates the integrated high pressure, medium and low-pressure gas transportation system that was part of the British Gas monopoly when the company was privatised. Ofgem regulates Transco's transportation business and associated revenues.

- 3.5 Transco is licensed as a gas transporter under Section 7 of the Gas Act. This licence sets out the duties and obligations on Transco and prohibits various types of behaviour that may have detrimental effects. Details of the metering specific licence conditions are outlined in paragraphs 3.13 to 3.26 below.
- 3.6 Section 8 of the Gas Act provides for licence conditions to be placed on all gas suppliers, shippers and transporters including Transco. In addition, Section 9(1A) places a specific duty on Transco to facilitate competition in gas supply. Section 9(2)(b) also places a duty on Transco to avoid any undue discrimination in the terms on which the conveyance of gas is undertaken.

Meter Installers

- 3.7 Schedule 2B, paragraph 12, of the Gas Act requires a person connecting or disconnecting any meter with a service pipe through which gas is conveyed to any premises by a gas transporter to inform the relevant gas supplier, in a case where gas is supplied to the premises by a relevant gas supplier whose name and address are known to him, and in any other case, to inform the transporter, of his intention to connect or disconnect the meter at least 48 hours before doing so.

The Competition Act 1998

- 3.8 Responsibility for enforcing the Competition Act (“CA98”) falls on the Office of Fair Trading concurrently with sector regulators such as Ofgem.
- 3.9 As such, Ofgem has powers under the CA98 to investigate and, where appropriate, enforce prohibitions on anti-competitive behaviour. Under CA98 there are two prohibitions against defined types of anti-competitive behaviour, Chapter I and Chapter II.
- ◆ ***Chapter I*** - prohibits certain agreements between undertakings, decisions by associations or concerted practices, which may affect trade within the UK and have as their object or effect the prevention, restriction or distortion of competition. Without limitation, this could include price fixing, limiting output, collusion over market shares or discrimination;
 - ◆ ***Chapter II*** - prohibits any conduct on the part of one or more undertakings, which amounts to the abuse of a dominant position in a

market, which may affect trade within the UK. Without limitation, this could include predatory pricing or behaviour, excessive pricing, limiting output and discrimination.

- 3.10 In order for Ofgem to exercise investigative powers, section 25 of the CA98 requires Ofgem to be satisfied that there are reasonable grounds for suspecting that the Chapter I and/or Chapter II prohibitions have been infringed.
- 3.11 The CA98 amended the Gas Act to provide that a regulator's duty to take licence enforcement action does not apply where he is satisfied that, in a particular case, it is more appropriate to proceed under the CA98.

Relevant licence conditions

- 3.12 Transco has a number of specific obligations placed upon it as a holder of a gas transporters licence. These are contained both in standard and special licence conditions.

Standard Licence Conditions

- 3.13 The standard conditions which relate to Transco's provision of gas metering services and metering information are outlined in the following paragraphs.

Amended Standard Condition 4D (Conduct of Transportation Business)

- 3.14 Standard Condition 4D (as amended) provides that Transco will conduct its transportation business in the manner best calculated to secure that neither Transco, any related affiliate or undertaking, or any gas shipper or gas supplier, obtains any unfair commercial advantage. This includes, in particular, any advantage obtained by Transco in connection with a business other than its transportation business. Amended Standard Condition 4D defines the transportation business as including liquid natural gas (LNG) storage arrangements, as well as the provision of metering services and meter reading services. This condition is therefore relevant to the provision of gas metering services and gas metering information to both shippers and non-shippers.

Standard Condition 31 (Supply Point Information Service)

- 3.15 Standard Condition 31 provides that Transco must establish and operate a Supply Point Information Service for any relevant gas shipper (or their appointed agent) entitled to such data.
- 3.16 Transco are required to ensure that such a service provides technical and other data to facilitate supply by any gas supplier to any premises connected to Transco's transportation network. Transco are required to provide this service in a manner which does not restrict, distort or prevent competition in the provision of metering services or gas supply.
- 3.17 Standard Condition 31 does not require Transco to provide a supply point information service, as specified, to parties other than shippers except those parts of the service referred to in sub-paragraphs 3(a)(iii), 3(b)(iii) and 3(b)(iv). However, these parts are not applicable to the metering information generally requested by non-shippers. The condition therefore does not relate to the provision of gas metering services or gas metering information to non-shippers.

Standard Condition 39 (Restriction on use of certain information and independence of the transportation business)

- 3.18 Standard Condition 39 requires Transco to use best endeavours to secure that no information relating to, or derived from, its transportation business is disclosed for the benefit, or used for the purposes, of any trading business conducted by Transco, any affiliate of Transco or any related undertaking of Transco.
- 3.19 This licence condition does not apply where, among other things, it is necessary or expedient that the information be used or disclosed to enable any affiliate or related undertaking of Transco to enter into arrangements for the connection of a facility for the storage of gas to Transco pipe-line system or to enter into transportation arrangements with Transco or to give effect to such arrangements.
- 3.20 This licence condition does not relate to the provision of gas metering services or gas metering information to non-shippers.

Special licence Conditions

- 3.21 The special licence conditions which relate to Transco's provision of gas metering services and metering information are discussed in the following paragraphs.

Special Condition 23 (Provision of Metering and Meter Reading Services)

- 3.22 Special Condition 23 requires Transco to provide shippers with terms regarding the date by which required gas metering services shall be provided, the associated charges to be paid and other detailed terms as are, or may be, appropriate. The condition requires Transco to provide this information as soon as practicable.

Special Condition 31 (Restriction of prices in respect of tariff capped metering activities)

- 3.23 Special Condition 31 requires Transco to set charges for each of its tariff-capped metering activities in any given year. They relate to annual charges for the provision and maintenance of a domestic credit and prepayment meter installations as well as an annual charge for providing a daily meter reading and carrying out work to replace a domestic credit meter with a prepayment meter.

Special Condition 32 (Non-discrimination in the provision of metering activities)

- 3.24 Special Condition 32 requires Transco to avoid undue discrimination and undue preference between any persons or class or classes of persons in the provision of metering activities. Transco are also required to ensure that any differences in charges for the provision of metering activities provided to individual gas shippers reasonably reflect the differences in associated costs. Metering activities means tariff capped metering activities and non-tariff capped metering activities.
- 3.25 Transco is also required not to set charges in respect of metering activities which restrict, distort or prevent competition in the supply or conveyance of gas.
- 3.26 This condition applies to non-shippers only in that Transco shall avoid undue discrimination and undue preference between any persons or class or classes of

persons in the provision of metering activities. It does not relate to the provision of metering information.

Network Code

- 3.27 In addition to licence conditions, Transco has a set of obligations placed upon it as part of the Network Code, which is a multi-party contract between Transco and shippers required under the terms of Transco's licence. For example, under the Network Code, Transco is required to provide certain information to shippers to allow for the installation of meters onto the transportation network. The Network Code not only gives details of the services that should be provided, but also outlines the associated compensation payments in those circumstances where Transco fails to meet the required service levels. The Network Code does not cover the provision of gas metering services and gas metering information to non-shippers.
- 3.28 There are also operational practices between Transco and shippers which supplement the Network Code. These concern the provision of technical meter information such as the status of the gas service pipe and the size of the emergency control valve.

Other regulations

The Gas Safety (Installation and Use) Regulations 1998

- 3.29 These regulations are concerned with the safe installation, maintenance and use of gas systems, gas fittings (including meters) appliances and flues mainly in domestic and commercial premises. The regulations cover a wide range of requirements applicable to all types of gas fitting work and include the:-
- ◆ competence and registration requirements for installers;
 - ◆ requirements on meter siting;
 - ◆ requirements for installation of meter regulators/backup over-pressure protection, fitting of seals and restrictions on the breaking of seals;
 - ◆ requirements to provide safety notices at meters/emergency controls;
- and,

- ◆ requirements concerning removal of meters (including information flow).
- 3.30 These regulations provide the framework against which the introduction of a competitive gas metering market needs to operate including having regard to the range and variety of unbundled meter installations.
- 3.31 The provisions of these regulations apply to all transporters, shippers, suppliers and other third parties involved in the installation and maintenance of gas systems.
- 3.32 Given that these regulations apply to any meter installer it is clear that the installer has a responsibility to ensure that the pressure drop across the meter installation is appropriate taking into account the regulator pressure and downstream installations. The meter installer cannot rely solely on information provided by Transco. While Ofgem would expect Transco to take all reasonable steps to ensure that the information it provides is accurate, problems with data accuracy should not preclude third parties from obtaining this information through their own site visit.

Gas Safety (Management) Regulations 1996

- 3.33 These regulations provide for the safe management of the flow of gas. They provide, in addition, that the gas transporter must ensure that it delivers gas at a pressure suitable for the safe operation of appliances. This obligation gives rise to a requirement, in a competitive gas metering market, for an exchange of technical information between the transporter and meter installers.
- 3.34 These regulations refer to a requirement to ensure that the gas shall be at a suitable pressure to ensure the safe operation of any gas appliance, but are otherwise unspecific. In essence, the meter installation must be compatible with the network in terms of pressure and capacity and must ensure that the pressure delivered discharges the transporter's duty in respect of suitability and the safe operation of appliances.
- 3.35 Transco has established arrangements with meter installers that allow a flow of information to facilitate the safe design, installation and maintenance of meter installations. Transco has also put in place a meter appraisal scheme to ensure that it can meet its own obligations in relation to the flow of gas.

- 3.36 The provisions of these regulations apply to all transporters, shippers, suppliers and other third parties responsible for the safe management of the flow of gas.

Transco-Non-shipper contracts

- 3.37 In December 2001 Transco made available a General Condition of Contract for below 7 Bar non-shipper meter installation works. This allowed third parties, other than shippers, to request Transco to install a Transco-owned meter onto its transportation network.

Investigation and Remedies

- 3.38 In circumstances where Ofgem receives a formal complaint in respect of the performance or behaviour of an individual industry participant consideration is given to whether the issue should be progressed by Ofgem using its sectoral powers as provided by the Gas Act or under the CA98.
- 3.39 Section 38 of the Gas Act provides that in circumstances where a licensee may be contravening, or may have contravened, a relevant condition or requirement, it can be required to provide specific information and documentation to Ofgem.
- 3.40 Sections 25 - 28 of the CA98 provides that in circumstances where there are reasonable grounds for suspecting that either the Chapter I or Chapter II prohibitions (as described in paragraph 3.9) have been infringed, then Ofgem has the power, among other things, to require production of specified documents or specified information.
- 3.41 It may not be possible for Ofgem to decide which specific power(s) are likely to be the most appropriate to address the suspected infringement at the commencement of an investigation. If it becomes clear to Ofgem when conducting its investigation that a particular power is no longer appropriate to the particular case, it will cease to request information under that power and inform the parties concerned. Also, where possible, Ofgem will inform the parties if a new infringement is suspected after the investigation has commenced, which may affect the powers Ofgem considers could be appropriate to address the suspected infringement(s).

Conclusion

- 3.42 Ofgem considered it more appropriate in this case to proceed using its sectoral powers under the Gas Act rather than its powers under the CA98 given the existing regulatory framework in relation to metering and the need also to ensure that an appropriate regulatory framework was in place to support metering competition going forward.
- 3.43 Ofgem further considered it most appropriate to proceed with its investigation under amended Standard Condition 4D of Transco's gas transporters licence as this is the only licence condition which bears on the provision of metering information to third parties. Amended Standard Condition 4D requires Transco to conduct its transportation business in the manner best calculated to secure that neither Transco, any related affiliate or undertaking, or any gas shipper or gas supplier, obtains any unfair commercial advantage.
- 3.44 The criteria Ofgem considered it should have regard to in concluding whether or not there had been a breach of this licence condition and whether the existing regulatory framework was appropriate in this case were whether the information was provided in a manner which was:-
- ◆ transparent and non-discriminatory; and,
 - ◆ timely and accurate.
- 3.45 These aspects are considered in detail in the next two chapters.
- 3.46 Ofgem also considered it should have regard to the context in which the complaint arose in terms of the wider industry developments associated with metering competition. These are considered in Chapter 6.

4. Transparency and Non-discrimination

Introduction

- 4.1 The purpose of this Chapter is to provide information on the industry relationships and information flows that have emerged and developed over the last 2-3 years in the provision of gas metering services and gas metering information. It provides the backdrop against which the complaint against Transco's levels of performance needs to be considered.
- 4.2 The appropriateness of Transco's procedures with regard to metering services and metering information is considered in the context of whether they were applied in a manner that was transparent⁷ and non-discriminatory.⁸
- 4.3 This Chapter compares first the service provided by Transco to shippers as against non-shippers, and secondly considers the relationship between Transco (as the gas transporter) and TMSL (as the provider of Transco metering services) to establish whether third parties have to follow processes that are more onerous than Transco's own metering business.
- 4.4 As mentioned in Chapter 2 the industry relationships are considered across three time periods namely:-
- ◆ April to November 2001 (the period of the original complaint);
 - ◆ December 2001 to July 2002 (the period leading to the establishment of TMSL); and,
 - ◆ August 2002 to May 2003 (which Ofgem has taken as a cut-off for the purpose of this investigation).

Role of TMSL and Fulcrum Connections

- 4.5 Before considering the detail of the Transco-shipper and Transco-non-shipper relationships, it is helpful to consider the relationship between Transco and TMSL. In July 2002, TMSL was formed as a subsidiary of Transco plc to act as its

⁷ transparent – i.e. “recognized, understood, manifest, obvious, clear” (Oxford English Dictionary (OED), 2nd Edition, Volume XVIII, p419)

⁸ non-discriminatory – i.e. the antonym of “making or constituting a distinction ...difference (existing in or between things (OED, 2nd Edition, Volume IV, p758)

service provider for the provision of Transco's licensed metering activities under a service provider contract for a period of five years. From that date it has provided Transco metering customer services and call centre activities. Transco Emergency Services (ES) provides domestic meter work to TMSL through a general services agreement. Standard Condition 1 of Transco's gas transporters licence defines an affiliate of Transco as including, amongst other things, any subsidiary. Therefore, for the purposes of the licence, TMSL is an affiliate of Transco.

4.6 Ofgem note that the metering service provider contract between Transco and TMSL which came into effect in July 2002 provides for, amongst other things:-

- ◆ TMSL to pay Transco any costs sustained by Transco as a result of TMSL's behaviour, which includes compensation paid to third parties;
- ◆ TMSL to liaise with any customer as necessary prior to commencing any metering services, where a customer is any person, other than Transco, who requests a service or on whose behalf a service is requested;
- ◆ TMSL to take all reasonable steps to maintain a positive relationship with customers;
- ◆ Transco to supply TMSL with such information as TMSL may reasonably require to enable TMSL to fulfil its obligations under the contract;
- ◆ TMSL to use its reasonable endeavours to meet the targets and thresholds of each of the Key Performance Indicators;
- ◆ TMSL to manage work requests received from shippers, suppliers, agents, the general public, local authorities/housing associations and other businesses and organisations and queries from all of the former and regulatory bodies;
- ◆ TMSL to undertake activities against strict guidelines and negotiation mandates approved by Transco. The ultimate responsibility in the decision process is to rest with Transco.

- 4.7 Ofgem also notes that Transco has in place a number of procedures to ensure the efficient working of the contract, for instance, weekly, monthly and quarterly meetings between the two parties as well as an audit process.
- 4.8 In addition, in April 2001, First Connect Limited, which later changed its name to Fulcrum Connections Limited, was formed as a subsidiary of Lattice Holdings. From that date, First Connect has performed non-domestic metering activities and domestic meter work in circumstances where a new gas service is installed or an existing gas service altered.
- 4.9 Transco have stated that neither Fulcrum nor TMSL are participants in the markets for meters and connections. They act as service providers to Transco, discharging its statutory, licence and contractual obligations and do not compete for work in these markets on their own account. However, OnStream Metering Limited, a subsidiary of National Grid Transco plc (NGT) where NGT is the holding company of Transco, has tendered for, and won, contracts to provide competitive metering services.

Overview of key changes over the period under consideration

- 4.10 As noted in Chapter 2, a number of changes have been made in the last few years to the Transco organisation, to the processes by which shippers and third parties had to request metering services and the arrangements for providing metering information. The changes in the organisational structure and responsibilities within Transco for handling metering requests are outlined in Appendix 3. This highlights, in particular, the impact of the creation of TMSL in July 2002. The key developments in terms of the processes are as follows:-

April-November 2001 period

- ◆ Transco operate the “Green Book” for the provision of gas metering services to shippers;
- ◆ Initial request by a non-shipper for gas metering information;
- ◆ Transco publish interim Meter Appraisal Scheme.

December 2001-July 2002 period

- ◆ Transco establish TMSL as a subsidiary to act as a service provider for the provision of Transco's licensed metering activities;
- ◆ Transco make a contract available enabling third parties other than shippers to request Transco to install a Transco owned meter;
- ◆ Transco publish revised Meter Appraisal Scheme.

August 2002 – May 2003 period

- ◆ Transco publish revised "*Green Book*" to take into account the formation of TMSL.

Overview of process for requesting metering services

Shippers

- 4.11 Ofgem understand that there are two processes for shippers to follow when requesting Transco to provide and install a Transco meter (commonly known as "*meter work*"). The actual process adopted is dependent on whether the request is for domestic or non-domestic meter work. Details are provided in Appendix 3.
- 4.12 Initially a shipper requests a meter to be fitted, or a meter to be fitted and an MPRN created. Transco processes the request and creates a siteworks reference number and MPRN, which is then sent to the shipper. Following this, Transco plans the meter work and arranges to get the meter installed/fitted. Once the work is completed Transco informs the shipper electronically.
- 4.13 The information flows between Transco and shippers to enable the provision and installation of Transco meters are detailed in the "*Domestic Works Minimum Appointment Period and Service Level Guide*" ("*The Green Book*"). The Green Book, which was adopted in 1998, details the business interfaces and associated timescales between Transco and shippers for the provision of a range of metering activities, such as fitting a new Transco meter (including creating a MPRN), exchanging a Transco meter and re-establishing gas flow. The method of

communication to be adopted, and specified in the Green Book, is either via electronic flows using the IX network or a manual process using facsimile.

- 4.14 Transco's standards of service in respect of shipper requested meter works are also contained in The Green Book. These standards do not apply to metering activities provided to non-shippers.

Non-shippers

- 4.15 In December 2001, Transco made available a contract⁹ enabling third parties, other than shippers, to request Transco to install a Transco owned meter, but only in circumstances where certification was provided from a shipper that it intended to become the "relevant user" at the site where the meter was to be installed.
- 4.16 To facilitate provision of this service Transco arranged for its Call Centres (CCs) to be the agents for domestic meters and Fulcrum Connections Ltd to be the agent for non-domestic meters.
- 4.17 In these circumstances, for domestic meters third parties are required to submit a standard self-quotation request form. If accepted, Transco will pass the request to the appropriate Operations CC and advise of the planned date for the installation of the meter within D + 5 Working Days¹⁰ of the date of acceptance. Transco will advise the third party that work had been completed within D + 5 Working Days of the date on which completion was achieved.
- 4.18 For non-domestic meters, third parties are required to submit a meter works quotation request form and submit any payment to Transco within 90 days of the date of issue of the quotation. Transco will arrange for the work to be carried out on their behalf by Fulcrum Connections Ltd.
- 4.19 Ofgem understands that both the domestic and non-domestic contracts are not signed agreements between Transco and a third party but rather general contract conditions which are applied on a case by case basis. This means that there are no performance levels within the contracts.

⁹ General Conditions of Contract for Below 7 bar Non-shipper Meter Installation Works – December 2001

¹⁰ "Working Day" as defined by the provisions of the General Conditions of Contract for Below 7 Bar non-shipper meter installation works i.e. during which the clearing banks in the City of London are open.

- 4.20 The method of communication required when submitting requests under this process is by facsimile or post.

Overview of process for requesting metering information

Shippers and Non-shippers

- 4.21 Ofgem understands that Transco's procedures for dealing with requests for gas metering information is intended to be followed by shippers and non-shippers. However Transco have advised that they did not receive any requests from the former throughout the period covered by the investigation.
- 4.22 In March 2001, Transco received the first request from a non-shipper for specific metering information to allow for the installation of a non-Transco owned meter at a specific meter point on Transco's transportation network. The information requested included the relevant MPRN and, as required, permission to adjust the pressure regulator.
- 4.23 As a result of this initial enquiry, Transco appointed North London as the lead LDZ with sole responsibility for processing all future requests for metering information from non-shippers irrespective of the geographic location of the customer.
- 4.24 From April 2001 onwards the number of non-shipper requests for metering information began to increase which led Transco to develop a set of formal procedures which could be implemented in other Transco LDZs as required. For example, in July 2001 Transco circulated a document¹¹ to the industry which outlined some interim procedures to be followed until such time as more formal processes were agreed and implemented. It was based on the principle that :-
- ◆ the non-shipper would provide the address of the proposed meter installation, details of the load to be supplied through the meter, the type of meter to be installed and confirmation that the installer was an Ofgem approved meter installer (OAMI);

¹¹ Draft interim procedure – Third party requests to install meters connected to the Transco Network – 13 July 2001

- ◆ Transco would progress the information request or request further information within D+ 1 Working Days of the request being received;
- ◆ Transco would respond to the third party request for metering information within D+ 3 Working Days of the request being received;
- ◆ Transco, in circumstances where they were unable to provide sufficient information would make a site visit within D+ 5 Working Days and provide an appropriate written response within D + 8 Working Days of the request being received.

Meter Appraisal Scheme

- 4.25 At the same time as these initial arrangements were being developed Transco began work on developing longer-term solutions which they considered were better suited to dealing with the growing number of non-shipper meter installations. This work resulted in Transco circulating, in July 2001, a draft document outlining their proposed procedures for the appraisal of meter installations.¹²
- 4.26 As a result of this consultation, in October 2001, Transco published its interim Meter Appraisal Scheme which essentially had three elements to it. These were service pipe information requests, the meter appraisal and notifications. Service pipe information requests were based on the principles that:-
- ◆ the meter installer would be required to provide the meter installer's contact details and address, the site name and address including post code, the required Supply Hourly Quantity (SHQ) that the meter installation was being designed for measured in kW, if the request for information was for an existing or planned service pipe, and a Transco reference number;
 - ◆ Transco, having received this information from the meter installer and determined the relevant meter point, would provide or confirm the MPRN, confirm if it was a live gas service pipe (for an existing service), confirm the service pipe was appropriate for the planned capacity,

¹² Procedures for the appraisal of meter installations to be connected to the Transco Network – Consultation Pack – Transco July 2001

confirm the network pressure tier to which the service pipe was connected and associated maximum and minimum pressures and advise on any special known engineering constraints.

- 4.27 The meter appraisal was implemented to meet Transco's requirement for confirmation from meter installers of the pressure management arrangements planned for each installation. This information was needed to enable Transco to meet its safety obligations under the Gas Safety (Management) Regulations 1996 as explained in Chapter 3.
- 4.28 The Meter Appraisal Scheme was implemented across all LDZs so that non-shippers were able to contact their relevant LDZ asset customers' service desk where their end-customer was located rather than submit all requests for metering information to North London LDZ as had been the case up until that time.
- 4.29 At the same time as publishing the interim Meter Appraisal Scheme, Transco amended its internal procedures for dealing with requests for metering information and published a note to inform shippers and suppliers of the procedures that were to be followed by meter installers in respect of non-Transco installed meters.
- 4.30 Transco does not operate a compensation scheme for the Meter Appraisal Scheme in relation to applications for metering information made by any third party meter installer.
- 4.31 Chapter 3 noted that Schedule 2B, paragraph 12, of the Gas Act also requires a person connecting or disconnecting any meter with a service pipe through which gas is conveyed to any premises by a gas transporter to inform the relevant gas supplier, in a case where gas is supplied to the premises by a relevant gas supplier whose name and address are known to him, and in any other case, to inform the transporter, of his intention to connect or disconnect the meter at least 48 hours before doing so. This requires connections/disconnection notifications to be provided directly to Transco only where the supplier is not known (and all reasonable effort has been made to identify one) for those meters connected to the Transco gas network.

Comparison of timescales

4.32 In order to consider the question of non-discrimination Ofgem compared the respective target timescales associated with the provision of gas metering information and gas metering services to shippers, non-shippers and TMSL. This comparison is provided in Table 1.

Table 1: A comparison of timescales associated with the provision of metering services and metering information for shippers, non-shippers and TMSL

ACTIVITY	SHIPPER	NON-SHIPPER	TMSL
Metering Services	<p><u>Domestic</u></p> <p>Transco will fit a meter to an existing service pipe (including the creation of an MPRN) within D + 5 Working Days of receipt of request</p> <p><u>Non-domestic</u></p> <p>Transco will provide a quotation to a shipper within D + 8 Working Days of receipt of request. Date of installation to be agreed subsequently</p>	<p><u>Domestic</u></p> <p>Transco advises non-shipper within D+ 5 Working Days of receipt of request of the planned date of the installation</p> <p><u>Non-domestic</u></p> <p>Transco will provide a quotation to the non-shipper within D+ 8 Working Days of receipt of request. Date of installation to be agreed.</p>	
Metering Information	<p>Where information held, Transco will respond to shipper/non-shipper requests for metering information within D + 3 Working Days of request being received</p> <p>Where information not held, Transco will make a site visit within D + 5 Working Days of request being received and provide a response within D + 8 Working Days of request being received</p> <p>Transco will provide service pipe information to the shipper/non-shipper within D + 8 Working Days of request being received</p> <p>Transco will undertake a meter appraisal for the shipper/non-shipper within D + 5 Working Days of request being received.</p> <p>Transco will provide a joint service pipe information and meter appraisal to the shipper/non-shipper within D + 8 Working Days of request being received</p>		<p>TMSL are not required to undertake a meter appraisal. TMSL are thus potentially able to fit domestic and non-domestic meters to existing service pipes within shorter timeframes than shippers and non-shippers</p>

4.33 Table 1 shows that in the provision of gas metering services, shippers are able to generally get Transco to fit a domestic meter within D + 5 Working Days of receipt of the request. However, Transco only advises non-shippers within D + 5 Working Days of the date of the planned installation.

- 4.34 For metering information Transco provides an identical service to both shippers and non-shippers although TMSL is not subject, at present, to the meter appraisal process. This means that TMSL are potentially able to fit domestic and non-domestic meters to existing service pipes within shorter timeframes than shippers and non-shippers.

Conclusion

- 4.35 Over the period April 2001 to May 2003 there have been many changes in the provision of both metering services and metering information for both shippers and non-shippers, as well as in terms of organisational structure

Shipper/Non-shipper comparison

- 4.36 When comparing Transco's provision of metering services to shippers and non-shippers Ofgem notes that the provisions of the Green Book, which details the procedures and timescales for the provision of domestic meters to shippers, and the General Conditions of Contract, which details the procedures and timescales for the provision of domestic meters to non-shippers, are broadly similar but not identical.
- 4.37 However Ofgem understand that, during this period, the General Conditions of Contract has only been taken up by a non-shipper on two occasions.
- 4.38 Ofgem notes that Transco intends to undertake a formal review, in November 2003, of the General Conditions of Contract for Below 7 bar Non-shipper Meter Installation Works to ensure, where appropriate, these contract provisions mirror the provisions of the new meter works contracts that will come into effect at the time of RGMA implementation.
- 4.39 With regard to gas metering information, which allows for the installation of non-Transco meters onto the transportation network, Ofgem notes that the service provided by Transco has been, and continues to be, the same for shippers and non-shippers. This includes the provisions of the Meter Appraisal Scheme.

TMSL/Third parties' comparison

- 4.40 In comparing the processes which have to be followed by Transco's own metering business and other third parties, Ofgem notes that Transco GT Metering and TMSL do not have to submit their meter installation designs for meter appraisal to Transco as the gas transporter. Transco are also not affected by the timescales associated with the provision of service pipe information, because Transco determines the pressure when they visit the site. This option is also open to third parties although Ofgem's understanding is that the complainant does always request the information from Transco.
- 4.41 In relation to the Meter Appraisal Scheme for low pressure meters there is the option for third parties to obtain a "generic" meter appraisal which removes the need for a site specific appraisal to be undertaken for each meter. Again, Ofgem's understanding is that the complainant has not taken up this option.
- 4.42 From the analysis undertaken, Ofgem has concluded that Transco, in the context of the provisions of amended Standard Condition 4D of its gas transporters licence, has not required third parties to follow procedures that are significantly different and more onerous than those followed by Transco's own metering business to the extent that this would give Transco an unfair commercial advantage when viewed in the context of the evolving market structure. The timescales for installation of large high pressure meters are typically one to six months and hence a delay of a few days is unlikely to be material. For smaller meters there are options open to third parties to reduce the reliance on Transco's processes, as described above. However, Ofgem acknowledge that there are issues, in particular with the Meter Appraisal Scheme, which Ofgem considers need to be addressed in order to provide a robust basis for metering competition going forward. This is discussed further in Chapter 7.

5. Timeliness and Accuracy

Introduction

- 5.1 The purpose of this Chapter is to consider whether Transco have repeatedly and persistently failed to supply information to enable the provision of metering services in a timely and accurate manner, or at all. This is considered in terms of the Transco-non-shipper relationship across the time periods used elsewhere in this document namely April to November 2001, December 2001 to July 2002 and August 2002 to May 2003.
- 5.2 The analysis is based on whether Transco, as required by amended Standard Condition 4D of its gas transporters licence, has conducted its transportation business in the manner best calculated to secure that neither Transco, any related affiliate or undertaking, or any gas shipper or gas supplier, obtains an unfair commercial advantage. As discussed in Chapter 3, Ofgem have concluded that it is appropriate to consider Transco's performance specifically in the context of amended Standard Condition 4D as, unlike other metering-related transportation licence conditions, these provisions relate to both shippers and non-shippers.
- 5.3 Transco's performance is considered in the context of whether the information required by non-shippers was given in a manner that was timely¹³ and accurate.¹⁴ The information discussed in this Chapter is derived from a range of sources including a formal Statement of Case submitted by the complainant to Transco and copied to Ofgem, subsequent individual correspondence, responses to the earlier consultation paper as well as a series of separate information requests sent to both Transco and the complainant. A summary of the information requests is provided at Appendix 1.

Overview

- 5.4 In ascertaining whether Transco's provision of gas metering information was timely and accurate it is important to consider the overall number of requests

¹³ timely - i.e. "occurring, done, or made at a fitting time ... opportune ... well timed" (Oxford English Dictionary (OED), 2nd Edition, Volume XVIII, p111)

¹⁴ accurate – i.e. "exact, precise, correct" (OED, 2nd Edition, Volume I, p92)

submitted and queried by non-shippers across the period. These are provided in Table 2.

Table 2: Summary of gas metering information requests submitted by non-shippers to Transco: April 2001-May 2003

		April 2001 – November 2001	December 2001 – July 2002	August 2002 – May 2003
Non-Shippers	No. of requests ¹⁵	295	466	660
	No. of requests not responded to fully within D + 8 Working Days ¹⁶	79(26.7%)	26 (5.6%)	48 (7.3%)
	Amount of compensation ¹⁷	No compensation scheme in operation	No compensation scheme in operation	No compensation scheme in operation – 3 ex-gratia payments of £1583.28 made

Source

Transco's responses dated 15 February 2003, 28 February 2003 and 27 June 2003 to Ofgem's formal requests for information dated 30 January 2003, 12 February 2003 and 16 June 2003 pursuant to the provisions of amended Standard Condition 24 of its gas transporters licence

Analysis

5.5 Table 2 shows that the total number of information requests submitted by non-shippers gradually increased across the three time periods. In addition it should be noted that one third party (the complainant) submitted all the information requests to Transco between April 2001 and July 2002. A very small number of the total information requests between August 2002 and May 2003 were submitted by another third party. It should also be noted that throughout the

¹⁵ Requests are defined as the minimum information required by Transco to identify the service pipe to which the non-shipper is planning to connect a meter (as set out in the meter appraisal scheme - see Chapter 4)

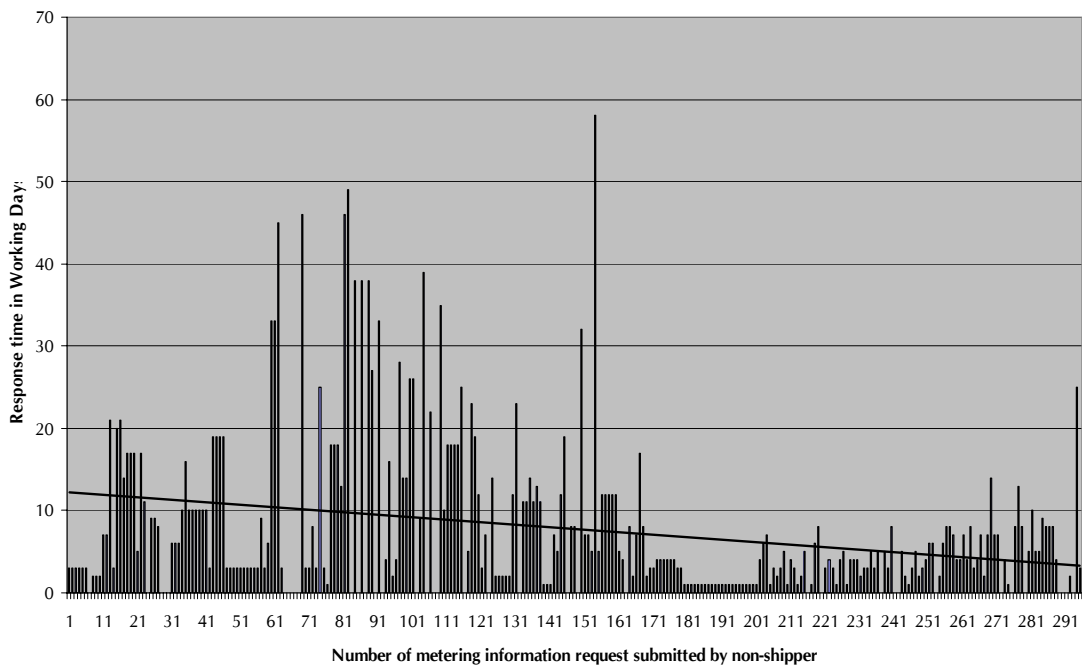
¹⁶ Queries are defined as an enquiry by the non-shipper into the information originally provided by Transco outside of a D + 8 Working Day time band.

¹⁷ Compensation is defined as a payment to a non-shipper where Transco agree that the relevant service failed to meet agreed performance levels.

period Transco did not operate a formal compensation scheme in circumstances where Transco's service did not meet agreed performance standards.

- 5.6 In evaluating the timeliness and accuracy of the information provided by Transco Ofgem compared the total number of information requests submitted by non-shippers with those taking longer than D + 8 Working Days. This showed that the proportion of requests taking longer than D + 8 Working Days was 26.7% of the requests submitted between April-November 2001, 5.6% of those between December 2001-July 2002 and 7.3% of those between August 2002-May 2003.
- 5.7 For the April–November 2001 period Ofgem analysed the specific individual documentation obtained from Transco relating to the 295 individual requests submitted by the complainant.
- 5.8 Figure 1 shows the time taken by Transco to respond to each individual request for gas metering information submitted during the April–November 2001 period as well as the trend line.

Figure 1: Transco's performance in responding to requests for gas metering information submitted by the complainant: April–November 2001



- 5.9 Figure 1 shows that the time taken by Transco to provide a final response to the initial information request varied considerably on a case by case basis. For

example, in some circumstances, the final response was provided within D + 1 or D + 2 Working Days (in a small number of cases it was actually provided on the day of receipt of the original request) in others the final response was not actually provided until after D + 40 Working Days had elapsed. That said, the trend line illustrates that by the end of November 2001 Transco generally responded in around D + 3 or D + 4 Working Days.

5.10 Ofgem then disaggregated the timing of the final Transco responses to the individual enquiries into three time bands namely, less than, or equal to D + 8 Working Days, between D + 9 and D + 20 Working Days and, more than, or equal to, D + 21 Working Days. The D + 8 Working Days timescale was selected on the basis (as described in Chapter 4) that Transco expected to progress requests by non-shippers for gas metering information to allow for the installation of a non-Transco meter onto the transportation network within D + 3 Working Days, make a site visit (if required) within D + 5 Working Days and provide an appropriate written response within D + 8 Working Days of the request. The disaggregated information is outlined in Table 3.

Table 3: Transco response times to the complainant for the provision of gas metering information: April-November 2001

	< 8 Working Days	9-20 Working Days	> 21 Working Days	No Response
April-November 2001	194	53	26	22
April-June 2001	21	13	2	4
July-September 2001	55	34	23	17
October-November 2001	118	6	1	1

5.11 Table 3 shows that across the period April to November 2001 Transco received a total of 295 requests from non-shippers for metering information and responded to 66% of such requests within D + 8 Working Days, 17.9% between D + 9 to D + 20 Working Days and 8.8% in more than, or equal to, D + 21 Working Days.

5.12 As this was the first time that metering information requests were submitted to Transco by a party other than a shipper, Ofgem looked at how Transco's performance varied over that period by considering 3 separate sub-periods.

5.13 This confirms, as suggested by Figure 1, that by the end of the period, i.e. by October to November 2001, Transco's performance had improved very

significantly with 118 out of 126 (94%) of the requests processed within D+8 Working Days. The problems with Transco's performance occurred only in the early stages of the introduction of the process.

- 5.14 With respect to the accuracy of the information provided for the April-November 2001 period Ofgem considered the individual documentation relating to each of the original 295 metering information requests. Such analysis showed that 194 (65.7%) of the requests received a final response within D+8 Working Days which were not challenged. This suggests that in the event that an initial response was inaccurate Transco were able to resolve the matter relatively quickly.
- 5.15 For the two subsequent periods (December 2001 to July 2002 and August 2002 to May 2003) Ofgem was provided by Transco with the total number of metering requests submitted by all third parties and the total number of those not responded to within a D+8 Working Day timeframe. Although Ofgem did not consider the individual documentation relating to the 1,126 requests submitted during these two periods Ofgem note that, between December 2001 and July 2002, 94.4% were responded to within D+8 Working Days. For the period from August 2002 to May 2003 this figure reduced slightly to 92.7%. These figures suggest that even if an initial response was inaccurate Transco were able to provide a final and accurate response within D+8 Working Days.
- 5.16 Whilst there have been some instances of Transco providing inaccurate pressure information Ofgem does not consider that this gives an unfair commercial advantage to Transco as its own business only has access to the same quality of information. Transco chooses not to rely on this information but check the pressure when it visits the site. This option is also available to third parties. Any safety issues relating to the provision of inaccurate information are a matter for HSE.

Conclusion

- 5.17 From the analysis undertaken, Ofgem has concluded that Transco, in the context of the provisions of amended Standard Condition 4D of its gas transporters licence, has not repeatedly and persistently failed to supply information to

enable the provision of metering services in a timely manner and have not, in this way obtained an unfair commercial advantage.

5.18 In reaching this conclusion, Ofgem notes that:-

- ◆ for the period April-November 2001, the disaggregated information provided in Table 2 shows that the number of information requests gradually increased during the period (a trend which continued beyond November 2001);
- ◆ for the 3 time periods between April 2001 and May 2003 (as shown in Table 1), in general terms, Transco's overall performance in satisfactorily responding to third party requests for gas metering information within a D + 8 Working Days timeframe kept pace;
- ◆ there was no scheme in place to compensate third parties where performance did not meet a D + 8 Working Days timeframe although ex-gratia payments were made in a small number of cases;
- ◆ the evidence provided suggests that across the period an increasing number of information requests received a final Transco and accurate response within D + 8 Working Days.

5.19 The question of whether D + 8 Working Days itself is reasonable has been raised more recently by the complainant. This question was considered in the context of whether Transco requires third parties to follow processes that are more onerous than those followed by its own metering business. This remains an area of concern and Ofgem have obtained a commitment from Transco to review the D + 8 Working Day timescale as discussed in Chapter 7.

6. Other Industry Developments

Introduction

6.1 The purpose of this Chapter is to provide an overview of other industry developments in addition to changes to the Transco-shipper and Transco-non-shipper relationships described in Chapter 4 and 5. This Chapter therefore considers:-

- ◆ the Gas Metering Protocol and the Review of Gas Metering Arrangements;
- ◆ Network Code modifications;
- ◆ Commercial developments.

6.2 A more comprehensive overview of the key industry milestones over the last 2-3 years is provided at Appendix 2.

Gas Metering Protocol and the Review of Gas Metering Arrangements

6.3 In May 2000 Ofgem published a final proposals paper¹⁸ which sought to secure effective competition in the provision of gas metering and gas meter reading services. It put forward a number of proposals including the removal of:-

- ◆ Price barriers to competition by the splitting of Transco's price control into three separate components: transportation, metering and meter reading to take effect from 1 April 2000 until 31 March 2002 when a new price control arrangements would be implemented;
- ◆ Non-price barriers to competition by the separation of Transco's transportation, metering and meter reading businesses.

6.4 With regard to the latter, Transco proposed to develop, in collaboration with the industry, a gas metering protocol which would set out the rights and responsibilities of all parties within a competitive metering environment. It was anticipated that such a document would facilitate the substantial internal re-

¹⁸ Securing effective competition in gas metering and meter reading services: The Director General's final proposals: Ofgem 25 May 2000

organisation that Transco would need to undertake along with the development of industry wide processes.

- 6.5 In August 2000¹⁹ Ofgem published a consultation document which concluded that an industry wide steering group should be established with the aim of identifying and removing non-price barriers to competition.
- 6.6 This led to the establishment of the Review of Gas Metering Arrangements (RGMA) project which was tasked with determining industry-wide business processes and supporting IT data flows to facilitate competition in gas metering. The RGMA Baseline, which was finalised in April 2002 and is available on the Ofgem metering website²⁰, was developed on the basis that it would facilitate competition in gas metering services and be consistent with the existing statutory framework. The Baseline, which has been subject to formal change control since April 2002, outlines, for example, standard industry processes and dataflows for such activities as meter installation, meter removal, meter exchange and change of supplier.
- 6.7 The Baseline itself does not specify actual timescales or associated performance standards. These are provided, for example, by the existing statutory framework and, in the case of TMSL, the parallel contractual arrangements and system agreements that will need to be in place at the time of RGMA implementation which is presently targeted at Q2 of 2004.
- 6.8 It has been accepted for some time by Ofgem and the industry that, given the system inter-dependencies, the system separation of Transco's transportation and metering businesses will take place at the same time as RGMA implementation. Unfortunately this has meant that the successive delays in RGMA implementation have resulted in consequent delays in Transco's business separation.
- 6.9 In system terms, TMSL are introducing a "Rainbow" system to support Transco's regulated metering business after its separation from its transportation business. The Rainbow system will manage all aspects of metering including work requests, work notifications, asset maintenance, and portfolio maintenance,

¹⁹ Review of gas metering arrangements: Project Proposal – August 2000

²⁰ www.ofgem.gov.uk/ofgem/work/index.jsp?section=meteringrgma&levelids=,1_2614#top2614

change of supplier/MAM, invoicing and metering enquiries. Details of the Rainbow system are contained in the Rainbow Manual, the latest version of which is available on the Transco metering website.²¹

- 6.10 The Rainbow system is being built on the basis that the overwhelming majority of transactions from suppliers will be received and transmitted via batch files through the Transco IX system using industry-wide standard file formats. In this context, for example, TMSL intend to undertake batch runs to process files for appointment requests at 8.00pm on any given day²², work requests at 9.00am, 10.30am, midday, 1.30pm, 3.00pm and 5.15pm on any given day and data updates at 6.00pm.
- 6.11 Ofgem understand that TMSL intend to transmit the associated response files within 24 hours of receipt of the original incoming files and implement a 100% performance standard subject to confirming system volume constraints.
- 6.12 TMSL also plan to implement a web facility to allow suppliers to view their portfolio and submit metering queries, standard work requests and data updates.
- 6.13 In these circumstances, after the implementation of the RGMA and Transco's system separation of its transportation and metering businesses, suppliers and non-suppliers will only have contact with Transco GT Metering (via TMSL) in the event that they request meter works services under the new meter works contracts or the non-supplier contract respectively. The processes governing the exchange of information between Transco GT Metering and suppliers under the new meter works contracts will be set out in the "Rainbow" Manual. This document is not intended to deal with the exchange of information between Transco GT Metering and other parties. The arrangements for exchanging information between Transco GT Metering and non-suppliers will be set out in a non-supplier contract.
- 6.14 Ofgem understands Transco intend to align as far as possible, the provisions of the non-supplier contract with the new meter works contracts as well as the underlying business processes and dataflows taking into account, for example,

²¹ metering.transco.co.uk/publications

²² day means every day, including weekends and Bank Holidays . These times are the latest time a batch file can be received before it is deemed to have been received on the next day (if there is not subsequent batch run that day)

that non-suppliers will not usually communicate with Transco GT Metering via the IX Network.

