

Modification proposal:	ESP Connections Ltd (ESPCo 44) Application of Transportation charges in the event of late submission of meter fit information by Pipeline Operator – 14 Day Rule		
Decision:	The Authority¹ directs that this proposal be made²		
Target audience:	ESPCo, Parties to the ESPCo Network Code and other interested parties		
Date of publication:	6 November 2006	Implementation Date:	To be confirmed by ESPCo

Background to the modification proposal

Paragraph 12 of the Gas Code (Schedule 2B of the Gas Act 1986) states that no person shall connect or disconnect any meter from a service pipe without fulfilling certain informational requirements. In particular, the person carrying out the work must provide information relating to that work within 48 hours of the work being completed. This should be provided to the relevant supplier, where its name and address is known and where not, to the gas transporter. The information to be provided is prescribed in the Gas Meters (Information on Connection and Disconnection) Regulations 1996 [SI No 450].

The gas transporter is obligated by standard condition 8 (5) of its licence to promptly give a copy of the relevant information it receives in respect of a meter connection or disconnection to the relevant shipper, which has a complementary licence obligation to then pass the information onto the supplier. 'Promptly' is not a defined term within the licence and is largely subject to licensees' discretion, as indeed is the method of communication to be used. It is therefore likely that what each party considers to be prompt will differ.

However to enable compliance with this timeframe the transporter must be in possession of the meter fit report from the meter installer. In practice there may be a significant time lag from a meter being installed, to a report being issued to the Transporter.

Shippers are invoiced for transportation costs from the date that a meter is fitted, as this is assumed to be the Registration Date. However, there are instances where meter asset details are not provided to the shipper within a reasonable timeframe. The delay in the provision of meter asset information may result in complaints being made to the Supplier for failure to issue the customer with a timely initial account. A consequence of this delay is that there may be a build up of debt associated with the energy consumed and not billed to the customer. In addition the customer's perception of the service being offered by their Supplier is diminished and may result in the customer taking the decision to transfer to another Supplier, when in fact the Supplier is not to blame for the poor service.

This Modification proposal seeks to introduce a restriction on the application of transportation charges if delays occur in notifying the shipper of meter asset details. If meter asset information is not provided to the shipper within 14 days of the physical

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

²This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

meter fit, Transportation Charges will only apply from the date that the meter information is eventually provided.

The modification proposal

This modification proposal seeks to incentivise the transporter to make extra efforts to obtain the meter fit report within 14 Business Days and, additionally seeks to ensure that the Opening Read provided by the transporter, will be the starting point for the shipper's transactions. The Opening Read must be dated no more than 5 business days prior to the date of the provision of the meter asset information.

Although this modification proposal does not change the existing procedures it does seek to promote earlier intervention on the part of the transporter so as to ensure meter fit reports are received in a timely manner, thus leading to the efficient and economic operation of the pipe-line system. In addition, the proposal states that earlier updates of records and of CSAQ will lead to a more accurate RbD reconciliation therefore facilitating competition between suppliers and between shippers.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 4 October 2006. The Authority has considered and taken into account the responses to the ESPCo consultation on the draft modification proposal which are attached to the FMR. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the Network Code³ for ESCo; and,
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁴.

Reasons for the Authority's decision

This modification proposal builds on a similar modification that was raised against all iGT Network Codes in 2003 which introduced a 31 Business Days timeframe for the submission of meter fit reports to shippers.

Both transporters and shippers are bound by their respective licence obligations and the Gas Code to ensure that the meter asset details are passed on promptly. Reducing the current 31 Business Days timeframe to 14 Business days will serve to further incentivise ESPCo to ensure that meter fit reports are received from the relevant party in a timely manner.

The three responses which were received in respect of this proposal are all fully supported the implementation of this modification. Of these, one respondent noted that the provision of timely meter fit reports formed a crucial element of the registration of a new meter point. Along with the introduction of a standard format for the meter fit report across all independent gas transporters, this modification will promote efficiencies within these industry processes.

⁴ As set out in Standard Condition 9(1) of the Gas Transporters Licence, see: http://62.173.69.60/document_fetch.php?documentid=4311

⁴The Authority's statutory duties are wider than the relevant objectives and are detailed mainly in the Gas Act 1986.

The provision of an Opening meter read that is only 5 Business days earlier than the date of the meter fit report will go some way to reducing the potential of a significant amount of "free" gas that will later have to be reconciled via the Reconciliation by Difference(RbD) process.

Ofgem has considered this proposal under each of the relevant code objectives and its statutory duties and is of the view that earlier receipt of information by the shipper will promote the efficient and economic operation by the licensee of its pipeline system and will underpin the efficient discharge of its obligations under the licence. In addition, earlier update of records and of CSAQ will lead to more accurate RbD reconciliation, which will facilitate competition between shippers and between suppliers.

Decision notice

In accordance with Standard Condition 9 the Gas Transporters Licence, the Authority, hereby directs that modification proposal ESPCo 44: Application of transportation charges in the event of late submission of meter fit information by the Pipeline Operator – 14 day rule be made.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Simpson', written over a horizontal line.

Nick Simpson, Director of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose.