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to customers*

The Joint Office, Transporters,
Shippers and other interested parties

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Dear Colleague,

Urgent Uniform Network Code modification proposal 029: Metering arrangements at Special Metering Supply Points’.

Having considered the issues arising from this proposal and having had regard to its statutory duties, Ofgem¹ has decided to direct the implementation of the modification as we believe that it will better facilitate the achievement of the relevant objectives of the Uniform Network Code (UNC), as set out in standard special condition A11 of relevant Gas Transporters Licences. In this letter we explain the background to the modification proposal and outline the reasons for making our decision.

Background to the proposal

Some supply points, often referred to as ‘*unique sites*’ have complex arrangements, such as multiple shippers. In the Uniform Network Code (UNC) these are referred to as ‘*Special Metering Supply Points*’. Given that these sites account for only 100 or so of the 22 million metering assets within the UK, they were considered out of scope of the Review of Gas Metering Arrangements (RGMA) project, which culminated with the separation of NGT’s metering and transportation businesses, and the removal of the majority of metering provisions from the Network Code effected by modification 672: ‘*Amendments to Facilitate the Unbundling of Supply Meter Ownership and Associated Works in accordance with the Review of Gas Metering Arrangements (RGMA)*’. However, given that unique sites were out of scope of RGMA, a further modification, 678: ‘*Primary and Sub-deduct meters and ‘unique’ sites –transitional metering arrangements post-RGMA*’ provided that on a transitional basis with effect from 12 July 2004, NGT would for 12 months, provide, install and maintain meters at such sites.

It was originally intended that suitable arrangements would be developed in the 12 month transitional period to allow the metering at unique sites to also be unbundled. However, the Meter Asset/Work Unbundling sub-group of the Network Code Supply Point & Billing

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms ‘Ofgem’ and the ‘Authority’ are used interchangeably in this letter

Workstream², which was tasked with looking at this issue, has since recommended that unique site metering arrangements (i.e. all provision, installation and maintenance activities currently performed by NGT) should be retained within the (Uniform) Network Code.

The proposal

The intent of this proposal is to ensure that metering arrangements for *unique sites* continue to be covered under the UNC beyond 12 July 2005, with the *sunset clause* being removed entirely.

An explanatory note has been provided by Transco's Distribution business with respect to the obligations under the multiple GT arrangements, brought about by the sale of four of Transco's Distribution Networks. This note, circulated to UNC Users, confirms that where an existing Special Metering Supply Meter Installation has been provided by Transco (even where it is located on what is now another GT's System) Transco will continue to discharge the relevant UNC obligations in respect of maintenance, repair, exchange and eventual replacement of that installation. However, where a new Special Metering Supply Meter Installation is requested, then the relevant GT, on whose System the location is intended, will deal with the request as Siteworks.

Respondents' views

The Joint Office received nine representations in response to this modification proposal, all of which were supportive. A common theme amongst respondents was that the complexity and costs involved with requiring the unbundling of metering at unique sites outweighed any benefits given the small number of such sites, echoing the findings of the Meter Asset/Work Unbundling sub-group. Several respondents endorsed the pragmatic approach envisaged by this proposal, allowing the continuation of existing metering arrangements at *unique sites*.

Modification panel views and recommendation

The modification panel considered that implementation of this proposal would further facilitate the relevant objective of securing effective competition between gas shippers and suppliers. The modification panel therefore voted unanimously to recommend implementation of this modification proposal.

Ofgem's view

In reaching a view in this modification proposal, Ofgem has had regard to its principal objective of protecting consumers wherever appropriate by promoting effective competition and its wider statutory duties³. Ofgem considers that competition in metering services will provide benefits to consumers through increased choice, improved standards of service and downward pressure on costs. The implementation of RGMA and the concurrent separation of Transco's metering and transportation businesses were intended to provide a genuine choice where there previously was none, facilitating effective competition in gas metering services, and between the gas suppliers who procure such services.

² Now the Distribution workstream of the UNC.

³ Gas Act 1986, Section 4AA.

Given the findings of the Meter Asset/Work Unbundling sub-group and the relatively small number of sites concerned, Ofgem considers that allowing the ongoing provision of metering services to *unique sites* by the GT would be proportionate, in keeping with the principles of best regulatory practice. Whilst implementation of this modification proposal will retain the GTs ability to provide metering services at *unique sites*, nothing in this modification proposal will preclude consumers at such sites or their gas suppliers from choosing to competitively procuring gas meters and metering services. This in itself will allow for the most efficient solution to be found at each site, and generally facilitate effective competition between supplier and shippers.

Ofgem's decision

For the reasons outlined above, Ofgem considers that implementation of this proposal would better facilitate the achievement of the relevant objectives of the UNC, as outlined under standard special condition A11.

Yours sincerely,

Sarah Harrison
Managing Director, Corporate Affairs