- 6.15 Ofgem also note that when requesting metering information to facilitate the installation of third party meters, all parties including TMSL will be required to submit their requests in the same manner to Transco (acting as a gas transporter), who will seek to respond to all requests in the same timescale. Thus the concerns identified in Chapters 4 and 5 in relation to the different processes currently in place will be addressed at RGMA implementation.

Network Code modifications

- 6.16 In parallel with the development of the RGMA Baseline a number of modifications to the Network Code have been implemented which have a bearing on Transco's present and future provision of gas metering information.

Network Code modification 565

- 6.17 In July 2002, Transco raised a modification to the Network Code which sought to overhaul its existing standards of service between Transco and shippers which had remained largely unchanged since the Code was designated in 1996.
- 6.18 Modification 565 sought to amend a number of existing standards as well as introduce a number of new standards covering activities that had not been previously subject to a performance standard or associated liabilities. For the new package to operate effectively, Transco proposed to introduce a number of mechanisms including an absolute limitation of liabilities.
- 6.19 The modification also introduced a new standard in respect of query management based on four sub-categories: GT queries, meter asset queries, large supply point queries and small supply point queries.
- 6.20 The standards relating to metering query resolution are transitional and will be removed from the Network Code once the RGMA business processes and Transco system separation are implemented.
- 6.21 Ofgem approved the modification in July 2003, on the basis that it reflected a more satisfactory and appropriate standards of service package than currently existed and that those standards that already existed would be amended to

reflect more accurately the day to day interactions between Transco and shippers. Ofgem also took the view that the inclusion of new standards relating to GT and metering queries placed new incentives on Transco to resolve queries within more acceptable timescales and encouraged shippers to act with more diligence when using the query management system.

6.22 The modification was introduced on 1 October 2003.

Network Code Modification 602

6.23 In September 2002 Ofgem implemented changes to Standard Conditions 4E and 9 of Transco's gas transporters Licence. These included a requirement for Transco to recognise third parties who were not signatories to the Network Code, by permitting them to raise modification proposals. This aimed to address concerns from certain market participants regarding the limited access they had to information in the gas market.

6.24 The modification came into effect on 1 August 2003.

Commercial developments

6.25 In parallel with work undertaken as part of the RGMA, during the period from December 2001 to July 2002 there were also a number of independent developments in the gas metering market. In particular, two suppliers issued invitations to tender to appoint metering service providers rather than automatically continue to use the regulated incumbent.

6.26 In May 2002, British Gas announced that it had awarded a contract to United Utilities for the provision of gas and electricity metering services in North Wales, North West and North East England. British Gas considered that this contract would reduce its costs and provide improved standards of service with enhancements including longer operating hours and improved customer information.

6.27 This was followed, in January 2003, by British Gas announcing that they had awarded four contracts to Utility Metering Services (subsequently renamed On-Stream), a subsidiary of National Grid Transco (NGT) to provide competitive metering services for around 11 million domestic gas and electricity customers.

It is proposed that OnStream will carry out all planned installation work for gas and electricity domestic meters as well as meter maintenance.

6.28 The other supplier that issued invitations to tender did not pursue the contract.

Conclusion

6.29 It is clear that the arrangements for the provision of metering services and metering information are subject to significant change as the market is progressively opened up to competition. This is an important context for Ofgem's investigation both in judging what amounts to an "unfair" commercial advantage and in assessing the options going forward. In particular it is clear that:-

- ◆ Transco have committed to the operational and system separation of its transportation and metering business. This will address many of the concerns raised during the investigation but that implementation of this has been delayed because of the linkage to RGMA implementation;
- ◆ the facility exists for changes to be made through the Network Code to standards of service in this area, albeit only formally to the standards applying to shippers;
- ◆ third parties are now able to propose modifications to the Network Code.

7. Conclusions and Next Steps

Introduction

7.1 Since April 2002, Ofgem has investigated a number of formal complaints regarding Transco's level of performance in supplying information to enable the provision of metering services. The complaints broadly related to alleged:-

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

7.2 The investigation has involved:-

- ◆ the publication of 2 papers (in December 2002 and April 2003) and analysis of the responses received;
- ◆ the submission of a series of formal information requests to Transco and the original complainant and analysis of the responses received;
- ◆ the provision of additional correspondence from the original complainant and subsequent analysis.

7.3 Ofgem notes that the provision of gas metering information by Transco during the period April 2001 to May 2003 was undertaken against an increasingly fluid industry backdrop involving, for example:-

- ◆ the gradual emergence of third party meter installers who began to install non-Transco meters onto Transco's transportation network;
- ◆ the design of an industry-wide RGMA Baseline which, once implemented, will establish generic business processes and supporting IT data flows to facilitate competition in gas metering and the separation of Transco's metering and transportation businesses;
- ◆ Transco's establishment of a subsidiary, TMSL, to act as its service provider for the provision of Transco's licensed meter activities;

- ◆ a series of competitive tender exercises culminating in British Gas' appointment of metering service providers other than the regulated incumbent.

7.4 Throughout this period Transco had a formal obligation to provide metering services and information to shippers through a series of standard and special standard licence conditions as well as supporting provisions within the Network Code and associated operational practices. Transco did not have a formal licence obligation to provide metering information to parties other than shippers, although Transco was obliged through the provisions of amended Standard Condition 4D of its Licence to conduct its transportation business in the manner best calculated to secure that neither Transco, any related affiliate or undertaking, or any gas shipper or gas supplier, obtains any unfair commercial advantage.

The investigation

7.5 In taking forward the investigation Ofgem considered whether there was evidence that there were significant delays or inaccuracies in the provision of gas metering information provided by Transco that would place Transco at an unfair commercial advantage. In addition Ofgem also considered whether the procedures that third parties were expected to follow were transparent and non-discriminatory when compared to those which Transco's own metering business followed.

7.6 As a result of this detailed investigation Ofgem has found that, at this stage, there is not sufficient evidence to conclude that there is currently, or has been, a breach of the provisions of amended Standard Condition 4D of Transco's gas transporters licence. This is on the basis that:-

- ◆ ***Transparency and non-discrimination*** - the analysis, as outlined in Chapter 4, does not support the assertion that Transco required third parties to follow procedures that were significantly different and more onerous than those followed by its own metering business to the extent that this gave Transco an unfair commercial advantage when viewed in the context of the evolving market structure. Ofgem acknowledge that there are issues, in particular with the Meter Appraisal Scheme and

service pipe information provision, which Ofgem require to be addressed as described below. However, Ofgem has not been provided with any evidence that this is actually impacting on third parties' ability to win contracts and hence giving Transco an unfair commercial advantage. Given the overall timescales for installation of high pressure meters the effect of a few days delay is unlikely to be significant. For low pressure meters there are options open to third parties to reduce the reliance on Transco's processes. The Meter Appraisal Scheme was put in place to meet Transco's safety obligations and, in Ofgem's view, it is not unreasonable for Transco to have taken a cautious approach in this area in the initial stages of metering competition.

- ◆ ***Timeliness and accuracy*** – the analysis, as outlined in Chapter 5, does not support the assertion that Transco repeatedly and persistently failed to supply information to enable the provision of metering services in a timely manner or at all. Ofgem acknowledges that there may have been some concerns in relation to the period of the original complaint (April – November 2001) but this was in the early stages of the introduction of the new process and, from the evidence provided, Transco's performance has improved significantly since.

7.7 Although Ofgem has concluded from the evidence provided so far that Transco is not in breach of amended Standard Condition 4D, Ofgem remains concerned that the current arrangements for Transco's provision of gas metering information are not sufficiently robust to effectively support gas metering competition on an enduring basis. The main areas of concern which Ofgem consider need to be addressed are outlined in paragraphs 7.8 to 7.11.

Metering Information and the Meter Appraisal Scheme

7.8 Ofgem notes that third party meter installers are required, for every high pressure meter installation, to obtain information from Transco on the associated service pipe pressure and to undergo a specific Transco meter appraisal which may require a site visit. Existing procedures require Transco to provide information on the service pipe pressure within D+8 Working Days and complete a specific meter appraisal (including a site visit, if appropriate) within D+5 Working Days.

Transco are required to provide a combined meter information request and meter appraisal within D + 8 Working Days.

- 7.9 At the moment, for high pressure meter installations, TMSL do not have to formally request the necessary service pipe pressure information and are able to provide the quotation within D + 8 Working Days from the original work request. In addition, TMSL's high pressure meter installations are not subject to a specific meter appraisal which could require a site visit.
- 7.10 In these circumstances, Ofgem is concerned that this differentiation in procedure could mean that TMSL will always be in a position to fit high pressure meter installations slightly faster than a third party meter installer. Addressing this issue is important in creating an environment in which competition in metering can develop. Transco have made it clear that, with the operational and systems separation of their transportation and metering business, TMSL will be subject to the Meter Appraisal Scheme. Transco are also looking at ways to reduce third parties' reliance on Transco to provide metering information, for example through improved data on site labelling.

