

iGT UNC / iGT INC Consultation Response

Date	19 th November 2010
Reference	iGT028 DMR Consultation
Title	Remove the Must Read Process for Annually Read Sites
Respondee	Colette Baldwin - E.ON
Position on the Modification	Support Modification

Facilitation of the relevant objectives

How this proposal will, if implemented, better facilitate the “code relevant objectives”, as defined in Standard Condition 9 of the Gas Transporters Licence. For those answered Yes to, please provide a detailed explanation below the table.

<i>Relevant Objective</i>	<i>Yes/No</i>
a. the efficient and economic operation of the pipe-line system to which this licence relates	Yes
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	Yes
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	Yes
e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers	
f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition	

Relevant Objectives to be better facilitated:

Relevant Objective A & B – Since the performance of this obligation is required by the Network Code only on a “reasonable endeavours” basis, and is not undertaken by all pipeline operators equally we content that the performance of the Must Reads for Annually Read sites is not necessary for the efficient and economic performance of the pipeline operator’s systems.

The stated primary use of meter reading data by transporters is for energy balancing as outlined in the UNC - Section E, clause 3.2 - meter readings will be provided for the purposes of complying with the NexA.

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Since the Pipeline Operators' obligations under the NexA do not relate to the provision of meter readings to the large transporters for annually read sites, the requirement on Pipeline Operators to undertake Must Reads should remain in force only for sites specifically required by the NEXA. This work is being undertaken effectively as a commercial venture rather than because of any regulatory necessity for the efficient and economic operation of the Pipeline Operator system.

It could be argued here that the only economic benefit to the Pipeline Operator in undertaking this activity relates to the profit that can be made from it and that since they are cost neutral in the reconciliation process they are simply adding a cost burden to the industry which is ultimately borne by customers through increased overheads.

It is worth comparing the IGT approach to Must Reads with that of the Large Transporters who have the same provision in their Uniform Network Code however they do not undertake this activity on behalf of Pipeline Users at all, as they are also cost neutral to the reconciliation process and see no economic benefit in doing so.

Relevant Objective D - In view of the varying performance of suppliers in obtaining readings from annually read sites, the burden of Must Read costs do not necessarily fall with the supplier who fails to perform its obligation to obtain and provide the meter reading, since the must read requirement does not align with the period of supply, as in electricity. Therefore the costs can be unfairly apportioned, particularly in respect of more recently gained supply points where the new supplier hasn't been able to obtain a reading and becomes subject to the Must Read requirement soon after the new supply start date and may only have a short window to obtain an accepted meter reading.

Since the costs do not necessarily fall with the supplier who failed to get their readings accepted by the Pipeline Operator, and since the effect of missing readings is smeared also in respect of RbD, suppliers are therefore sharing costs in an agreed manner, and therefore competition is not being distorted.

In terms of meter reading data quality, due to the disparate systems and process that have evolved over the years since the competitive market opened up, there is historically quite a lot of invalid data that has been populated into Pipeline Operator systems, both by lack of controls or mis-interpretation equally by Pipeline Operators and Pipeline Users. We are seeing evidence that historic errors are affecting the acceptance of reliable meter readings. The introduction of meter reading validation should have helped remedy the data quality issues; however, it seems it is leading to the continued rejection of accurate readings until erroneous data can be removed. (*We are provided specific evidence on a confidential basis to Ofgem to support this statement*). Again, where change of supply happens before these errors are remedied, new suppliers are at a disadvantage in terms of having their accurate meter readings accepted as valid.

Finally, the Pipeline Operators do not undertake this activity in a robust manner - there is no certainty that Pipeline Users can rely on that Pipeline Operators will step in, procure the reading and possibly address any data quality problems, where Pipeline users have so far been unable to do so, it is unclear what action the Pipeline Operator will take if a Must Read they take also fails their own validation rules – there is nothing in the network code which obligates them to take action to resolve it.

Likely impact on environment?

How this proposal will, if implemented, impact on greenhouse gas emissions?

The carbon footprint of the Pipeline Operators would be reduced in terms of the inefficient approach of sending agents on adhoc and nationwide basis to collect meter readings when this is undertaken in a

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more co-ordinated way by Pipeline Users as part of the routine data collection activities.

Implementation issues including impact on your systems

None.

Additional Information and Comments

There has been some suggestion in Mod Proposal responses that removing the Must Read requirement would have a detrimental impact on the discharge of Supplier's Meter Inspect Supply Licence obligations.

To be clear, Must Inspects are a licence obligation on Suppliers and may or may not be undertaken at the same time as taking a meter reading for other purposes. There is no intention that in removing the requirement by the Pipeline Operator to perform the Must Read activity there should be any impact on the requirement of a Pipeline User to comply with their licence obligations.

In fact, the Pipeline Operator carrying out the Must Read obligation **would not** discharge the Supplier of their requirements to perform an inspection of the meter and report the same to the Pipeline Operator.

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001