



National Grid

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Dear Mark,

**Re: Ofgem's consultation on the provision of metering information by Transco
– December 2002**

In response to Ofgem's recent consultation "The provision of metering information by Transco", I welcome your initial conclusion that Transco is not in breach of any specific legislation.

National Grid Transco, through Transco, is actively supporting the introduction of competition into gas metering activities through the RGMA process. In this respect, Transco is following through on its commitments to:

- participate fully in the industry working groups;
- replace its metering obligations under Network Code with new industry wide meterwork contracts; and
- separate systems.

It has also fulfilled its intention to unbundle its day-to-day metering activities.

Additionally, over the last twelve months, Transco has implemented the new Guaranteed and Overall Standards of Performance regime, centralised "back office" metering activities to improve customer service performance and meets regularly with customers to monitor that performance. The result has been improved customer satisfaction reported to us by our customers. However, we are not complacent and recognise the need to look continually at ways in which we can improve.

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On the route-map to introducing effective competition in metering services, we find ourselves in the middle of a significant change process. This process is more complicated and now includes a much more fundamental review than was originally anticipated. Consequently, the date for industry cut-over to the proposed new universal systems and processes has been deferred. However, competition in metering is emerging despite this delay. Recognising this, Transco has taken steps to implement a set of transitional processes to facilitate third parties being able to install meters in advance of industry cut-over.

In recognising Transco's commitment to introducing effective competition in this market, and the scale and complexity of the changes for the whole industry under RGMA, Transco does not believe that it is appropriate during this period of transition to develop and implement new legislative requirements in respect of the provision of metering information. Clearly, if there are any specific issues that arise from this consultation Transco would welcome the opportunity to discuss how these might be resolved, and through this transition period remains mindful of its obligations under the Gas Act and the Competition Act.

National Grid Transco would therefore request that any significant findings arising from this review are considered in the RGMA process discussions. We would also like to explore with Ofgem how we could further facilitate competition for all prospective meter operators, including our own.

Yours sincerely

Tim Tutton
UK Director of Regulation

Ofgem's Consultation on the provision of metering information by Transco – December 2002

Transco's Response

1. Introduction

Transco has been working with Ofgem and the gas industry since early 2000 on the development of industry processes that will support a fully competitive market for metering. This work has been conducted through the industry based Review of Gas Metering Arrangements (RGMA). A key objective of RGMA is the separation of Transco's metering business from its transportation business. However, it should be recognised that since its inception, the RGMA project has undergone a fundamental revision of scope such that it now includes delivery of systems and processes in support of the supplier hub principle. The completion of Transco's business systems separation requires the readiness of a number of industry players and cannot be concluded by Transco in isolation.

In order to accommodate third party metering providers, Transco has implemented a number of transitional processes to support their participation in the competitive market in advance of RGMA implementation. These transitional processes to facilitate competition are in addition to Transco's existing processes, which must remain operational until the RGMA project is concluded. These arrangements take into account Transco's obligations in respect of regulation and safety.

Transco will continue to work with the industry to refine and improve its processes so as to ensure that they remain appropriate and cost effective for the evolving competitive meter market. In considering the appropriateness of its transitional processes, it should be noted that Transco, as a gas transporter, has particular responsibilities with regard to safety. This requires that both the views of Ofgem and the HSE (the later of whom must approve the implementation of processes that impact Transco's Safety Case) are considered in the implementation of any new processes. As with the transitional procedures for the provision of service pipe information and the meter appraisal scheme, any future proposals must be discussed and, where appropriate, agreed by both regulators.

In this report Transco sets out the actions that it has taken and performance to date in respect of the following: -

- provision of information to third parties and meter appraisal
- provision of information to shippers
- Transco services developed to support transitional arrangements
- the role Transco has played in the RGMA project and Transco's business separation.

2. Provision of information to third parties and meter appraisal scheme

2.1 Background

Prior to the start of the RGMA programme there was little or no activity by third parties to connect meters to the Transco system. Where an alternative meter provider wanted to install a meter, the provision of relevant information was subject to ad-hoc arrangements to suit the circumstances.

Transco recognises that in the future, when the supplier hub model is established, there is a need for consistent processes to facilitate third party connection of meters. However, Transco is also mindful of the rights of third parties to install meters in advance of any agreed industry cut-over and in response to increased third party activity has developed a set of transitional processes to facilitate meter installation.

In developing these processes, Transco has had to take account of both the needs of the third party and its own obligations in respect of safety. In particular, the need to assure the HSE that the Gas Safety (Management) Regulations are complied with in respect of pressure control.

2.2 Transco transitional processes

2.2.1 Service pipe information

In November 2001, Transco published its procedures for the provision of service information. These were based on detailed proposals issued to the industry for comment in July 2001 and supplemented the interim arrangements notified in October 2001. It was recognised at the time that some of the detailed procedures were still under review and that a technical group had been established as part of the RGMA project to consider some of these issues. Transco gave an undertaking at the time of publication to keep the procedures under review, in the light of experience gained through initial implementation.

Transco's procedures provide the third party meter installer with the following information:

- provision or confirmation of the Meter Point Reference Number (MPRN)
- confirmation of live gas service pipe (for an existing service)
- confirmation that the service pipe was capable of providing the planned capacity of the meter installation (noting that the capacity confirmation did not confer any right or entitlement in respect of the transportation of gas to the supply meter point)
- the network pressure tier to which the service pipe is connected and associated pressures
- any special engineering constraints

- the end of the service pipe physical connection details – Transco issued a guidance note ‘Standard service termination details for all low pressure services, designed for flows up to 821m³/hr’.

2.2.2 Meter Appraisal

Whilst not a statutory obligation, in November 2001, as part of its assurance process for compliance with the Gas Safety (Management) Regulations, Transco published its meter appraisal scheme. The scope of the appraisal covers the meter installation design objectives; it is for competent meter installers to determine the actual meter installation design and materials to be used to meet the design and safety objectives of the meter installation.

The appraisal scheme gives authority to Ofgem Approved Meter Installers (OAMI) to act on Transco’s behalf with respect to breaking a seal, the initial setting and any subsequent adjustment of a meter pressure regulator connected to Transco’s network.

In respect of domestic and small I&C meters (within the scope of Ofgem COP1a and COP1b) Transco has established a **generic appraisal** procedure. Generic appraisal applications are managed centrally.

For larger more complex designs, **Site-specific appraisal** procedures have been established. Applications for site-specific appraisal are managed by the relevant Network.

2.3 Performance to date

Transco has voluntarily agreed to the following planned performance levels for the services described in this section:

- Service pipe information requests to be returned in eight working days from receipt (D+8)
- Meter appraisal requests to be returned in D+5
- Combined information request and appraisal to be returned in D+8

These performance levels have been based on the existing connections standards. The following table summarises Transco’s performance in respect of these services for the year 2002.

Standard	Total responses	In standard	Out of standard	% performance
D+5	486	462	24	95
D+8*	747	681	63	91

* To date, no requests have been received for the D+8 service pipe information only. The data above refers to combined requests only.

Transco recognises that in some instances the planned performance level has not been met. In such cases, Transco has investigated the circumstances and taken actions to improve future performance.

2.4 Future service pipe information provision and meter appraisal

Transco recognises the need for continuing review of both of these services and will continue to work with the industry to develop the most appropriate and cost effective service in this area, whilst remaining compliant with relevant safety legislation.

3. Provision of information to shippers

In the consultation document, Ofgem refers to the information services Transco provides to shippers under both the Network Code and operational agreements. It should be noted that these are fundamentally different information services to those provided to third parties and Transco is of the view that any comparison is therefore inappropriate. However, for completeness, we have provided details below of the relevant services.

The two main services are the Request For Information service (RFI) and the Conquest query service. The RFI services allows shippers to make enquiries about existing meter installations at their own supply points, using an MPRN or address as the reference point. The Conquest query service allows shippers to query data in respect of their own supply points and is subject to agreed standards of service for query resolution.

3.1 RFI performance

The following tables set out Transco's performance in respect of the RFI service:

RFI Performance	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02	Apr 02
Domestic 90% in 30 secs	73.81	89.40	87.00	90.00	82.90	86.00
I&C 85% in 30 secs	66.21	85.30	79.60	85.30	77.70	83.30
Faxes <50 (95% in D+24)	98.50	98.98	99.40	99.30	100.00	100.00
Faxes 50 to 150 (95% in D+48)	94.00	100.00	98.40	100.00	98.20	100.00

RFI Performance	May 02	Jun 02	Jul 02	Aug 02	Sep 02	Oct 02
Domestic 90% in 30 secs	89.00	90.10	93.80	88.20	89.50	86.20
I&C 85% in 30 secs	88.00	87.50	91.00	84.00	84.00	76.40
Faxes <50 (95% in D+24)	100.00	100.00	100.00	100.00	100.00	100.00
Faxes 50 to 150 (95% in D+48)	100.00	100.00	100.00	100.00	100.00	100.00

3.2 Query resolution

The following tables sets out Transco's performance in the resolution of metering queries raised under the Conquest service.

Metering Query Performance	Target Performance	Nov 01	Dec 01	Jan 02	Feb 02	Mar 02	Apr 02
% Cleared in 10 Days	80% in 10 Days	97.72	95.16	94.34	95.89	96.82	93.18
% Cleared in 20 Days	95% in 20 Days	99.37	99.37	99.12	99.33	99.30	98.53

Metering Query Performance	Target Performance	May 02	Jun 02	Jul 02	Aug 02	Sep 02	Oct 02
% Cleared in 10 Days	80% in 10 Days	93.38	87.51	94	93	95	97
% Cleared in 20 Days	95% in 20 Days	98.61	98.50	98	99	98	99

Note: Performance reports presented to the industry under the agreed standards of service contain combined transportation and metering performance statistics

4. Transco services developed to support transition

In addition to the activities that have been undertaken in conjunction with Ofgem and the industry, Transco has progressed a number of further initiatives in support of metering competition.

4.1 Post Emergency Meterwork Service (PEMS)

At present, where a domestic Transco meter that requires repair or replacement is identified during the course of an emergency visit, the meter is usually repaired or replaced. This activity is funded out of existing metering charges. Until recently, no such service was available in respect of non-Transco domestic meters as contractual arrangements were not in place. Suppliers have stated a preference for replicating the "one visit" solution provided by the emergency service to be applied to non-Transco domestic meters in order that end consumer inconvenience is minimised.

In recognition of this preference, the emergency service has developed the PEMS contract. This allows suppliers to use alternative meter providers and also enter into a contract with Transco to repair/replace such meters in circumstances where Transco attends site as part of an emergency visit. In the medium term, it is possible that alternative service providers will offer 24 hour a day services with response times that render the PEMS contract redundant. As such, the service can be viewed as transitional to support competition in its early stages, and its ongoing use will be the subject of further review.

4.2 MPRN process

Transco has developed a revised Meter Point Reference Number (MPRN) process to facilitate competitive connection and meter services by placing the infrastructure provider at the centre of MPRN allocation. This process is designed to minimise the number of occasions when a meter worker is unable to ascertain the MPRN and therefore complete all relevant documentation following a meter installation. This process was implemented in August 2002

4.3 Non-Shipper Contract

In response to requests from the industry, Transco has developed and made available a contract for the installation of Transco meters at the request of non-shippers. This has enabled new market entrants to make arrangements for meter provision where the consumer specifically requests a Transco meter. Since creating these arrangements, limited use has been made of the service.

4.4 Facilitation of alternative meter provision

As previously noted, Transco has recognised that, whilst the industry is working towards cut-over, some organisations have moved into alternative meter provision in advance of this date.

In addition to the development of information services for alternative meter providers, Transco has made a number of changes to its supply point administration processes in order to ensure that suppliers obtain the necessary metering data. Such changes should also ensure that the supply point transfer process is not adversely impacted.

5. The role Transco has played in the RGMA project and Transco's business separation

5.1 Transco's role in the RGMA Project

In March 2000, concurrent with Transco's provisional agreement to Ofgem's proposed split of the price control, Transco proposed a 'route map' to competition. A feature of this proposal was the separation of Transco's metering and transportation businesses as being the most effective way of removing any potential for Transco to be advantaged by the integration of the two businesses. Transco's proposal was to complete this separation by October 2001.