Gas Metering Services

- 7.11 Ofgem notes that the provisions of the "Green Book" which apply to shippers and the General Conditions of Contract which apply to non-shippers are broadly similar but not identical. For instance, the timescales for fitting a new meter are different in that the "Green Book" states that Transco will fit a meter within D + 5 Working Days, but the General Conditions of Contract states that Transco will only advise the non-shipper of the planned date to fit a meter within D + 5 Working Days.

Conclusions

Licence changes

- 7.12 As a result of this investigation Ofgem has concluded that in order to promote effective competition in the provision of gas metering services certain changes may be required to Transco's gas transporters licence. Although these will be subject to a separate formal consultation exercise, which will take place by the

end of the year, Ofgem considers that the proposed changes are likely to include:-

- ◆ amendments to the definitions of transportation and metering businesses to formalise Transco's operational and system separation;
- ◆ providing greater clarity on the restrictions on the use of certain information as one aspect of the operational and system separation of transportation and metering activity. This could involve clearly defined "chinese walls" and a form of compliance statement submitted to the Authority on a regular basis. The approach followed in the separation of electricity distribution and supply (and in particular the provisions of amended Standard Condition 39 and 40 of the electricity distribution licence) could provide a suitable model. A possible requirement could be that business process timescales and associated performance targets made available to shippers should also apply in broadly equivalent terms to non-shippers.

7.13 Although subject to consultation, Ofgem has assumed that such changes would need to take effect at the same time as the RGMA business processes and IT dataflows are implemented. At the time of writing this is targeted at Q2/2004.

Interim measures

7.14 In addition to the licence changes, in the period leading to RGMA implementation, Ofgem requires Transco to:-

Gas Metering Information

- ◆ undertake an industry wide review of the process for requesting metering information including a review of the D + 8 Working Day timescale. Ofgem will expect the timescale adopted going forward to be fully justified. Ofgem accepts that some standardisation of the format in which requests are submitted may be necessary to speed up the process. Ofgem require this review to be undertaken in November 2003 with any outputs implemented from January 2004, in advance of RGMA implementation;

- ◆ undertake an industry review of the Meter Appraisal Scheme to make the procedures less onerous for third parties, so far as is consistent with meeting Transco's safety obligations. Ofgem requires this review to be undertaken in November 2003 with outputs to be implemented from January 2004 in advance of RGMA implementation. Transco have indicated that this is likely to involve the introduction of a generic appraisal scheme for medium pressure meters, eliminating the need for a site specific appraisal for each installation;
- ◆ make more explicit the circumstances in which metering information, including service pipe information requests, does not have to be obtained from them and can be determined by the third party themselves through a site visit;

Gas Metering Services

- ◆ undertake a formal industry-wide review of the General Conditions of Contract for Below 7 bar Non-shipper Meter Installation Works to ensure, where appropriate, these contract provisions mirror the provisions of the new meter works contracts that will come into effect at the time of RGMA implementation. Ofgem requires this review to be initiated in November 2003 for implementation at the same time as RGMA.

Transco has given a commitment to undertake these reviews in the timescales proposed. On this basis even if Ofgem had found that Transco was in breach of amended Standard Condition 4D the Authority would not have been able to impose an enforcement order as Transco are already taking all the appropriate steps to address the issues. Ofgem will monitor the progress of these reviews carefully to ensure that they deliver the process improvements which Ofgem consider necessary.

Conclusion

- 7.15 Ofgem has concluded that the introduction of formal licence changes to Transco's transportation licence (to become effective at the same time as the RGMA business processes and Transco's system separation are implemented), as

well as other interim measures should help ensure that competition in the provision in gas metering services continues to develop to the benefit of all industry participants and the end consumer.

Appendix 1 Summary of Ofgem's information requests

Transco information requests

- 1.1 As part of the investigation into a number of formal complaints regarding Transco's level of performance in supplying information to enable the provision of metering services, Ofgem submitted three formal requests (dated 30 January 2003, 12 February 2003 and 16 June 2003) for information to Transco pursuant to the provisions of amended standard condition 24 of its gas transporters licence. The information requested is summarised below.

Transco's gas metering services and gas metering information

- ◆ documentation detailing organisational structures and internal and external information flows relating to handling requests for gas metering services and providing gas metering information by Transco, TMSL and Fulcrum Connections;
- ◆ the different types of gas metering information that TMSL, Fulcrum Connections and other third parties would need in order to connect a gas meter onto Transco's network;
- ◆ the systems used to provide the different categories of gas metering information;
- ◆ the procedures, including related timescales, that Transco requires TMSL to follow in handling requests for gas metering services and providing gas metering information;
- ◆ TMSL's performance against any performance indicators;
- ◆ the financial impact, or any other consequences, on TMSL, if any, as a result of any failure to perform against the performance indicators as set out in the service agreement between Transco and TMSL;
- ◆ Transco's service arrangements before the establishment of TMSL;
- ◆ Transco's management of the TMSL service agreement;

- ◆ Transco's plan to migrate metering services to TMSL, including related timescales and any supporting documentation;

Information requests

- ◆ for the periods April 2001 to November 2001, December 2001 to July 2002 and August 2002 to May 2003, the number of requests for gas metering services and gas metering information received by (i) Transco and (ii) TMSL, separately, from all industry participants, all shippers and all other industry participants;

Timescales and accuracy

- ◆ for the periods April 2001 to November 2001, December 2001 to July 2002 and August 2002 to May 2003:-
 - the time in which individual applications for metering information from all industry participants, all shippers and all other industry participants, were processed and completed by Transco;
 - the number of individual applications for metering information from all industry participants, all shippers and all other industry participants, which were not were processed and completed by Transco within agreed timescales;
 - the reasons, by individual enquiry, why the responses provided by Transco were not responded to within the agreed timescales;
 - the criteria applied by Transco in ascertaining whether the individual enquiries made by a specific industry participant were, or were not, responded to within agreed timescales;
- ◆ for the period April-November 2001, copies of all documentation relating to applications for metering information made by the original complainant and received by Transco;

Compensation

- ◆ details of the compensation scheme(s), if any, related to handling requests for gas metering services and to the provision of gas metering information operated by Transco and TMSL including copies of any documentation;
- ◆ for the periods April 2001 to November 2001, December 2001 to July 2002 and August 2002 to May 2003, the number and value of the compensation payments made by each of Transco and/or TMSL in respect to the provision of gas metering services and the provision of gas metering information to each of all industry participants, all shippers and all other industry participants;

Third party information requests

Ofgem also submitted a request for information to the original complainant. The information requested is summarised below:-

Information Requests

- ◆ for the periods December 2001 to July 2002 and August 2002 to May 2003, the number of requests for gas metering information submitted by the complainant to Transco;

Timescales

- ◆ for the period December 2001 to July 2002 and August 2002 to May 2003, the number of gas metering information responses submitted by the complainant and responded to by Transco in less than, or equal to 8 Working Days, between 9 and 20 Working Days and more than, or equal to, 21 Working Days;

Accuracy

- ◆ for the period December 2001 to July 2002 and August 2002 to May 2003, the number of gas metering information responses provided by Transco and challenged by the complainant;

- ◆ details of the criteria applied by the complainant in ascertaining whether the gas metering information responses received should be challenged.

Compensation

- ◆ for the period December 2001 to July 2002 and August 2002 to May 2003, the number and value of any compensation/ex gratia payments made by Transco to the complainant in respect to the provision of gas metering information.

Appendix 2 Key Industry Milestones

April 2000 – March 2001 period

- ◆ April 2000 – with effect from this date Ofgem separated Transco's transportation and metering & meter reading price controls. Before this there was a combined revenue cap for metering and transportation services. The separation of the price control was a critical step in introducing competition as it prevented cross-subsidy between Transco's transportation and metering businesses;
- ◆ August 2000 – Initial RGMA consultation;
- ◆ January 2001 – Meter Liberalisation Date designated by Ofgem. From this date domestic consumers were able to install and/or read meters in their premises. At this point gas suppliers could not refuse to accept suitable arrangements made by domestic consumers for metering, meter reading and meter inspection;
- ◆ March 2001 – the publication of Ofgem's metering strategy;
- ◆ March 2001 – initial enquiry by a third party to install a non-Transco meter onto Transco's transportation network;

April 2001 – November 2001 period

- ◆ April 2001 – Transco's disaggregated industrial and commercial metering charges introduced;
- ◆ May 2001 – the publication of the Gas Metering Protocol. This document, drafted by a representative industry group, aimed to provide a reference for existing and future providers of metering services to give clarity about the operation of a competitive metering market;
- ◆ July 2001 - Legal separation of Transco plc and Transco Connections Ltd;
- ◆ October 2001 – British Gas initiated a competitive tender exercise to appoint alternative gas and electricity metering service providers;

- ◆ November 2001 - Transco Connections Limited name change to First Connect Limited;

December 2001 – July 2002 period

- ◆ December 2001 – Transco made available a non-shipper meter installation contract (below 7 Bar) to allow non-shippers to request the provision of Transco meters to third parties to install on Transco's transportation network;
- ◆ January 2002 – establishment of an Industry Metering Separation Implementation Forum (IMSIF) to oversee the implementation of the Review of Gas Metering Arrangements (RGMA) project. This project is tasked with putting in place agreed industry-wide business processes and data flows to support a competitive gas metering market at the same time as Transco separates its transportation and metering IT systems. At the time this was anticipated to be February 2003;
- ◆ April 2002 – completion of the design phase of the RGMA project;
- ◆ April 2002 – with effect from this date Transco had tariff caps on four metering services, and a non-discrimination licence condition covering other metering services. The aim of the caps was to provide a more transparent and flexible regulatory regime for buyers of Transco's metering services as well as potential competitors;
- ◆ April 2002 – establishment of an industry Metering Contract Group responsible for the drafting of contracts between Transco and gas suppliers to support a competitive gas metering market. These contracts will be based on the provisions that presently exist in Transco's Network Code. They will come into force at the same time as the RGMA project is implemented;
- ◆ April 2002 - First Connect Ltd transferred to Transco Holdings and then sold across group to Lattice Holdings;

- ◆ April 2002 – Third party submits formal complaint to Ofgem with regard to Transco’s provision of gas metering services and gas metering information;
- ◆ May 2002 – British Gas’s appointment of United Utilities for the provision of gas and electricity metering services in North Wales and North West and North East England;
- ◆ July 2002 – Transco plc begins to transfer its metering and meter reading services activities into a wholly owned subsidiary called Transco Metering Services Limited created to discharge Transco plc’s metering obligations. Separation of the IT systems re-scheduled for April 2003 as linked to the RGMA timetable;
- ◆ July 2002 - First Connect Limited renamed Fulcrum Connections Limited;

August 2002 – May 2003 period

- ◆ November 2002 – British Gas’s contract with United Utilities becomes operational;
- ◆ November 2002 – Because of ongoing pressure on the implementation of the RGMA business processes, IMSIF agree to defer the RGMA implementation date from April to September 2003;
- ◆ December 2002 – Ofgem publish consultation paper on the provision of gas metering by Transco;
- ◆ April 2003 – Ofgem publish update paper on the provision of gas metering information by Transco.

May 2003 to date

- ◆ July 2003 – British Gas’s contract with OnStream becomes operational;
- ◆ October 2003 - RGMA implementation now expected Q2/2004.

Appendix 3 Industry Relationships

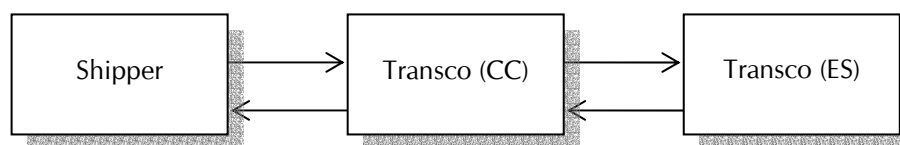
April-November 2001 period

Metering Services

Shipper requested domestic meter work

- 3.1 During this period Transco call centres (CC) handled requests for domestic meter work from shippers. These were then passed by Transco CC to Transco emergency services (ES) who would perform the actual work. These information flows are illustrated in Figure 2.

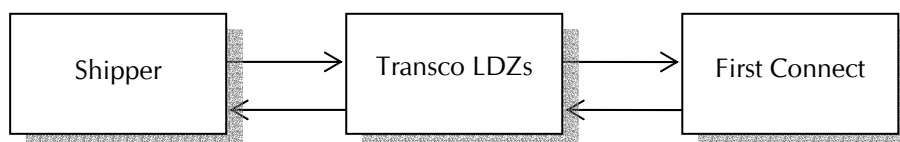
Figure 2: Domestic-Shipper Requested Meter Work – November 2001



Shipper requested non-domestic meter work

- 3.2 For non-domestic meter work Transco's operational organisation was initially based on 12 Local Distribution Zones (LDZs), although towards the end of the period there was a migration to 8 LDZs. The Front Desk of each LDZ liaised directly with shippers. These requests were then passed by the LDZ to First Connect Ltd, who would perform the physical meter work itself. These information flows are illustrated in Figure 3 below.

Figure 3: Non-Domestic-Shipper Requested Meter Work – November 2001



- 3.3 During this period Transco did not provide metering services to non-shippers.

Metering Information

- 3.4 Transco appointed North London as the lead LDZ with sole responsibility for processing all requests for metering information from non-shippers irrespective of the geographic location of the customer.
- 3.5 Transco began to develop a set of formal procedures which, as required, could be implemented in other Transco LDZs. For example, in July 2001 Transco circulated a document to the industry which outlined some interim procedures to be followed until such time as more formal processes were agreed and implemented.
- 3.6 At the same time as these initial arrangements were being developed Transco began work on developing longer-term solutions which they considered were better suited to emerging non-shipper meter installations.

December 2001 to July 2002 period

Metering services

- 3.7 During this period there were no changes to the organisational structure of Transco which affected the procedure to be adopted by shippers when requesting meter work.
- 3.8 For non-shippers, In December 2001, Transco made available a contract enabling third parties, other than shippers, to request Transco to install a Transco owned meter. Transco arranged for its CCs to be the agents for domestic meters and Fulcrum Connections Ltd to be the agent for non-domestic meters.

Metering information

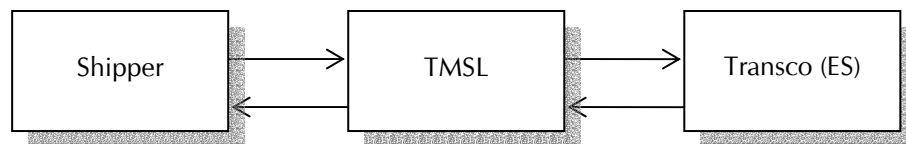
- 3.9 In December 2001, Transco implemented a revised version of the Meter Appraisal Scheme. The scheme applied to metering information requested by either shippers or non-shippers. The Scheme was supported by generic process flows between Transco and any meter installer.

August 2002 to May 2003 period

Metering services

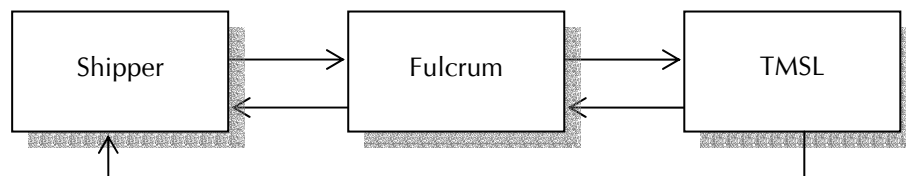
3.10 During this period (and to date) shippers were now required to send their metering requests direct to TMSL rather than Transco CCs as before. The new information flows between Transco and shippers for domestic meter work are outlined in Figure 4 below.

Figure 4: Domestic–Shipper Requested Meter Work – October 2002



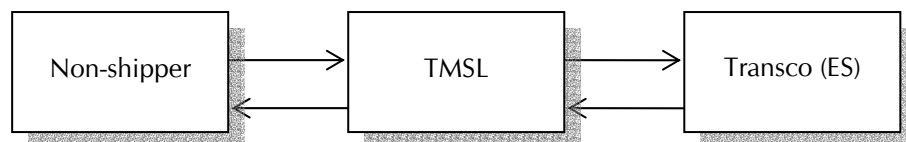
3.11 For non-domestic meter work shippers were required to send requests to Fulcrum, who processed the request and then requested TMSL to perform the actual meter work. TMSL, having completed the requested meter work, would then advise the shipper that the meter work had been completed. The information flows are outlined at Figure 5.

Figure 5: Non-Domestic–Shipper Requested Work – October 2002



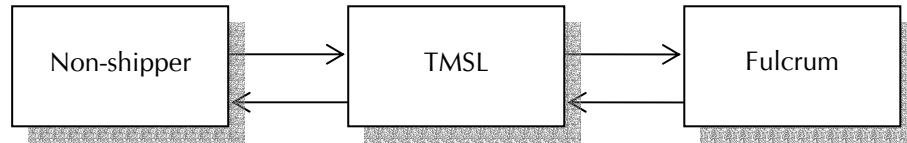
3.12 For domestic meter work non-shippers were required to send all requests for domestic meter work to TMSL who then processed the request and send it to Transco ES who did the physical meter work. The information flows are given at Figure 6.

Figure 6: Domestic–Non-shipper Requested Work – October 2002



3.13 For non-domestic meter work non-shippers were still required to submit the initial request to TMSL, but the physical meter work was performed by Fulcrum Connections Ltd. The information flows are given at Figure 6.

Figure 6: Non-Domestic– Non-Shipper Requested Work – October 2002



Metering information

- 3.14 No requests for metering information were submitted by shippers.
- 3.15 The relationship between Transco and non-shippers relating to the provision of gas metering information continued to be outlined by Transco’s Meter Appraisal Scheme. Requests for gas metering information continue to be handled by the relevant Transco Network Customer Service Desk, not TMSL, as with metering services.