

IGT UNC / IGT INC Consultation Response

Date	10 September 2010
Reference	iGT028 Modification Proposal Consultation
Title	Remove the Must Read process for annually read sites
Respondee	ES Pipelines, ESP Pipelines, ESP Networks, ESP Connections
Position on the Modification	Do not 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 too, 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	No
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	No
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	No
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	No
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	No
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	No

Relevant Objectives to be better facilitated: None.

Likely impact on environment?

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

None

Implementation issues including impact on your systems

Limited to none

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None

Additional Information and Comments

ES Pipelines and associated licensees ('ESP') carry out a number of must reads each year. ESP does not support the proposal to remove the requirement for must reads at smaller supply points.

Set out below are the principal areas where ESP fundamentally disagrees with the proposer's justifications for change to iGT UNC.

Critique of proposal as presented

The proposer highlights that sometimes Users do not send reads to the Pipeline Operator, or that they are not always accepted. ESP would be willing to assist in understanding the underlying causes of this. In fact, this is a more appropriate course of action than the proposed modification to iGT UNC.

- The proposer states that competition in supply means that Users do not always obtain an annual meter reading. Additionally, must reads become 'due' relatively quickly after a change of supply (the inference being that the User cannot avoid incurring must read costs in these cases).
 - Firstly, ESP would expect to receive a change of supply read in the vast majority of cases. However, the provision of opening reads upon change of supply is one area where performance could be significantly improved by Users. Recent modification to code has extended the window in which these reads can be provided to Pipeline Operators. It is also worth noting that our analysis shows that for the period August 2009 to August 2010 only 3.8% of must reads carried out by ESP were at a supply point that had changed supplier in the preceding six month period. In other words, there is little evidence that Users are simply being 'caught out' by must reads secured for very new customer accounts. So, this is not a question of unfortunate timing, rather it would suggest that provision of reads to the Operator (that the User may well already have) is where the process is currently falling down.
- The proposal highlights the perceived problem of the lack of available information on last accepted read, and lack of warning from the Pipeline Operator of the intention to secure a must read.
 - ESP currently notifies all shippers of the intention to seek a must read, roughly one month in advance of instructing our agent. Furthermore, an existing modification to the monthly portfolio information sent by iGTs looks to address the first issue.
- The proposal gives an anecdotal account of iGTs' operation of the reasonable endeavours scheme, which it then uses as justification to question the 'true value' of the must read.
 - ESP can only comment on its own operation of the reasonable endeavours obligation, which is supported by the belief that more reads are always

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preferable to fewer reads. Where ESP visits a premises and is unable to secure a must read it will visit again up to a maximum of three visits. The Pipeline User is not charged for these additional visits, nor is it charged where no read is obtained despite three visits having been carried out. ESP does not proceed to warrant stage but we would be happy to discuss this if it is a service that Users might require. Where a must read has been sought but not obtained, this remains outstanding and for transparency will continue to be reported to the shipper as a required must read. However, for practical reasons ESP will may wait a number of months before a further visit is scheduled.

- The proposer contrasts iGT practice with Large Transporter practice, and again maintains that no notification is provided in advance of must reads being sought.
 - Whether or not this is factually accurate (ESP does in fact give a pre-notification of must reads due), changes to iGT UNC must be assessed against the relevant objectives of the Pipeline Operator's licence, not against any regime operated by the upstream transporter.
- The proposal goes on to imply that the RBD mechanism will always act as a catch net where supply points lack sufficient read history to carry out accurate reconciliation or AQ review.
 - Notwithstanding this, it is confusing to find a shipper-supported modification proposal, the upshot of which may be an increase in costs allocated to RBD, when so many other recent modifications to iGT UNC and indeed UNC have argued for reducing volumes allocated to the RBD mechanism on the basis of distorted competition.

Facilitation of relevant objectives

- The proposer claims that relevant objective A is facilitated by reducing burden on the Operator's systems and reducing iGT overheads.
 - This is not the case. ESP employs an agent to carry out must reads on its behalf. Therefore we are unaffected by the "unpredictable level of work... driven by failures of the Pipeline Users". Furthermore, removing the must read obligation does not reduce our overheads, as any such charges are passed to the Pipeline User in line with our Transportation Statement. Without the must read obligation, ESP would have significantly fewer reads recorded on its system, reducing our ability to carry out AQ review and reconciliation to the Large Transporter. This is not an improvement in efficiency on ESP's pipe-line system; it is in fact the opposite.
- It is maintained that relevant objective D is also facilitated. Here the argument is that the cost does not fall to the correct party, hence distorting competition between shippers and suppliers.
 - ESP's analysis of the previous 12 months' must read activity shows 3.8% of such reads taken at a supply point which has switched in the last six months. Extending this window to a full year (to align with the supplier's annual read

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obligation) gives a figure of less than 7%. Therefore the effect put forward in the proposer's argument is not material. It is also ESP's expectation that a valid read should be provided at change of supply, which 'resets the clock' for the must read obligation.

- ESP would argue that this proposal is detrimental to competition between suppliers and shippers in the way that it levels the playing field by reducing expectations of read submission performance to the lowest common denominator (i.e. submission not required at all). Those shippers who have invested in providing reads in as many cases as possible see their advantage (in terms of limited exposure to must read costs) wiped out. Those shippers who value the must read obligation as a safety net also lose out

Conclusion

Assuming that the ultimate aim is to reduce cost borne by the Pipeline User, a full internal and external end-to-end audit of meter reading, processing, validation and acceptance/rejection would seem to be the sensible course of action, whilst leaving in place the existing must read obligation. This obligation should be regarded as a valuable and valued 'safety net' for those shippers who, either by default or as a result of commercial decision, do not provide reads capable of being accepted within timescales. Furthermore, the requirement for this obligation should decline as smart meters are installed nationwide.

Yet again, Pipeline Operators are presented with a change to iGT UNC which merely tackles a symptom rather than seeking to address the root cause of the problem. ESP cannot support this proposal and urges Pipeline Users to consider how changes to their own internal processes may improve interaction with iGTs and reduce cost to the end customer.

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