Ofgem consulted with all industry parties on this proposal within the same consultation used for the licence changes required to split Transco's price control ("*Securing effective competition in gas metering and meter reading services: the Director General's final proposals – Ofgem May 2000*"). Following this consultation, Transco's approach to separation was endorsed by the industry and set out in an Ofgem project proposal ("*Review of Gas*

Metering Arrangements – Project proposal – Ofgem August 2000”). The key components of Transco proposals i.e. systems, operational and contractual separation, were retained, but the completion date was revised to December 2001.

Transco’s initial proposal for systems and operational process separation was to effectively replicate the current data storage and work scheduling process in stand-alone systems, with identical file formats and data flows. An alternative proposal, put forward by gas suppliers, was for the development of new common processes and file formats in support of the supplier hub principle. Ofgem again consulted with the industry in May 2001 and this alternative approach was adopted with a revised date of April 2002 for cut-over to the new systems and processes.

In developing common industry processes, Transco was an active member of both the Business Process Review Group (BPRG) and the IT sub group that undertook this work during the remainder of 2001 and early 2002. Due to the time taken for these groups to complete the design, the implementation date for new systems and processes was further deferred until February 2003.

In parallel to the work undertaken by the BPRG and IT sub group, and in support of contractual separation, Transco initiated the Metering Contract Group in May 2001. This group was tasked with developing a suite of contracts to replace the existing arrangements where large parts of Transco’s metering services are set out in the Network Code. The development of common industry processes, and the desire by some parties to see service evolution, has significantly increased the scope of this exercise and created a number of new issues that have taken time to resolve. In particular, the industry requested that, in future, Transco provides services to suppliers rather than shippers. Transco has provisionally agreed to this change but it will require some changes to the Gas Transporter, Supplier and Shipper licences.

The resolution of contractual issues and progression of licence changes may, to some extent, impact on shipper/suppliers own system and operational design work. This, and the overall scale of the implementation of new systems and processes, has led to further postponements to the cut-over date to September 2003.

5.2 Current Business Structure

Since the commencement of the discussions regarding the introduction of metering competition, National Grid Transco has kept under continual review its options for the delivery of metering services to the industry in order to facilitate market competition.

Resulting from these considerations, on the 8th July 2002 a wholly owned subsidiary of Transco plc, Transco Metering Services Limited, was formed. Transco Metering Services Limited provides day to day metering and meter reading services to Transco plc through a service provider contract.

Post industry cut-over, in providing its regulated metering services, Transco requires IT systems that will be compliant with the RGMA processes and data-flows developed and agreed by the industry. The extent to which Transco's metering and transportation businesses should separate has never been formalised. Transco believes however, that separation will not be completed until the IT systems that support the RGMA processes are implemented.

In the intervening period, Transco has endeavoured to ensure that systems and processes are appropriate to the needs of the industry as competition evolves, which has necessitated the establishment of interim arrangements as highlighted above.

6. Conclusions

Transco remains fully supportive of metering competition and will continue to work with Ofgem and the industry to ensure a successful conclusion to the RGMA project. Transco has fully embraced the fundamental regime change that has arisen out of the RGMA programme and will ensure that the new systems required to complete its own business separation of transportation and metering are compliant with the new industry agreed processes.

It must be recognised that Transco's own metering business will operate on a slightly different basis until the new processes are introduced. An alternative would be for Transco to incur significant additional cost by replicating existing systems on a stand-alone basis in advance of cut-over.

In addition to its contribution to the RGMA project, Transco has voluntarily progressed a number of initiatives, such as the provision of data to third parties, to support competitive meter provision. In doing so, Transco has endeavoured to develop services that are effective for the prevailing market conditions, whilst ensuring compliance with Transco's overarching safety and regulatory obligations, including the provision of domestic meters where requested.

Transco believes it is reasonable to expect that, once developed, services such as the provision of service information and meter appraisal may require some refinement based on experience to date. As such, Transco remains committed to continued work with the industry to create processes that are most appropriate and cost effective for the competitive metering market.

Whilst Transco recognises the potential value of agreed standards of performance in areas such as the provision of service pipe information, it does not believe that it would be appropriate to establish new legislative requirements during this transition period. In Transco's opinion, any decision as to whether services developed in support of metering competition should be subject to statutory standards of performance and possibly liabilities, should be considered post cut-over, in light of experience of the competitive market as a whole.